

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 County agencies and divisions within Schools.
- 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 2024 SUMMARY

Annual Fiscal Plan

Description	FY22	FY23	FY24	Change
	Actual	Original	Proposed	23 to 24
Personnel	\$ 521,780	\$ 683,439	\$ 736,437	7.8%
Operation	18,423	25,552	27,053	5.9%
Capital	0	0	0	0.0%
Total	<u>\$ 540,203</u>	<u>\$ 708,991</u>	<u>\$ 763,490</u>	<u>7.7%</u>
Personnel Complement	6	6	6	0

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PERFORMANCE MEASURES

	FY22	FY23	FY24	Change 23 to 24
Workload Measures				
Financial/Performance Audits and Projects	17	15	15	0
Non-Audit Projects: Follow-ups, Consults, Special Requests	10	8	8	0
% Audit Recommendations agreed to by Mgmt	100	100	100	0
# Management Plans Added for Audit Recommendations	84	50	50	0
External Audit Assistance Testing Areas	17	16	16	0
Hotline Concerns Handled	21	25	25	0
Quality Measures				
% Staff with Professional Certifications and/or Advanced Degrees	60%	60%	80%	20
% 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 \$763,490 represents an increase of \$54,499 or 7.7% over the FY23 approved budget. The increase is driven primarily by the personnel component, which increased by \$52,998, or 7.8%, and accounts for rising employee salary, healthcare, and benefit costs. The operating component of the budget was increased by \$1,501 to account for rising software contract costs. As the majority of the department's budget (96.5%) consists of personnel costs, service levels are expected to remain consistent in FY24 on General Government and Schools audits, special projects and follow ups.

DEPARTMENT HIGHLIGHTS

With a consolidated Internal Audit function for both the General Government and Schools, both entities are able to leverage audit resources, audit skillsets, standardize processes and tools, and minimize redundancy.

Internal Audit continued exploring new ways to use technology to provide efficient audit services, streamline internal administrative processes, and foster greater collaboration based on the County's learnings and experiences during the pandemic. The department continued to provide feedback to agencies on their continually evolving processes and control practices. Internal Audit successfully conducted projects during FY23 that include, but are not limited to,

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audits of Finance's administration of the County's purchasing card program, the Cobbs Creek Reservoir project, select construction projects, and department audits related to turnover of key personnel in some General Government agencies such as Recreation & Parks 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 that 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 and/or pursue 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
FY2023-24
INTERNAL AUDITING**

Account Description	Prior Year Actual	Approved Budget	Proposed Budget	Dollar Inc/Dec	Percent Inc/Dec
50100 Full-Time Salaries and Wages - Regular	393,126	509,567	550,336	40,769	8.0%
50108 Hybrid Disability Prgm (Prev Wage Adj)	0	740	371	-369	-49.9%
50109 Vacancy Savings	0	-18,318	-19,363	-1,045	-5.7%
50110 FICA	29,270	38,693	41,547	2,854	7.4%
50111 Retirement VRS	57,002	84,231	91,329	7,098	8.4%
50112 Hospital/Medical Plans	37,079	61,392	64,482	3,090	5.0%
50113 Group Insurance - Life (VRS)	5,303	7,134	7,735	601	8.4%
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	2	50	50	0	0.0%
50412 Telecommunications	1,675	1,750	1,750	0	0.0%
50430 Mileage	0	50	50	0	0.0%
50431 Education and Training	4,053	8,675	8,675	0	0.0%
50450 Dues And Association Memberships	2,831	3,988	3,988	0	0.0%
50500 Office Supplies	702	1,300	1,300	0	0.0%
50512 Books and Subscriptions	99	1,239	1,140	-99	-8.0%
50514 Other Operating Supplies	113	200	200	0	0.0%
50521 Computer Software	8,948	7,150	8,750	1,600	22.4%
Total Department	540,203	708,991	763,490	54,499	7.7%