

# Internal Audit Annual Opinion Report 2023/24

## Head of Internal Audit's Annual Opinion 2023/4



<b>Effective</b>	Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met.
<b>Reasonable</b>	<b>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.</b>
<b>Limited</b>	Evaluated controls are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Ineffective</b>	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 2024.





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.

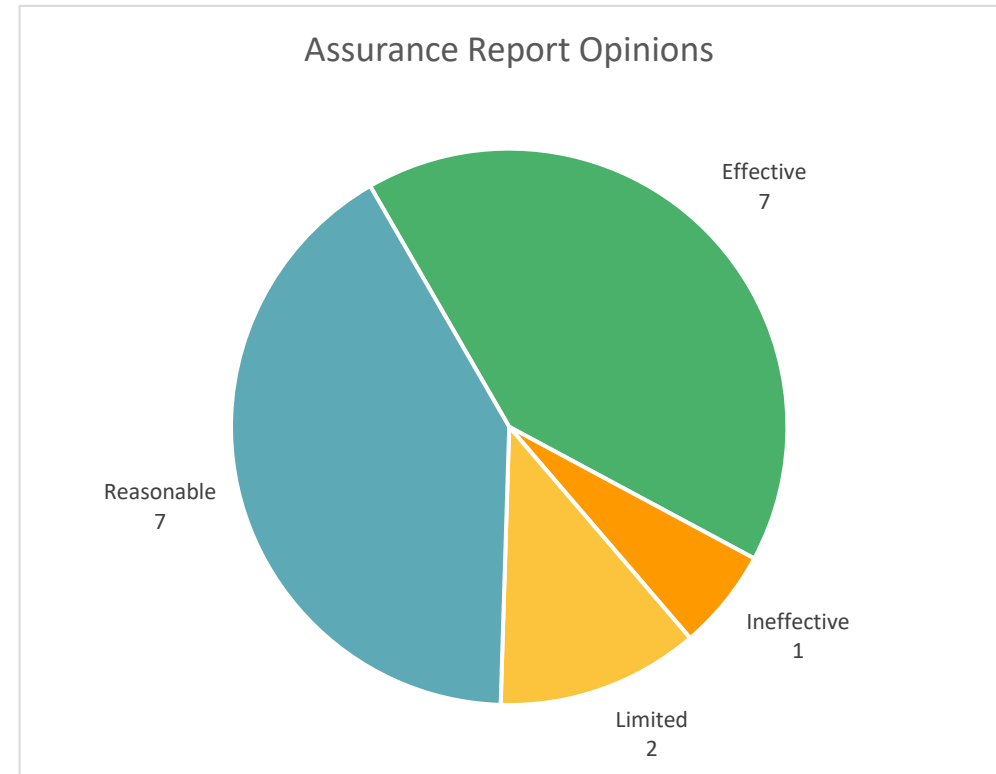
The audit opinion is based on a systematic evaluation and analysis of observed procedures and activities in place within the Council, using professional judgement across the results of a number of individual engagements and other activities for the specific time interval. The annual opinion is based on the risks and evidence known to the Head of Internal Audit in May 2024.

A handwritten signature in black ink, appearing to read "Siobhan Martin".

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Siobhan Martin  
Head of Internal Audit

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

	<p><b>21</b> audit activities finalised</p> <ul style="list-style-type: none"> <li>• <b>17</b> Assurance Reports issued</li> <li>• <b>4</b> Consulting activities completed</li> </ul>
	<p><b>4</b> Grant declarations issued to other organisations</p>
	<p><b>56</b> New Actions Raised</p>
	<p>Conforms with the Public Sector Internal Audit Standards in all critical areas</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"> <li>• making strategic and operational decisions</li> <li>• overseeing risk management and control</li> <li>• promoting appropriate ethics and values within the organisation</li> <li>• ensuring effective organisational performance management and accountability</li> <li>• communicating risk and control information to appropriate areas of the organisation, and</li> <li>• coordinating the activities of and communicating information among the board, external and internal auditors other assurance providers and management.</li> </ul>	<ul style="list-style-type: none"> <li>• organisational objectives support and align with the organisation’s mission</li> <li>• significant risks are identified and assessed</li> <li>• appropriate risk responses are selected that align risks with the organisation’s risk appetite, and</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• achievement of the organisation’s strategic objectives</li> <li>• reliability and integrity of financial and operational information</li> <li>• effectiveness and efficiency of operations and programmes</li> <li>• safeguarding of assets, and</li> <li>• compliance with laws, regulations, policies, procedures and contracts.</li> </ul>

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 2023/24. 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.

