Reading Borough Council
Working better with you

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To: Councillors Stevens (Chairman), Debs Absolom, Lovelock, McElligott, Page, Stanford-Beale and Terry

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Your Ref:

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10 April 2015

Your contact is: Michael Popham - Committee Services

NOTICE OF MEETING – AUDIT AND GOVERNANCE COMMITTEE – 21 APRIL 2015

A meeting of the Audit & Governance Committee will be held on Tuesday 21 April 2015 at 6.30pm in the Council Chamber, Civic Offices, Reading. The Agenda for the meeting is set out below.

AGENDA

CIVIC OFFICES EMERGENCY EVACUATION: If an alarm sounds, leave by the nearest fire exit quickly and calmly and assemble on the corner of Bridge Street and Fobney Street. You will be advised when it is safe to re-enter the building.

AUDIT AND GOVERNANCE COMMITTEE MINUTES
29 JANUARY 2015

Present:	Councillors Stevens (Chairman), Lovelock, McElligott, Page, Stanford-Beale & Terry.
Apologies:	Councillor Debs Absolom

Also in attendance:

Alan Cross	Head of Finance
Paul Harrington	Head of Audit & Risk Management
Ian Wardle	Managing Director

15.   MINUTES

The Minutes of the meeting of 25 September 2014 were confirmed as a correct record and signed by the Chairman.

16.   AUDIT & INVESTIGATIONS QUARTERLY PROGRESS REPORT

P Harrington submitted a report providing the Committee with an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in September 2014.

The report set out a summary of the audit reports and an assurance finding for audits carried out of the following service areas:

- LSTF (Cycle Hire)
- Licensing
- Deferred Payment Scheme
- Access to Records
- Entitlement & Assessment
- Health & Safety Review
- Public Health
- School Audits: Thameside Primary School, Caversham Primary School, Phoenix, Blagrave, English Martyr's

The report also provided details of forthcoming audit reviews and the status of programmed audits, and set out progress on the response to audit reports and the implementation of agreed audit recommendations.

The report also provided details of work which the Council's Corporate Investigations Team and Internal Audit had undertaken since April 2014 in respect of investigations into benefit, housing tenancy fraud and other corporate investigations. It also gave a summary of changes to the Audit & Investigations staffing structure, following the creation of a national Single Fraud Investigation Service and the transfer of investigation work on Housing and Council Tax Benefit across to the Department for Work and Pensions along with some Council staff on 1 December 2014.

Resolved: That the report be noted.

AUDIT AND GOVERNANCE COMMITTEE MINUTES
29 JANUARY 2015

17.   DRAFT TREASURY STRATEGY & INVESTMENT STATEMENT FOR 2015/16

The Head of Finance submitted a report presenting the draft Treasury Strategy & Investment Statement, which the Chartered Institute of Public Finance and Accountancy recommended should be considered by Audit Committee prior to approval by Council, as part of the overall governance arrangements. The statement would be submitted to the Council meeting on 24 February 2015 as part of the overall budget proposals.

The report noted that the draft strategy might see some amendments to ensure it was consistent with the remainder of the budget proposals, but major change impacting 2015/16 was not anticipated.

A Cross gave a presentation at the meeting which covered the current treasury position, the outlook for the next few years, recent trends in the investment and borrowing markets, a summary of the Council's current investment holdings and other current treasury issues. He noted that many local authorities were increasing their investments in property funds, which were offering better long-term returns than lending rates, and that this option was being considered by the Council.

Resolved: That the draft Treasury Strategy & Investment Statement for 2015/16 be noted.

18.   STRATEGIC RISK REGISTER

P Harrington submitted a report updating the Committee on the Q3 status of the Council's 2014/15 Strategic Risk Register, in line with the requirements of the Council's risk management strategy. The register was attached to the report at Appendix 1.

