

INTERNAL AUDIT

Description

Internal Audit assists the County Manager and the Board of Supervisors by providing objective analyses, recommendations, advice and comments concerning those areas reviewed to ensure an appropriate level of control at a reasonable cost. To be effective, Internal Audit must maintain independence, and therefore reports directly to the County Manager and the County’s Audit Committee. The focus of Internal Audit is on General Government, as Education has a separate internal audit function.

Internal Audit evaluates the adequacy and effectiveness of County agencies’ internal controls and examines the quality of performance of their operations for improvement of accountability within the General Government. Assessing quality of performance includes appraising the reliability and integrity of financial and operating information and the means to process data; evaluating the sufficiency of compliance with significant plans, policies, procedures, laws, and regulations; ascertaining the adequacy of controls for safeguarding General Government assets and, as appropriate, verifying asset existence; and examining efficient use of General Government resources and program accomplishments.

- Follow up on prior internal audits to determine that agreed-upon management action plans have been effectively implemented to address the risks identified during the audits.
- Assist with the County’s annual external audit.
- Advise County management and the County’s Audit Committee on potential improvements in operations and results through technical assistance.
- Perform requested special audits and follow up on issues raised through the fraud reporting mechanisms and recommend corrective action as required.
- Administer office activities for continuous professional education, training, and skills development, ensuring excellent quality and adherence to independent auditing with integrity.

Objectives

- Perform an annual risk assessment, identify areas of risk for audit, and conduct internal audits to evaluate controls, recommend workable improvements, and note commendable practices that can be shared with other agencies.

Budget Highlights

The auditing environment has become increasingly complex and challenging as the County and its agencies implement additional technology and as regulations and accounting requirements are continuously changing. To meet these challenges and provide quality audit results, Internal Audit uses

Annual Fiscal Plan

<u>Description</u>	<u>FY16 Actual</u>	<u>FY17 Original</u>	<u>FY18 Proposed</u>	<u>Change 17 to 18</u>
Personnel	\$ 418,920	\$ 417,067	\$ 428,136	2.7%
Operation	11,432	14,579	14,579	0.0%
Capital	0	0	0	0.0%
Total	<u>\$ 430,352</u>	<u>\$ 431,646</u>	<u>\$ 442,715</u>	<u>2.6%</u>
 Personnel Complement	 4	 4	 4	 0

Internal Audit (cont'd)

Performance Measures				
	FY16	FY17	FY18	Change 17 to 18
Workload Measures				
Audit Projects: Audits, Follow Ups, Consults	26	26	26	0
Efficiency Measures				
General Gov't budget/audit position (mil)	\$ 151	\$ 151	\$ 151	0
General Gov't employees/audit position	984	984	984	0

enhanced auditing software in all of its audits to better examine activity in a cost-effective manner. The department pays annual software licensing costs to maintain current versions and support for these tools. In addition, the department requires all staff to maintain professional certifications and provides annual continuing education to stay current with requirements, business risks, and the latest audit techniques. The software licensing costs as well as the continuing education costs are the two largest components of the operating budget for Internal Audit.

As the majority of the department's budget (97%) consists of personnel costs, service levels will continue at current levels on audits, special projects, and follow-ups. Internal Audit conducts an annual survey and finalizes a risk-based planning assessment to select and perform routine audits of the effectiveness of controls in a number of areas. The goal of the audit planning process is to select auditable areas of risk in each of the major operating segments each year – Administration, Community Services, Community Development, Community Operations, and Public Safety.

The fraud reporting webpage may generate additional special projects. Technical assistance will be

provided to agencies as requested. The department also assists the County's external auditors with the required annual financial and compliance audits to help control those costs.

Some of the internal audits conducted by the department in FY2016-17 included expenditures in the Department of General Services and the Drug Court Program; Planning's management of developer bonds and lines of credit use to guarantee satisfactory completion of projects; and payroll processing.

Internal Audit's budget of \$442,715 represents an increase of \$11,068 or 2.6 percent over the FY2016-17 approved budget. This increase is driven solely by the personnel component and reflects revised estimates for salary and benefit costs including a 2.5 percent salary increase. The operating component remained flat from the previous fiscal year.

Although the operating component remained flat from the previous year, funding of \$230 was reallocated from office supplies and \$200 was reallocated from books and subscriptions to the computer software and dues and association memberships to cover increasing software licensing costs and rising professional association costs.



**Department Operating Budget
Henrico County, Virginia
FY2017-18
INTERNAL AUDITING**

Account Description	Prior Year Actual	Approved Budget	Proposed Budget	Dollar Inc/Dec	Percent Inc/Dec
50100 Full-Time Salaries and Wages - Regular	315,144	337,059	332,689	-4,370	-1.3%
50107 27th Pay Adjustment	0	-14,876	0	14,876	100.0%
50109 Vacancy Savings	0	-7,925	-7,920	5	0.1%
50110 FICA	23,299	25,519	25,107	-412	-1.6%
50111 Retirement VRS	47,751	43,851	43,283	-568	-1.3%
50112 Hospital/Medical Plans	28,978	28,956	30,552	1,596	5.5%
50113 Group Insurance - Life (VRS)	3,748	4,483	4,425	-58	-1.3%
50211 Maintenance Service Contracts	278	332	332	0	0.0%
50240 Printing and Binding	0	50	50	0	0.0%
50310 Automotive/Motor Pool	0	55	55	0	0.0%
50410 Postal Services	0	50	50	0	0.0%
50412 Telecommunications	1,468	1,550	1,550	0	0.0%
50430 Mileage	0	50	50	0	0.0%
50431 Education and Training	3,826	4,540	4,540	0	0.0%
50450 Dues And Association Memberships	2,575	2,600	2,650	50	1.9%
50500 Office Supplies	337	1,132	902	-230	-20.3%
50512 Books and Subscriptions	367	900	700	-200	-22.2%
50514 Other Operating Supplies	81	200	200	0	0.0%
50521 Computer Software	2,500	3,120	3,500	380	12.2%
Total Department	430,352	431,646	442,715	11,069	2.6%