The Council’s Corporate Leadership Team (CLT) retain direct responsibility for establishing and managing all governance, risk management and internal control systems. Internal Audit does not have responsibility for services that are the responsibility of CLT or provide a substitute for effective risk management. Instead, internal audit assists CLT by examining and evaluating the systems in place, and plan our work to provide a reasonable expectation of detecting significant weaknesses or deficiencies.

### 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 2023/24 annual audit plan was revised and agreed by the Audit and Governance Committee in December 2023, and provides the necessary coverage to deliver the Annual Audit Opinion.

At the time of reporting 17 audits have been completed, with two additional audits in the process of being reported, four in progress due to accommodating externally-generated priorities and consequential reduction in internal capacity in the relevant service area, and four deferrals. Audits currently being finalised will contribute to the 2024/25 annual audit opinion. Audits that have been deferred due to service or operational needs will be reassessed and considered for inclusion in the 2024/25 dynamic risk-based annual audit plan.

2023/24 Audits in Progress, to be reported in 2024/25	
LATCo Governance	Reporting – Reasonable (DRAFT Opinion)
Accounts Receivable	Reporting – Reasonable (DRAFT Opinion)
Accounts Payable	In Progress
Payroll Key Controls	In Progress
Main Accounting (Core Banking)	In Progress
Main Accounting (Key Systems)	In Progress

2023/24 Deferrals
Housing Compliance (Gas, Electrical etc.)
HRA CORE Reporting
HRA Housing Rents
Planning Enforcement Follow Up

## 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 the financial year. Definitions are provided in Annex 1 of this document. The Corporate Risk is the overall corporate risk identified as relevant to the audit at the preliminary risk assessment stage, and is given to highlight how the audit linked to corporate risk management.

Service Area	Audit	Corporate and Theme Risks	Opinion	No of Agreed Actions
Corporate Services	Contract Waivers 2023/24	CORPORATE: Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget due to uncertainty over Government funding.  Service level (Governance): Failure to implement the procurement strategy 2022-25	Reasonable	3
Economic Development and Regeneration	Towns Fund Governance 2022/23 (report issued in 2023/24)	Theme (Economy): Failure to adequately resource and deliver priorities identified in the Economy Theme, including delivery of largescale projects	Reasonable	3
	Changing Places Fund Certification 2023/24	Grant Certification	Effective	0
Finance	Write Offs 2023/24	CORPORATE: A sustainable Medium Term Financial Strategy (MTFS) for the General Fund, Housing Revenue Account (HRA) and the Capital Programme  Theme (T03 – Financial Sustainability): Failure to have the right skills to meet financial challenges and ensure efficient use of Council’s finances.	Effective	1
	Capital Accounting Follow up 2023/24	CORPORATE: Failure to produce and deliver sustainable medium term financial strategy including delivery of a balanced annual budget.	Effective	0
	Energy Bills Support Council Tax Rebate relating to 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

## Audits Forming the Basis of the Annual Opinion

Service Area	Audit	Corporate and Theme Risks	Opinion	No of Agreed Actions
	SCC Covid-19 Grant Funding Certification relating to 2022/23	Grant Certification	Effective	0
	ESC COMF Certification relating to 2022/23 year (31/5518)	Grant Certification	Effective	0
Finance (ARP)	Business Rates (NDR) 2023/24	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 (Our Foundations): Frontline services not delivered if significant delivery contracts/ partnerships fail	Reasonable	4
	ARP Enforcement Agents (Bailiff Services) 2023/24	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 (Our Foundations): Frontline services not delivered if significant delivery contracts/ partnerships fail	Reasonable	8
	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 (Our Foundations): Frontline services not delivered if significant delivery contracts/ partnerships fail	Reasonable	0
	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 (Our Foundations): Frontline services not delivered if significant delivery contracts/ partnerships fail	Reasonable	9

## Audits Forming the Basis of the Annual Opinion

Service Area	Audit	Corporate and Theme Risks	Opinion	No of Agreed Actions
Environmental Services & Port Health	Port Health Fee Setting and Budget Control 2022/23 (report issued in 2023/24)	CORPORATE: Failure to manage the impact of EU Exit on services operated by Port Health due to uncertainty of changes in Government legislation.	Limited	4
Housing	Disabled Facilities Grant Certification relating to 2022/23	Grant Certification	Effective	0
Legal and Democratic Services	Taxi Licensing 2022/23 (report issued in 2023/24)	CORPORATE: Failure to promote and maintain ethical standards.	Reasonable	7
	Declarations of Interest, Gifts, and Hospitality 2023/24	CORPORATE: Loss of public confidence due to failure to adhere to member and officer code of conduct and promote and maintain Ethical Standards	Limited	4
Planning and Coastal Management	Coastal Partnership East Contracts Review	CORPORATE: A sustainable Medium Term Financial Strategy (MTFS) for the General Fund, Housing Revenue Account (HRA) and the Capital Programme	Ineffective	13

### 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	Flood Recovery Framework Support	CORPORATE: Inability to prevent incident management - flood risk due to flooding and tidal surges  Theme (Economy): Failure to adequately resource and deliver priorities identified in the Economy Theme, including delivery of largescale projects	Prepayment checks and counter-fraud support in the grant payment processes for domestic and business grants.