The report stated that the Corporate Management Team (CMT) maintained the Register on behalf of the Council, with the assistance of the Chief Auditor. The Register was reviewed on a quarterly basis by officers and formally refreshed six-monthly by CMT. The Register was presented to the Audit & Governance Committee approximately every six months, or more frequently if circumstances required an update. It had last been presented to the Committee at its meeting on 25 September 2014 (Minute 10 refers).

The register set out mitigating actions taken to address the risks identified, which were monitored on a monthly basis.

Resolved: That the Q3 status of the Council's 2014/15 Strategic Risk Register be noted.

19.   BUDGET MONITORING 2014/15

A Cross submitted a report, which had also been considered by the Policy Committee at its meeting on 19 January 2015, setting out the results of a detailed budget monitoring exercise undertaken for 2014/15, based on the position to the end of November 2014.

The results of the Directorate budget monitoring exercises were attached at Appendices 1A-1C.

Resolved: That the report be noted.

(The meeting started at 6.30pm and closed at 7.20pm).

READING BOROUGH COUNCIL
REPORT BY HEAD OF FINANCE

TO:	**AUDIT AND GOVERNANCE COMMITTEE**		
DATE:	**21ST April 2015**	**AGENDA ITEM:**	**3**
TITLE:	**AUDIT & INVESTIGATIONS QUARTERLY PROGRESS REPORT**		
RESPONSIBLE COUNCILLOR:	**COUNCILLOR STEVENS**	**PORTFOLIO:**	**FINANCE**
SERVICE:	**FINANCE**	**WARDS:**	**N/A**
LEAD OFFICER:	**PAUL HARRINGTON**	**TEL:**	**9372695**
JOB TITLE:	**CHIEF AUDITOR**	**E-MAIL:**	Paul.Harrington@reading.gov.uk

1. EXECUTIVE SUMMARY

1.1 This report provides the Audit & Governance Committee with an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in January 2015.

1.2 The report aims to:

- Provide a high level of assurance, or otherwise, on internal controls operated across the Council that have been subject to audit.
- Advise you of significant issues where controls need to improve to effectively manage risks.
- Provide details of forthcoming audit reviews and the status of programmed audits
- Track progress on the response to audit reports and the implementation of agreed audit recommendations

1.3 In addition the report provides details of corporate investigations undertaken since April 2014 with respect of benefit, housing tenancy and other corporate investigations.

2. RECOMMENDED ACTION

2.1 The Audit & Governance Committee are requested to consider the report.

3.   ASSURANCE FRAMEWORK

3.1   Where appropriate each report we issue during the year is given an overall assurance opinion. The opinion stated in the audit report provides management with a brief objective assessment of the current and expected level of control over the subject audited. It is a statement of the audit view based on the terms of reference agreed at the start of the audit; it is not a statement of fact. The opinion should be independent of local circumstances but should draw attention to any such problems to present a rounded picture. The audit assurance opinion framework is as follows:

Definition

Substantial

A Substantial opinion will be given where controls are generally operating effectively, however minor control weaknesses may have been identified. There are however, no high risk (priority 1) recommendations being made.

Conditional
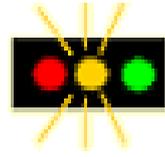
A conditional opinion will only be given if the areas where the controls are missing or not consistently applied do not represent a significant risk to the system as a whole. Where a conditional opinion is given the report should clearly explain the area or areas to which the conditional opinion relates.

Limited
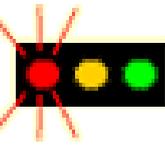
Risk that objectives will not be met, or are being met without achieving efficiency, effectiveness and/or value for money. A limited opinion will only be given where controls are not applied, consistently and effectively

3.2   The assurance opinion is based upon the initial risk factor allocated to the subject under review and the number and type of recommendations we make.

3.3   It is management's responsibility to ensure that effective controls operate within their service areas. However, we undertake follow up work to provide independent assurance that agreed recommendations arising from audit reviews are implemented in a timely manner. We intend to follow up those audits where we have given limited assurance.

