

# INTERNAL AUDIT

## DESCRIPTION

Internal Audit assists the County Manager, Superintendent of Schools, the Board of Supervisors, and the School Board by providing objective analyses, recommendations, advice, and comments concerning 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 and Schools’ Audit Committees.

Internal Audit evaluates the adequacy and effectiveness of internal controls within County agencies and School operating divisions and examines the quality of performance of their operations for improvement of accountability. Assessing quality of performance includes (1) evaluating the reliability and integrity of financial and operating information and the means to process data; (2) evaluating the sufficiency of compliance with significant plans, policies, procedures, laws and regulations; (3) ascertaining the adequacy of controls for achieving objectives including safeguarding assets and, as appropriate, verifying asset existence; and (4) examining efficient use of resources and program accomplishments.

## OBJECTIVES

- Perform an annual risk assessment, identify areas of risk for audit, conduct planned internal audits to evaluate controls, recommend workable improvements, and note commendable practices that can be shared with other agencies.
- 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 and help facilitate the external audit of the Schools’ activity funds.

## FISCAL YEAR 2023 SUMMARY

### Annual Fiscal Plan

Description	FY21	FY22	FY23	Change
	Actual	Original	Proposed	22 to 23
Personnel	\$ 503,150	\$ 638,171	\$ 683,439	7.1%
Operation	13,148	24,452	25,552	4.5%
Capital	0	0	0	0.0%
Total	<u>\$ 516,298</u>	<u>\$ 662,623</u>	<u>\$ 708,991</u>	<u>7.0%</u>
Personnel Complement	6	6	6	0

## Internal Audit

### PERFORMANCE MEASURES

	<u>FY21</u>	<u>FY22</u>	<u>FY23</u>	<u>Change 22 to 23</u>
<b>Workload Measures</b>				
Financial/Performance Audits and Projects	11	15	15	0
Non-Audit Projects: Follow-ups, Consults, Special Requests	10	8	8	0
% Audit Recommendations agreed to by Mgmt	1	1	1	0
# Management Plans Added for Audit Recommendations	61	50	50	0
External Audit Assistance Testing Areas	14	17	17	0
Hotline Concerns Handled	21	15	15	0
<b>Efficiency Measures</b>				
% Staff with Professional Certifications and/or Advanced Degrees	100%	100%	100%	0
% Staff Meeting Continuing Professional Education Requirements	100%	100%	100%	0

### OBJECTIVES (CONTINUED)

- Advise county and School management, and the county's and School's Audit Committees 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.

### BUDGET HIGHLIGHTS

Internal Audit's budget of \$708,991 represents an increase of \$46,368 or 7.0% over the FY22 approved budget. The increase is driven largely by the personnel component and reflects the rising costs of retirement, healthcare benefits, and a merit-based salary increase. The operating component increased by \$1,100, or 4.5% to account for increased software expenses. As the majority of the department's budget (96.4%) consists of personnel costs, service levels are expected to increase in FY23 on General Government and Schools audits, special projects, and follow ups as open positions are filled.

### DEPARTMENT HIGHLIGHTS

FY22 was Internal Audit's third year of operation as a consolidated Internal Audit function for both the General Government and Schools. The consolidation has allowed both entities to leverage resources, audit skillsets, and minimize redundancy.

The ongoing COVID-19 pandemic continued to present challenges and resulted in the department further exploring new ways to use technology to provide audit services remotely while still engaging with departments and maintaining audit quality. The department continued to provide feedback to agencies on their changing processes and control practices as they adapted to new ways of doing business. In this different operating environment,

### *Internal Audit*

Internal Audit successfully conducted projects during FY22 that include, but are not limited to, the review of receipts and/or expenditures in Mental Health & Developmental Services, Planning, the Office of the Clerk of the Circuit Court, the Cobbs Creek Reservoir project, select construction projects; and department audits related to turnover of key personnel in some General Government agencies and at various schools.

Internal Audit conducts annual surveys and finalizes risk-based planning assessments 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 the major General Government operating segments and School locations and operating divisions each year. The department manages the County's webpage and telephone hotline which allow citizens and employees to report concerns of potential government fraud, waste, and abuse. These resources may generate additional special projects in the form of investigations or evaluations of controls to sufficiently respond to any reported concerns. Technical assistance is and will continue to be provided to County agencies and School divisions as requested. The department helps to facilitate the external audit of the Schools' student activity funds. The department also assists the County's external auditors with the required annual financial and compliance audits to help control those related costs.

The auditing environment has become increasingly complex and challenging as the County, its agencies, and the School system implement additional technology and as regulations and accounting requirements are continuously changing. To meet these challenges and provide quality audit results, Internal Audit uses automated audit documentation and data analysis software in all its audits to better examine activity in a cost-effective manner. The department pays annual software licensing costs to maintain current versions and vendor support for these tools. In addition, the staff maintain a variety of professional certifications and the department provides for annual continuing education to stay current with requirements, potential 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.



**Department Operating Budget  
Henrico County, Virginia  
FY2022-23  
INTERNAL AUDITING**

Account Description	Prior Year Actual	Approved Budget	Proposed Budget	Dollar Inc/Dec	Percent Inc/Dec
50100 Full-Time Salaries and Wages - Regular	384,756	483,497	509,567	26,070	5.4%
50108 Hybrid Disability Prgm (Prev Wage Adj)	0	706	740	34	4.8%
50109 Vacancy Savings	0	-16,928	-18,318	-1,390	-8.2%
50110 FICA	28,683	36,439	38,693	2,254	6.2%
50111 Retirement VRS	51,797	67,690	84,231	16,541	24.4%
50112 Hospital/Medical Plans	33,127	60,096	61,392	1,296	2.2%
50113 Group Insurance - Life (VRS)	4,787	6,671	7,134	463	6.9%
50220 Lease/Rent Of Equipment	0	1,100	1,100	0	0.0%
50240 Printing and Binding	0	50	50	0	0.0%
50410 Postal Services	0	50	50	0	0.0%
50412 Telecommunications	1,680	1,859	1,750	-109	-5.9%
50430 Mileage	0	50	50	0	0.0%
50431 Education and Training	2,757	8,675	8,675	0	0.0%
50450 Dues And Association Memberships	2,905	3,988	3,988	0	0.0%
50500 Office Supplies	356	1,300	1,300	0	0.0%
50512 Books and Subscriptions	93	1,430	1,239	-191	-13.4%
50514 Other Operating Supplies	0	200	200	0	0.0%
50521 Computer Software	5,357	5,750	7,150	1,400	24.3%
<b>Total Department</b>	<b>516,298</b>	<b>662,623</b>	<b>708,991</b>	<b>46,368</b>	<b>7.0%</b>