

Internal Audit Annual Opinion Report 2022/23

Head of Internal Audit's Annual Opinion 2022/23



Effective	Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met.
Reasonable	Some specific control weaknesses were noted and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Limited	Evaluated controls are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
Ineffective	Evaluated controls are not adequate, appropriate, or effective. Internal Audit cannot provide reasonable assurance that risks are being managed.





This report is the Head of Internal Audit's annual statement on the adequacy and effectiveness of the systems of governance, risk management and internal control within East Suffolk Council for the year ended 31 March 2023.

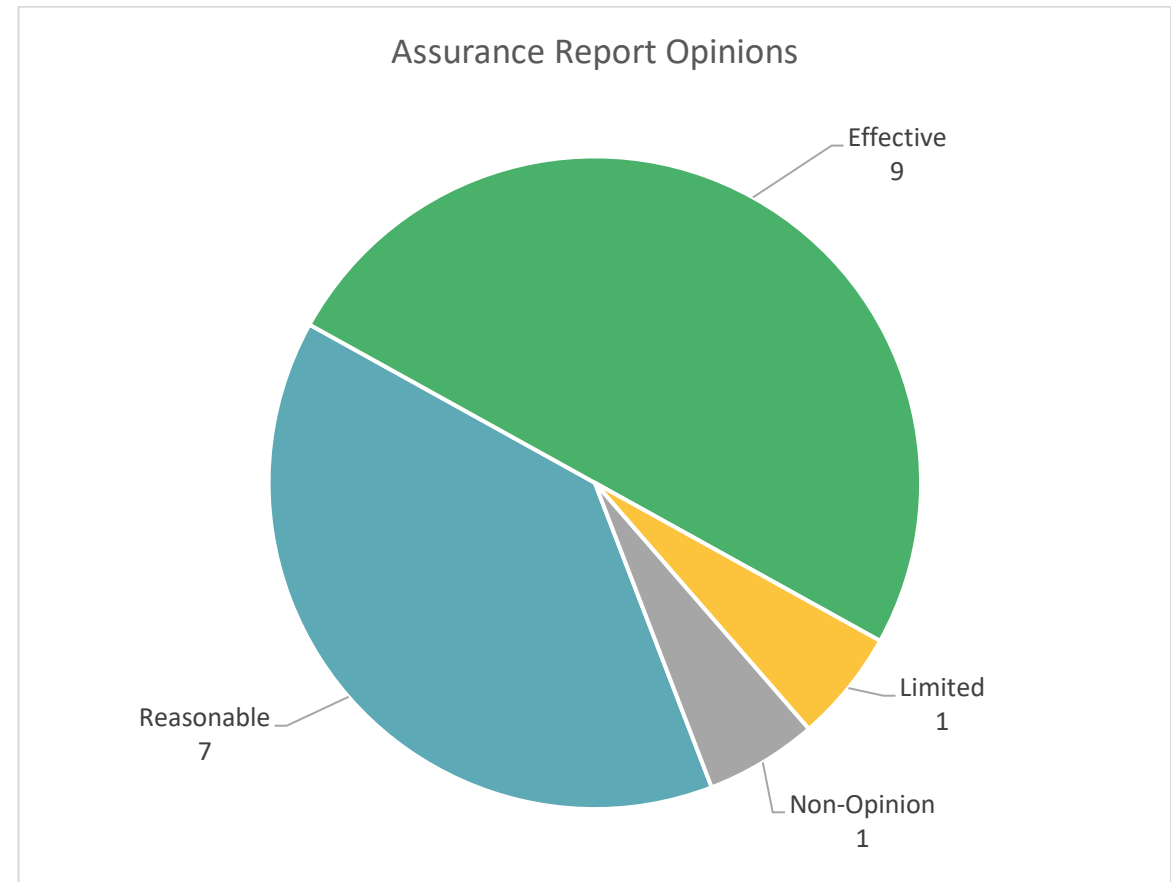
It is my opinion that **reasonable assurance** can be placed upon the systems in place that ensure risks are being managed and objectives should be met.