## Audits Forming the Basis of the Annual Opinion

Service Area	Audit	Corporate Risk	Summary of Work
	Freeport East Grant Funding	CORPORATE: Failure to effectively deliver the Accountable Body for Freeport East	Providing support to key teams supporting the Freeport East Ltd company on fraud risk and internal control. Note, Freeport East Ltd is a separate legal entity. East Suffolk Council has not been commissioned to and does not provide them with direct internal audit services.
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	Theme (Digital): PHILIS Project - failure to deliver the project	Attendance at Project Board meetings for due diligence for the Philis Replacement System
Housing	Refunding Housing Rents and Service Charges Support	CORPORATE: Housing Regulation - Breach of the Rent Standard and the 'Home' Consumer Standard	Attendance at meetings and advice on internal controls for processing refunds.

## 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:

<p>Internal Quality Processes</p>	<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"> <li>• Maintenance of policies and procedures at operational and strategic levels</li> <li>• Training and professional development support</li> <li>• Allocation of work to audit staff with the appropriate skills and competencies</li> <li>• Audit staff supervision by senior members of the team</li> <li>• Peer and management review of internal audit work</li> <li>• Individual self-assessment reviews of audit work</li> <li>• Stakeholder feedback</li> <li>• Periodic formal internal quality assessment</li> <li>• Informal and ad-hoc progress monitoring</li> <li>• Open invitation to all audit staff to make quality improvement proposals</li> <li>• Formal quarterly progress monitoring and quality improvement review</li> </ul>
<p>Internal Quality Assessment</p>	<p>A formal internal self-assessment of the internal audit function is undertaken annually. This was completed using CIPFA guidance as its basis in April 2024 and confirmed that the Internal Audit service conforms to the PSIAS. Two areas of partial compliances were identified:</p> <ul style="list-style-type: none"> <li>• <i>Std 2410.A3 When releasing engagement results to parties outside the organisation, the communication must include limitations on distribution and the use of results.</i> A letter of assurance relating to a grant certification was issued to Suffolk County Council without the usual text limiting distribution and use of the results.</li> <li>• <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> At present the position of Assistant Internal Audit Manager (ICT) remains open. Recruitment is planned for Q1/Q2 of 2024/25. This action was first identified during 2022/23 but due to reduced capacity at manager-level during 2023/24 the anticipated progress has been delayed. Reduced capacity within the service has also resulted in two additional “early warning” observations under Internal Audit Core Principles:</li> </ul>

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

- Resources: During 2023/24 the internal audit service has been under-resourced due to the combined impact of staff departures and staff absences in key roles that has meant delays in recruiting vacant posts. Recruitment will bring the team to its approved staffing levels of 8.0 FTE.
- Due to these resourcing challenges the improvement programme has been limited to delivering existing actions and minor technical enhancements.

### Improvement Plan

The Internal Audit Improvement Plan records internal improvements planned and delivered each year. During 2023/24 these were primarily sourced from quality assessments, informal quality improvement proposals, and auditee feedback.

Ten actions were active during 2023/24, of which five have been closed and four carried forward into 2024/25.

**One action has been closed without resolution** following discussion with the Monitoring Officer.

- *Std 1110 (Organisational Independence) Organisational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:*
  - ...
  - *approving decisions regarding the appointment and removal of the chief audit executive*
  - *approving the remuneration of the chief audit executive,*

The Monitoring Officer upon reviewing the Terms of Reference for Audit Committees at neighbouring Councils recommended that ESC's Audit and Governance Committee Terms of Reference not be updated to incorporate compliance with this Standard.

The Audit and Governance Committee is advised that this Standard has not been met during 2023/24 and will not be met during 2024/25. New public sector internal audit standards are expected to be implemented in 2025/26, and a new assessment will be completed at that time.

### 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 Public Sector Internal Audit Standards and the Quality Assurance and Improvement Plan**

### **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 2023/24 all audit activity undertaken by East Suffolk Council internal audit was conducted in conformance with the Public Sector Internal Audit Standards, with one minor exception identified during the internal quality assessment (Standard 2410.A3) and one recognised omission (Standard 1110).

## 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>