4. SUMMARY OF AUDIT FINDINGS

		RECS			Assurance
4.1	General Ledger (Journals)	0	4	2	🚦

4.1.1 Oracle Fusion is the financial system used as the general ledger to record all financial transactions within the Authority (having replaced Oracle Financials in mid-August 2014). The general ledger is classified as a key system by the Council's external auditors and requires an annual internal audit review. As part of this year's review we primarily focused on evaluating journal transfers.

4.1.2 Journals are used to effect the transfer of funds between codes in order to ensure the Council's accounts are complete and correct. Also at the end of the financial year, adjustments may need to be made to reflect correct amounts under accrual[1] basis of accounting journal entries to adjust account balances to reflect correct amounts.

4.1.3 The journal process is a single person process with no authorisation required on Oracle Fusion. Although there are legitimate circumstances where Finance officers (in particular) undertake journal transfers independently of a specific request there is no separation of duties at the time of processing. Although we accept that it may not be cost effective for someone to independently check each journal transaction, we endorse the proposal to produce a periodic (monthly) report from the 1st April 2015 of all journals above a £5,000/50,000 threshold a sample of which will be reviewed by a Senior Finance Officer and the Head of Finance.

4.1.4 User access to undertake journal transfers was reviewed and it was noted there are a number of individuals with roles outside of Finance who have the access rights to allow them to undertake journal transfers across all cost centres. Whilst no specific issues were identified with the access rights of the individual users, it was agreed that access rights will be regularly reviewed to ensure they remain appropriate.

4.1.5 Following our audit updated procedures and guidance will be issued to all users who undertake journal transfers to ensure that the requirements to support a journal transfer are fully understood. It will now be a mandatory requirement to "attach" working documents to journals within Oracle Fusion (save the most de minimis) to provide clearer audit trails and working papers to support transactions. This will take affect from the 1st April 2015 and will be monitored by the Head of Finance.

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[1] Accruals are adjustments for 1) revenues that have been earned but are not yet recorded in the accounts, and 2) expenses that have been incurred but are not yet recorded in the accounts. The accruals need to be added via adjusting entries so that the financial statements report these amounts.

		RECS			Assurance
4.2	Creditors (Accounts Payable)	0	4	2	

4.2.1 As with the general ledger, Accounts Payable is also subject to an annual review to support the work of the Council's external auditor.

4.2.2 At the time of the audit the Payment Team responsible for processing payments was experiencing a backlog which had resulted in some operational issues for some service areas. This issue was recognised by senior finance management and has been substantially resolved. In addition there has been a range of system issues within Accounts Payable since the implementation of Oracle Fusion in August 2014 that had already been identified before the audit, and work is underway to address these either through the current version of Fusion or releases planned for implementation early in 2015 (next planned release is due in April 2015). Hence it is recognised that there was some overlap between the recommendations made and action(s) already underway or planned.

4.2.3 In the meantime we will work with Finance to ensure that any temporary processes are sufficiently robust and new system processes have adequate controls prior to implementation.

		RECS			Assurance
4.3	Culture & Sport Income Generation	0	3	7	

4.3.1 Income generation is fundamental to supporting Directorate budgets within RBC. This audit was a high level overview of the process for determining how services within Culture & Sport set and manage income targets. It also reviewed the monitoring of income budgets.

4.3.2 A lot of work has been undertaken in the last 12 months by the Head of Economic & Cultural Development and as recommended following our previous Audit review, budget responsibilities, particularly the monitoring arrangements have been devolved back to service managers with some limited additional finance support provided from the Central Finance Team.

4.3.3 Service budgets were rigorously reviewed for 2014/15 as part of a rolling review of income and expenditure and moving forward into 2015/16, a similar programme of review has been undertaken to ensure realistic targets are set. Satisfactory monitoring arrangements were found to be in place, with detailed reports and analysis undertaken as appropriate.