In giving the audit opinion it should be noted that assurance can never be absolute, and the opinion is professional judgement based on the results of a number of individual engagements and other activities for the specific time interval. The most that can be provided is a reasonable assurance that objectives and goals may be achieved.

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Siobhan Martin
Head of Internal Audit

Summary of Internal Audit Activity 2022/23 “At a Glance”

	<p>27 audit activities finalised</p> <ul style="list-style-type: none"> • 18 Assurance Reports issued • 9 Consulting activities completed
	<p>7 Grant declarations issued to other organisations</p>
	<p>39 New Actions Raised</p>
	<p>Conforms with the Public Sector Internal Audit Standards</p>



Audits Forming the Basis of the Annual Opinion

Role of Internal Audit and Added Value

The primary role of Internal Audit is the provision of assurance services. To support this the Head of Internal Audit provides an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Internal Audit, in line with the requirements set out in the national Public Sector Internal Audit Standards (PSIAS), evaluates and contributes to the improvement of the organisation's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. The PSIAS outline each of these three elements as follows:

Governance	Risk Management	Control
<ul style="list-style-type: none"> making strategic and operational decisions overseeing risk management and control promoting appropriate ethics and values within the organisation ensuring effective organisational performance management and accountability communicating risk and control information to appropriate areas of the organisation, and coordinating the activities of and communicating information among the board, external and internal auditors other assurance providers and management. 	<ul style="list-style-type: none"> organisational objectives support and align with the organisation's mission significant risks are identified and assessed appropriate risk responses are selected that align risks with the organisation's risk appetite, and relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities. 	<ul style="list-style-type: none"> achievement of the organisation's strategic objectives reliability and integrity of financial and operational information effectiveness and efficiency of operations and programmes safeguarding of assets, and compliance with laws, regulations, policies, procedures and contracts.

It is a core expectation that Internal Audit adds value to the Council through the provision of objective and relevant assurance, and contribution to the effectiveness and efficiency of governance, risk management and control processes. Internal audit reviews are therefore designed to focus on one or more of the areas above, assess the records and evidence available, and use sufficient, reliable, relevant and useful information to provide an assurance opinion and/or recommendations for improvement. The value of internal audit is the reassurance that stakeholders can be confident in the Council's activities, and the role of catalyst for evidence-based improvements and strengthening of controls and governance.

Audits Forming the Basis of the Annual Opinion

Risk Management and Internal Audit

Risk Management is a core aspect supporting organisational governance, and every audit considers whether risks to the Council’s objectives have been either identified or managed correctly. Internal Audit undertakes an annual risk review as part of its annual planning process and where possible and appropriate may use the Council’s risk registers to identify risks for review. However, Internal Audit is duty-bound to recognise that failures in risk identification would result in gaps within a risk register and therefore the Corporate Risk Register contributes, but is not absolute, in directing Internal Audit assurance on risk management.

Where internal audit is providing assurance on areas that link to a risk identified by Management these are considered at the audit planning stage. Details of relevant corporate or theme risks have been noted in the below section listing all audits completed during 2022/23. These are risks that have been identified and are actively monitored by Management prior to the internal audit review, where the audit opinion contributes to assurance on risk management arrangements.

Performance

The primary performance output of the Internal Audit Service is delivery of the annual risk-based plan, which forms the basis of the annual audit opinion. The 2022/23 annual audit plan was revised and agreed by the Audit and Governance Committee in December 2022, and provides the necessary coverage to deliver the Annual Audit Opinion.

At the time of reporting 18 audits have been completed, with four additional audits in the process of being reported and five deferrals. Audits currently being finalised will contribute to the 2023/24 annual audit opinion. Audits that have been deferred due to service or operational needs will be reassessed and considered for inclusion in the 2023/24 dynamic risk-based annual audit plan.

