



# Final Internal Audit Report

## Accounts Receivable 2019/20

Issued by the Head of Internal Audit, February 2021

<b>Audit Assurance Opinion</b>	<b>Effective</b>	<b>Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met.</b>
	<b>Reasonable</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>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.

<b>Distribution List</b>	<b>Accountable Officers:</b>	Chief Finance Officer and S151 Officer, B Mew Deputy Chief Finance Officer and Deputy S151 Officer, L Rogers Finance Manager (Compliance), M McKissock Purchasing and Payables Manager, M Wood
	<b>For Information:</b>	Strategic Management Team Cabinet Member with responsibility 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	
Customer Invoice Authorisation	0	0	0	Effective
Customer Credit Note Authorisation	0	0	0	Effective
Write-off Authorisation	0	0	0	Effective
Control Account Reconciliation (Receivables to General Ledger)	0	0	0	Effective
<b>OVERALL</b>				<b>Effective</b>

### 1. Executive Summary

- 1.1 The objective of the audit was to provide assurance over the key financial controls in the Council's Accounts Receivable system, which provides a framework for operational service areas to raise invoices to customers and collect associated income due.
- 1.2 The overall assurance of **Effective** has been made on the basis of the testing undertaken in March 2020, which found no significant areas for improvement.
- 1.3 Some testing originally planned for this audit was not undertaken due to the impact of COVID-19 on staff and Council resources. This has not impaired the assurance for the specific control areas detailed above. Details of the changes to the audit scope caused by COVID-19 are provided in Section 2.2.1 of this report.

## 2. Supporting Details

### 2.1 Links to Council Service Delivery

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

- Business Objective - To provide a framework for operational service areas to raise invoices to customers and collect associated income due
- East Suffolk Business Plan – Financial Self-Sustainability
- Corporate Risk Register – Failure to produce and deliver sustainable Medium Term Financial Strategy including delivery of balanced Annual Budget

### 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 in place from April 2019 to March 2020.
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Systems used	The Internal Audit team reviewed the Navision financial management system and records held by the Finance team for evidence to support the audit opinion.
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Known exclusions	Duplicate debtor accounts; aged debt monitoring; income allocation
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#### 2.2.1 Scope Revision due to COVID-19

This audit commenced fieldwork in March 2020, and testing in some control areas was ongoing when the Council entered the lockdown triggered by the Coronavirus pandemic. In order to allow key staff in Finance to respond to the emergency, Internal Audit revised the scope of this audit review to provide assurance on only those areas where sufficient evidence to support the assurance opinion had already been obtained prior to lockdown. The following exclusions to the original scope of this audit therefore apply:

- Segregation of duties for invoices raised by bulk import of spreadsheets
- Signed authorisation sheets for approvals (electronic records only were used)
- Validity of invoices and credit notes
- Segregation of duties when raising credit notes

### 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:

<b>Priority 1</b>	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.
<b>Priority 2</b>	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.
<b>Priority 3</b>	Findings indicate a control weakness that could mean service objectives may not be met. Management attention is required.
<b>Priority 4</b>	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 sampling as operating effectively and efficiently:

- Invoices were all authorised by officers with appropriate authority, and manual invoices were raised and authorised by different officers.
- Credit notes were all authorised by officers with appropriate authority
- Write-offs were all authorised by officers with appropriate authority and had a justifiable reason
- Control account reconciliations were accurate to system data, prepared and authorised by separate and appropriate individuals and completed in a timely manner.

## 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 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.