



Internal Audit Report

General Ledger (Core Functions) 2019/20

Issued by the Head of Internal Audit, June 2020

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:	Deputy Chief Finance Officer and Deputy S151 Officer, L Rogers Chief Finance Officer and S151 Officer, S Taylor
	For Information:	Strategic Management Team Cabinet Member for Resources, Cllr M Cook Audit and Governance Committee Ernst & Young (External Auditor)

Adequacy of Individual Control Areas

Audit Scope by Control Area	Findings with a Potential Corporate Risk Level of:			Control Adequacy
	High	Medium	Low	
Journals	0	0	1	Reasonable
Bank Reconciliation	0	0	0	Effective
Balances Brought Forward (Data Conversion to East Suffolk Council)	0	0	0	Effective
OVERALL				Effective

1. Executive Summary

- 1.1 The objective of the audit was to provide assurance that the Council's Financial Management System provides a fair and accurate reflection of the Council's transactions and financial position.
- 1.2 The overall assurance of **Effective** has been made on the basis that core functions are operating as expected, and although one finding has been identified, this does not materially affect the Council's financial reporting.

ACTION PLAN FOR SERVICE AND OPERATIONAL RISKS

All identified control weaknesses have been risk assessed, with no potential High and Medium corporate risks identified. The following action plan sets out control improvements relevant to the service area where the internal audit assessment using the corporate risk toolkit has concluded the potential corporate risk is Low. The definition of each priority level is given in the Council’s Audit Framework.

1. JOURNALS					
REC No.	FINDING	RISKS AND IMPLICATIONS	AGREED ACTION	PRIORITY	MANAGEMENT ACTION
1.1	<p>Two journals in a sample of 25 were found to contain inconsistencies:</p> <ul style="list-style-type: none"> • One totalling £1,816.70 contained mismatches between the narrative and coding, and the journal could not be demonstrated as justified • One totalling £276 was requested without codes from the service area and was miscoded by the finance officer. 	<p>Journals may be used to post income/expenditure to incorrect locations in the general ledger, making financial information inaccurate.</p>	<p>The two journals identified by Audit have now been corrected.</p> <p>Monthly monitoring by the accountants would pick up any significant miscodings.</p> <p>Journals over £500,000 are reviewed. Coding of grant income is reviewed and signed off monthly by accountants to ensure it is correctly coded.</p> <p>Finance will look at implementing possible sample reviews during the year within expenditure codes with a greater risk of miscodes, e.g. those codes where there is a higher volume of journals, but balancing materiality and the work involved.</p>	3	<p>Responsibility: Deputy Chief Finance Officer and Deputy S151 Officer</p> <p>Target Date: 31 December 2020</p>

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 ensure that the Council's Financial Management System provides a fair and accurate reflection of the Council's transactions and financial position.

2.2 Scope of Internal Audit Activity

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 2019/20, approved by the Audit and Governance Committees of Suffolk Coastal District Council (SCDC) on 12 March 2019 and Waveney District Council on 7 March 2019.

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.

Period under review	This audit assessed systems and records over the period April 2019 to November 2019.
Systems, Records and Personnel	The Internal Audit team reviewed Navision (the Council's Financial Management System), and associated records, and was supported by staff within the Finance team.
Known exclusions	Control Account Reconciliations Holding Accounts (Accounts structured 5****) Journal approval Cash Management - part of the agreed terms of reference for this audit, Cash Management and suspense accounts will be reported separately.

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 financial management system (FMS) has been configured to prevent the posting of imbalanced or one-sided journals
- Sampled monthly bank reconciliations between the bank and general ledger were accurate, prompt, and approved by an independent senior Finance officer
- Year End balances from Suffolk Coastal and Waveney District Council were mapped and entered into the East Suffolk Council accurately [The Year End balances reviewed were unaudited figures, due to a delay in completing the external audit of the Councils’ financial statements].

2.5 Audit Team

The audit team for this review comprised

Audit Manager	L Fuller
Principal Auditor	F Wykes
Audit Apprentice	L Maton

2.6 Acknowledgements

We would like to thank the management and staff of Finance 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.