2022/23 Audits in Progress, to be reported in 2023/24	
Taxi Licensing	Reporting – Reasonable (DRAFT Opinion)
Port Health Fee Setting and Budget Control	Reporting – Limited (DRAFT Opinion)
Towns Fund Governance	In Progress
Housing Compliance (Gas, Electrical etc.)	In Progress

2022/23 Deferrals
Grant Funding
Housing Repair and Maintenance (Planned Building Work)
Gifts and Hospitality / Declarations of Interest
Contracts and Contract Management

The Head of Internal Audit has not received any formal reports or been advised of internal frauds or Whistleblowing cases during 2022/23.

Audits Forming the Basis of the Annual Opinion

Audits with a Formal Opinion and Issued Report

The below table sets out all formal reports issued during 2022/23. Definitions are provided in Annex 1 of this document.

Service Area	Audit	Corporate and Theme Risks	Opinion	No of Agreed Actions
Corporate Services	Payroll (system migration) 2022/23	<p>CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding</p> <p>Theme Risk – Failure to deliver digital transformational services</p> <p>Theme Risk - Failure to effectively manage the impact of supply chain issues on digital solutions and equipment</p>	Reasonable	<p>2 Observations</p> <p>[Observations are made where lessons can be learnt but no immediate action required]</p>
Communities	Safeguarding 2022/23	<p>CORPORATE: Safeguarding - Failure to protect the most vulnerable in our communities and ensure they receive appropriate help from the relevant authorities/ organisations when safeguarding concerns are identified.</p>	Reasonable	6
Finance	Budgetary Control 2022/23	<p>CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding</p> <p>CORPORATE: Risk to effectively manage and control the Council's finances due to ongoing and uncertain significant increases in inflation rates</p> <p>Theme Risk - Failure to have the right skills to meet financial challenges and ensure efficient use of Council's finances</p>	Effective	1

Audits Forming the Basis of the Annual Opinion

Service Area	Audit	Corporate and Theme Risks	Opinion	No of Agreed Actions
	Key Financial Controls 2022/23	CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding	Effective	0
	SCC COVID-19 Grant Support (Certification) 2022/23	Grant Certification	Effective	0
	COVID 19 – Test and Trace Self Isolation Certification 2022/23 (covering the 2020/21 and 2021/22 FY)	Grant Certification	Reasonable	1
	COMF Certification (31/5518) Certification 2022/23	Grant Certification	Effective	0
Finance (ARP)	Business Rates (NNDR) 2022/23	CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding CORPORATE: Frontline services not delivered if significant delivery contracts/ partnerships fail	Reasonable	3
	Recovery of Council Tax and Housing Benefit Overpayments 2022/23 (Completed in partnership with West Suffolk Council)	CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding CORPORATE: Frontline services not delivered if significant delivery contracts/ partnerships fail	Reasonable	5
	Council Tax Billing, Housing Benefit and LCTRS 2022/23 (Completed in partnership with West Suffolk Council)	CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding CORPORATE: Frontline services not delivered if significant delivery contracts/ partnerships fail	Reasonable	11

Audits Forming the Basis of the Annual Opinion

Service Area	Audit	Corporate and Theme Risks	Opinion	No of Agreed Actions
	Bailiff Services 2022/23 (Completed in partnership with Fenland District Council)	CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding CORPORATE: Frontline services not delivered if significant delivery contracts/ partnerships fail	Effective	0
Environmental Services & Port Health	Port Health Income Collection 2022/23	CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding CORPORATE: Failure to deliver import checks required in new target operating model (TOM)	Reasonable	5
Housing	Disabled Facilities Grant (Governance) Home Improvement Agency 2022/23	No Corporate or Theme Risk Recorded Risk identified prior to audit relating to the continuation of service provision after the previously outsourced function was brought in house.	Effective	0
	Disabled Facilities Grant (Certification) 2022/23	CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding Grant Certification	Effective	0
	Homelessness Prevention Grant (Uplift) certification 2022/23	Grant Certification	Non-Opinion	0
	Homelessness Prevention Grant Initial Funding Allocation for 2021/22 (31/5546) Certification 2022/23	Grant Certification	Effective	0

