



Internal Audit Report

Key Financial Controls 2022/2023

Issued by the Head of Internal Audit, May 2023

Audit Assurance Opinion	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.

Distribution List	Accountable Officers:	Chief Finance Officer and S151 Officer, L Rogers
	For Information:	Chief Executive, C Bally Strategic Directors, K Blakemore, A Jarvis, N Khan Cabinet Member with responsibility for Resources, Cllr V Langdon-Morris Audit and Governance Committee Ernst & Young (External Auditor), M Russell

Adequacy of Individual Control Areas

Audit Scope by Control Area	Findings with a Potential Corporate Risk Level of:			Control Adequacy
	High	Medium	Low	
Feeder Systems	-	-	-	Effective
Control Account Reconciliations	-	-	-	Effective
Bank Reconciliations	-	-	-	Effective
Accounts Receivable Invoice Approval	-	-	-	Effective
Accounts Payable Invoice Approval	-	-	-	Effective
BACS Processing	-	-	-	Effective
OVERALL				Effective

1. Executive Summary

- 1.1 The Council has an ongoing strategic theme of Remaining Financially Sustainable. During 2022/23, there was significant financial activity and the Council's gross income totalled £112.4 million and gross expenditure totalled £185.5 million.
- 1.2 The objective of the audit was to evaluate the operation of controls within the Council's Main Financial System and assess their effectiveness in mitigating risks, and thus provide assurance that core processes to support financial record-keeping are adequate.
- 1.3 The overall assurance of **Effective** has been made on the basis of the control framework in place and supporting risk management. No high or medium level findings have been raised, however, low level advice regarding data quality has been provided to the service area.

2. Supporting Details

2.1 Links to Council Service Delivery

This review considered achievement of the organisation's strategic objectives and risks, specifically this audit contributes towards:

- Business Objective – To support the Council's financial stability and maintain a high standard of financial governance in accordance with the Council's Financial Procedure Rules.
- East Suffolk Business Plan – Remaining financially sustainable.
- Corporate Risk Register – Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balance Annual Budget.

2.2 Scope of Internal Audit Activity

This audit assessed systems and records in place from 1 April 2022 to 31 March 2023, and the following control areas were assessed:

- Feeder systems
- Control account reconciliations
- Bank reconciliations
- Accounts receivable invoice approval
- Accounts payable invoice approval
- BACS processing

Housing Rent setting was excluded as there is currently an external review underway. Port Health Income was excluded as this has been assessed as a separate audit in 2022/23. Treasury Management, Capital Accounting and Car Park Income was excluded, and will be risk assessed and considered as standalone audits in 2023/24.

The audit was undertaken using Navision records and not Business Central which became live on 14 March 2023. The implementation of Business Central will be reviewed by Internal Audit in 2023/24.

Internal Audit will seek to enhance and protect organisational value by providing risk based and objective assurance. The work performed by Internal Audit provides an opportunity to make significant improvements to governance arrangements, risk management and control processes.

This audit has been undertaken as part of the Annual Audit Plan 2022/23, approved by the East Suffolk Council Audit and Governance Committee on 14 March 2022.

This audit has been conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, and the UK's current Public Sector Internal Audit Standards.

2.3 Definitions of Risk and Control

This audit uses the definition of Risk set out in the Council’s Risk Management Strategy.

The definition of Control is taken from the Chartered Institute of Internal Audit:

“Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.”

In addition to a risk assessment using the corporate risk matrix, each agreed action is allocated a priority level for use within the service area. The allocation of each priority level is based on:

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.
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.
Priority 3	Findings indicate a control weakness that could mean service objectives may not be met. Management attention is required.
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 this audit have been reported to the relevant Service team prior to the issue of this report, and are available from the Internal Audit team upon request.

2.4 Effectively Functioning Controls

We would like to draw management attention to the controls in operation over processes and procedures that were confirmed via audit testing as operating effectively and efficiently:

- The Navision General Ledger matched the feeder system totals for Housing Maintenance (expenditure) and payroll for the months sampled.
- Control accounts reconciliations between the Navision General Ledger and Accounts Payable, Accounts Receivable, cash (paye.net) and bank accounts were accurate to supporting evidence, prepared promptly, and approved by appropriate officers.
- Accounts Receivable and Payable invoices reviewed were authorised appropriately by a second officer and had been coded to appropriate general ledger codes.
- The BACS payments made agreed to supporting documentation and had been checked by appropriate officers.

2.5 Audit Team

The audit team for this review comprised:

Audit Manager	L Fuller
Senior Auditor	S Potter
Auditor	J Irvine
Assistant Auditor	L Maton

2.6 Acknowledgements

We would like to thank the management and staff of Financial Services contacted for their co-operation and time during the course of this audit.



This audit has been undertaken in accordance with the Internal Audit Partnership arrangements between East Suffolk Council and Ipswich Borough Council.