4.3.4 There remains a need for some service areas to consider and prepare more detailed business plans, which fully document the service business model, costing figures and income targets, as well as potential income growth and areas of business development. This should also consider the risks associated with achieving these targets, and arrangements in place to mitigate them. We made some operational recommendations and suggestions to further improve the control environment, which are to be picked-up by the Head of Economic & Cultural Development with managers and finance colleagues.

4.3.5 Income recording arrangements are generally sound, albeit the methodology varies within each of the service areas.

	RECS			Assurance
4.4 School Places Capital Programme	0	0	0	🔴🟡🟢

4.4.1   Demand for primary school places in Reading has grown significantly in recent years, in line with national trends and it is expected that this demand will increase further until at least 2016/17. The Council is undertaking a major permanent expansion of several primary schools, as well as help create a new primary academy for the Oxford Road area. This will create the extra 2,520 school places forecast to be needed over the next seven years.

4.4.2   The core expansion programme was distributed between 2 baskets of projects and was procured through the Improvement & Efficiency Social Enterprise (IESE) South East & London Major Projects Construction Framework via a mini-competition. Sound governance arrangements have been established over the control and management of the school expansion programme. These include ensuring that appropriate roles and responsibilities have been established, along with clear terms of reference for the supporting steering group and programme board. Where required, suitable skills, expertise and/or advice has been externally procured and/or provided.

4.4.3   There is sufficient oversight of the programme progress, with a variety of project and programme meetings between key officers and contractors. Regular programme reports are produced and scrutinised by the steering group and programme board, with financial implications noted and discussed as appropriate. Project management arrangements are in place for each of the individual schemes of work, which includes project programming, monitoring and cost planning.

4.4.4   A number of challenges have presented themselves during the initial stages of the programme, including resourcing and economic pressures. However we were satisfied that the robust governance arrangements in place will facilitate sound programme management.

	RECS			Assurance
4.5 Charging arrangements for adult social care	0	5	1	🔴🟡🟢

4.5.1   There are clear frameworks within which charges for adult social services are applied. The Council's Fairer Charging Policy is a locally agreed policy, within Department of Health guidelines. The policy details what services are provided free of charge and the process for calculating the client contribution. This applies to service users who receive a personal budget through which to purchase their care provision.

4.5.2   There has been a backlog in the assessment of fairer charging service users which was principally due to the team's involvement in the testing, implementation and embedding of Frameworki. We also recognise that the service has had a vacancy and high sickness levels which have now been addressed and a plan is in place to completely clear the backlog by late April/May 2015*.

4.5.3   Financial assessments undertaken within Frameworki are clearly recorded, although we did identify some minor issues in the system design making it difficult to distinguish between what was a new assessment and what was an updated assessment. This is subsequently to be discussed with the supplier of the system.

4.5.4   We found invoices had been accurately raised with the recorded assessed charge. We also advised that the potential for an automatic interface between Frameworki and Academy[2] is explored further.

4.5.5   Efforts to promote the direct debit facility, rather than payment by standing order are recognised. Residential clients are already starting to move to direct debit and all the remaining clients are to be encouraged to move to direct debits during 2015.

*Note: progress has been made on addressing the backlog and as at the 31st March the backlog had been reduced by 50%.

		RECS			Assurance
4.6	Home to School Transport	1	4	5	

4.6.1   In accordance with the Education Act 1996 the Local Authority has a statutory duty to provide transport if the nearest suitable school is not within statutory walking distance of the child's home by the nearest available route. The Education Act requires the local authority to make provisions for free home to school transport for eligible children assessed as having Special Education Needs, disability or mobility needs or whose families are on a low income.

4.6.2   At the time of the audit the processes for the administration of the home to school transport service were predominately paper based, and administered by a single officer under the supervision of a Service Manager. The highest priority risk identified related to the storage of paper-based records, off site, by a staff to enable a quick response to urgent service related calls either before or after school.