Audits Forming the Basis of the Annual Opinion

Service Area	Audit	Corporate and Theme Risks	Opinion	No of Agreed Actions
Operations	Commercial Rents (Income) 2022/23	CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding	Limited	7
Planning and Coastal Management	Biodiversity Net Gain Grant 2022/23 Certification	Grant Certification	Effective	0

Consultancy undertaken where no Formal Report or Opinion has been required

The below table sets out all audit support and activities where no formal report or audit opinion has been required. The definition of Audit Consultancy is provided in Annex 1. Although these audits have no formal individual opinion, the observations and results of the work undertaken inform the overall annual audit opinion.

Service Area	Audit	Corporate Risk	Summary of Work
Corporate and Cross-Cutting	Strategic and Commercial Partnerships	CORPORATE: Failure to successfully implement, exploit development and business opportunities by creating LATCOs	Externally commissioned advice and guidance on LATCo Governance arrangements
	Local Authority Trading Company (LATCo) Hothouse 2022/23	CORPORATE: Failure to successfully implement, exploit development and business opportunities by creating LATCOs	Supporting the ESSL LATCo development process
Economic Regeneration and Development	UK Shared Prosperity Fund - Advice on Fraud Risk and Scheme Assurance 2022/23	Theme Risk - Reduction in business support delivery as a result of reduced grant funding	Provision of consultancy support on assurance and fraud risk during scheme implementation phase
Finance	Covid-19 Business Grants Post Payment Assurance (Restart and ARG Schemes)	CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding	Supporting the assurance requirements of the former government Department for Business, Energy and Industrial Strategy
	Covid-19 Business Grants Post Payment Assurance (OHL Scheme)	CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding	Supporting the assurance requirements of the former government Department for Business, Energy and Industrial Strategy

Audits Forming the Basis of the Annual Opinion

Service Area	Audit	Corporate Risk	Summary of Work
Fraud	Corporate Fraud Support	No Corporate or Theme Risk Recorded	Supporting the work of the Corporate Fraud Service in fraud risk assessment and fraud risk assurance
	NFI – Upload	Protecting against fraud risk is a pillar of good corporate governance and protecting the public purse.	Data collection coordination and submission to the National Fraud Initiative run by the Cabinet Office
	NFI – Matches		Review of potential matches and pre-investigation enquiries for the identification of fraud through data matching exercises with the Cabinet Office.
Environmental	Port Health PRS Project Due Diligence	No Corporate or Theme Risk Recorded Project Risks recorded separately	Attendance at Project Board meetings for due diligence for the Philis Replacement System

Conformance with Public Sector Internal Audit Standards and the Quality Assurance and Improvement Plan

Quality Assurance and Improvement Programme

The Internal Audit department has adopted a culture of continuing improvement in order to maintain and enhance its services. This aligns to the requirements of the Public Sector Internal Audit Standards (PSIAS) and comprises the following elements:

