

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.

Report prepared by

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Senior Auditor	M Emmens

Report issued by

Head of Internal Audit	S Martin
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29 May 2019

Adequacy of Individual Control Areas

Audit Scope by Control Area	Findings with a Potential Corporate Risk Level of:			Control Adequacy
	High	Medium	Low	
Raising and Adjustment of Invoices	0	0	0	Effective
Write Offs	0	0	0	Effective
Income Allocation	0	0	0	Effective
Management of Unpaid Debts	0	0	0	Effective
Reconciliations	0	0	0	Effective
OVERALL				Effective

1. Executive Summary

- 1.1 The objective of the audit was to ascertain the extent to which identified risks have been managed and to evaluate whether effective controls to mitigate the risks have been established and operating effectively throughout the period under review.
- 1.2 The Suffolk Coastal and Waveney District Councils' (SCDC and WDC respectively) Payables and Receivables team are responsible for the collection of all invoiced income outside the main income streams of council tax, business rates and housing benefits overpayments. As at 11th March 2019, SCDC had raised 4,444 sales invoices totalling £9.8m for 2018/19 of which £3.1m remains outstanding. WDC had raised 4,281 sales invoices totalling £7m for 2018/19 of which £1.3m remains outstanding. Testing during this audit has confirmed that there are satisfactory arrangements in place to recover and monitor outstanding sundry debts.
- 1.3 The overall assurance of **Effective** has been made on the basis of the control framework in place and supporting risk management.
- 1.4 Within the 2017/2018 Internal Audit review discrepancies were identified between the delegated approvals paperwork and the delegated approval limits set within the Navision Financial System. An audit action was raised to rectify these discrepancies, which was implemented in July 2018.
- 1.5 As part of the audit, a number of areas were found to be working well. The controls tested and found to be operating as expected are listed in Appendix B.

Follow-up of Previous Audit Actions

This section assessed progress against actions that were due at the point of audit testing. These actions do not form part of the above action plan, but were part of the audit scope and therefore have been taken into account when forming the audit assurance opinion.

REC No.	RISKS AND IMPLICATIONS	FINDING	CURRENT STATUS	PRIORITY	MANAGEMENT ACTION
Review of Accounts Receivable 2017/2018					
1	<p>Risk: Navision approval may not be appropriate if not supported by written delegated authority, increasing the risk of invalid transactions created through fraud or error, or financial irregularities.</p>	<p>Original Finding: Comparison between Navision access and Delegated Financial Authority paperwork for sampled authorisers identified some discrepancies between delegated approval paperwork and the Navision Financial system:</p> <p>Original Agreed Action: A significant number of authorisation forms are legacy and the form itself has taken many formats with the two councils, and later shared service variations. It is therefore not always clear when reviewing the historical forms of the intentions.</p> <p>Following similar remarks in the Payables audit Financial Services has already agreed to ensure all officers authorisation forms are renewed prior to moving to the 'One Council' system</p>	<p>Target Date: 31st January 2019</p> <p>Status Details: In July 2018 the delegated approval paperwork and Navision Financial system were reviewed and any discrepancies identified were rectified. Testing performed as part of this audit did not identify any discrepancies between the delegated approval paperwork and Navision Financial system after July 2018.</p>	<p>Medium (Priority 3)</p>	<p>Action Update: Action signed off as complete following the 2018/2019 Internal Audit Review.</p>

2. Audit Framework

2.1 Links to Council Service Delivery

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

- East Suffolk Business Plan – Financial Self-Sufficiency
- Corporate Risk Register – Failure of Financial Governance / Failure to deliver balanced Annual Budget / Failure to fully embed Ethical Standards / Failure of Internal Controls

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 for making significant improvements to governance arrangements, risk management and control processes.

Internal Audit Services acts in accordance with the Accounts and Audit Regulations (2015) and aims to follow the Public Sector Internal Audit Standards (2016) and Local Government Application Note (2013). This report has been prepared in accordance with our Audit Charter.

This report is being issued by East Suffolk Council, however, it relates to the activities of Suffolk Coastal District Council (SCDC) and Waveney District Council (WDC) in 2018/2019. This audit has been undertaken as part of the Annual Audit Plan 2018/19, approved by the Audit and Governance Committees of SCDC (7th March 2018) and WDC (15th March 2018).

The scope of the audit was to examine the key controls in place from April 2018 to December 2018 over:

- Raising and adjustment of invoices
- Write offs
- Income allocation
- Management of unpaid debts
- Reconciliations

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 or high level of risk that 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 with a medium or high level of risk that service objectives may not be met. Prompt management attention is required.
Priority 3	Findings indicate a control weakness with a low or medium level of risk that service objectives may not be met. Management attention is required.
Priority 4	Findings indicate a minor control weakness with a low level of risk that, although not essential to an effective control framework, would benefit from low-cost improvements. Any low priority 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 Acknowledgements

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

APPENDIX A: Report Distribution

Draft & Final Report

Payables and Receivables Manager	M Wood
Chief Finance Officer and Section 151 Officer	S Taylor

Final Report

Leader of the Council and Cabinet Member for Resources	Cllr S Gallant
Audit and Governance Committee	
Strategic Management Team	
Ernst & Young	T Poynton

APPENDIX B: 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:

- Debtor accounts were found to be complete and display the customers' full details.
- The VAT rates are reviewed and corrected where wrong.
- Credit notes raised were found to be appropriate and the correct action had taken place following the credit.
- Where appropriate debt recovery methods had been exhausted prior to debts due to the Councils being written off.
- The correct recovery route is followed to recover debts due to the Councils.
- Controls are built in to the Navision system to ensure that invoices and credit notes are complete prior to them being posted to the ledger.
- Aged debt statistics are reported as part of the quarterly performance report.
- Reconciliations between the Accounts Receivable system and General Ledger control account were found to be completed accurately and timely.
- Aged debt reporting forms part of the Councils' Quarterly Performance Monitoring Report.