Internal Quality Processes	<p>Routine activity of the Internal Audit function is designed to ensure internal quality standards are maintained and includes:</p> <ul style="list-style-type: none"> • Maintenance of policies and procedures at operational and strategic levels • Training and professional development support • Allocation of work to audit staff with the appropriate skills and competencies • Audit staff supervision by senior members of the team • Peer and management review of internal audit work • Individual self-assessment reviews of audit work • Stakeholder feedback • Periodic formal internal quality assessment • Informal and ad-hoc progress monitoring • Open invitation to all audit staff to make quality improvement proposals • Formal quarterly progress monitoring and quality improvement review
Internal Quality Assessment	<p>A formal internal self-assessment of the internal audit function is undertaken annually. This was completed using CIPFA guidance as its basis in December 2022 and confirmed that the Internal Audit service conforms to the PSIAS. One action was identified and incorporated into the Improvement Plan:</p> <ul style="list-style-type: none"> • <i>Std 2110.A2: The internal audit activity must assess whether the information technology governance of the organisation supports the organisation's strategies and objectives.</i> <p>At present the position of ICT Principal Auditor remains open. Recruitment is planned for Q1/Q2 of 2023/24</p>
Improvement Plan	<p>The Internal Audit Improvement Plan records internal improvements planned and delivered each year. During 2022/23 these were primarily sourced from quality assessments, informal quality improvement proposals, and auditee feedback.</p> <p>Fourteen actions were active during 2022/23, of which eight have been closed and six carried forward into 2023/24.</p>

Conformance with Public Sector Internal Audit Standards and the Quality Assurance and Improvement Plan

External Quality Assessment

An EQA is required every five years. The last EQA was completed in 2019/20 and confirmed the Internal Audit service conforms to the Public Sector Internal Audit Standards. The next EQA is planned for 2024/25.

Conformance with the Public Sector Internal Audit Standards

The Public Sector Internal Audit Standards (PSIAS) are the national guidelines issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) applicable to all internal audit providers within local government. The PSIAS set core definitions and requirements for the provision of internal audit, including the requirement for the Head of Internal Audit to formally report on compliance to the Audit and Governance Committee.

During 2022/23 all audit activity undertaken by East Suffolk Council internal audit was conducted in conformance with the Public Sector Internal Audit Standards.

Annex 1: Audit Definitions

Public Sector Internal Audit Standards Definitions of the Nature of Audit Work

Assurance An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.

Consultancy Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training

Assurance Opinions		
East Suffolk Council Definitions		Equivalent Anglia Revenues Partnership Definitions
Effective	Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met.	Good / Substantial: System control objectives are achieved with no significant (medium risk) or fundamental (high risk) control issues or risks raised.
Reasonable	Some specific control weaknesses were noted and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.	Adequate / Reasonable: In general, system control objectives are achieved. A number of significant (medium risk) control issues and risks have been raised.
Limited	Evaluated controls are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.	Limited: System control objectives are only partially achieved. Fundamental (high risk) and/or significant (medium risk) control issues and risks have been raised.
Ineffective	Evaluated controls are not adequate, appropriate, or effective. Internal Audit cannot provide reasonable assurance that risks are being managed.	No Assurance: System control objectives are not achieved. Fundamental (high risk) and significant control issues and risks have been raised.

Annex 1: Audit Definitions

Actions	
East Suffolk Council Audit Definitions	Equivalent Anglia Revenues Partnership (ARP) Definitions
<p>Priority 1 Findings indicate a significant control weakness that could mean objectives fundamental to the operation of the service may not be met. Urgent attention is required from strategic management.</p>	<p>HIGH A fundamental control process, or statutory obligation, creating the risk that significant fraud, error or malpractice could go undetected. It is expected that correction action to resolve these will be commenced immediately</p>
<p>Priority 2 Findings indicate an important control weakness could mean that objectives central to the operation of the service may not be met. Prompt management attention is required</p>	
<p>Priority 3 Findings indicate a control weakness that could mean service objectives may not be met. Management attention is required.</p>	<p>MEDIUM A control process that contributes towards providing an adequate system of internal control. It is expected that correct action to resolve these will be implemented within three to six months.</p>
<p>Priority 4 Findings indicate a minor control weakness that, although not essential to an effective control framework, would benefit from low-cost improvements. Any Priority 4 issues identified during the course of an audit have been reported to the relevant Service team prior to the issue of the final report and are available from the Internal Audit team upon request.</p>	<p>LOW These issues would contribute towards improving the system under review. These are classed as verbal points and are raised at draft report discussion but not included in the final report.</p>