4.6.3   The service is progressing with the work to redesign the overall service provision so that the continued safe operation of the service for young people is more resilient, especially in the 7.30 – 8.30am time period. We also concluded that there needed to be more in-depth analysis to confirm trends around complaints and that the complaints handling needed a corporate overview.

4.6.4   An action plan is underway including the appointment of an additional staff member with a focus on independent travel options. The team is now staffed, in the office, providing specific early and late coverage so that all calls will be answered by reference to the online, master information. The service is also reviewing the potential use of a single database so that all information is stored in one place and is more readily available electronically.

4.6.5   The other elements of the audit action plan are underway with a pilot "independent travel" project set to start in May 2015 with two, high volume schools and agreement had been made with corporate complaints about the handling of complaints against the service so that it is part of the standard process.

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[2]Academy - integrated revenues and benefits system

		RECS			Assurance
4.7	Special Educational Needs & Disabilities (SEND)	1	3	1	

4.7.1 Although the Children and Families Act 2014 has not changed the definition of special educational needs (SEN), it brings the biggest reform of the legal system for SEN and disabilities (SEND) for 30 years. Statements of SEN and Learning Difficulty Assessments (LDAs) are being replaced with a single education, health and care (EHC) plan for children and young people with complex needs.

4.7.2 Guidance has been provided by the Department for Education (DfE) confirming which legal duties 'must' and 'should be' implemented as best practice within a given timeframe. A 3-year project plan to implement these changes is in place and on review we found that good progress has been made, although there has been slippage in the implementation of the 'joint commissioning' reform.

4.7.3 The Council has established a SEND Panel to review and approve changes of a child's banding and placement and to approve requests for a statutory assessment.

4.7.4 The highest priority risk identified related to the growth in the number statements within a year (1.8%) and the rise (2.4%) in the average cost per day, which is not in line with National trends. The Schools Forum has commissioned a working group to identify the reason for the number of children with statements and to identify and recommend ways to reduce spend in the High Needs SEN Block. The working group will report to the SEN strategy group by end of July 15.

		RECS			Assurance
4.8	Troubled Families Programme	0	0	0	

4.8.1 This programme established a financial framework for funding local authorities on a payment by results basis and required the local authority to identify the families and provide resources to change their behaviour based on a number of social and economic indicators. This is the second year of operation for this programme and required Reading Borough Council to submit a claim for monies in respect of those families where a positive effect on behaviour (result) could be evidenced based on a combination of the indicators outlined in the original terms of reference for the programme.

4.8.2 We reviewed two interim claims submitted on 28th October 2014 for 59 families and 13h February 2015 for a further 54 families for funding submitted by Reading Borough Council in respect of the Troubled Families Programme (renamed by Reading Borough Council the Turnaround Families Programme) and can state that results claimed were correctly evidenced and fell within the guidance issued by DCLG under which the programme operated.

4.9   PLANNED AUDIT FOLLOW UP REVIEWS

4.9.1 Internal audit will look to follow up those reviews which have been assigned limited assurance. Resources permitting we envisage that the follow up review will take place between 6 – 12 months after the initial audit or after the recommendations were agreed to be implemented (if later). Audit areas given limited assurance which we have planned to follow up are as follows:

Audit Title	Status
Agency Staffing Contracts	☺
Learning Disabilities Commissioning	☺
Coley Primary School	☺
Deputyship & Appointeeship	

Key: ☺ - Implemented ☺ - Partly implemented ☹ - Not implemented

4.9.2 Agency Staffing Contracts

4.9.3 The Council continues to need to use agency staff across a range of services with the majority of these staff (c. 90%) now procured through the Council's framework contract with Adecco with a consequent saving to the Council. Currently costs are approximately £4.6m for the last 12 months compared to £5.3m for the same period the previous year. Management and monitoring of the agency contract is undertaken by the Operations & Support team who also actively monitor and investigate the reasons where 'off-contract' spend happens, as well as providing regular usage statistics and performance reports to CMT. Off contract spend remains particularly focused around certain specialist areas, in particular around certain care services where competition nationally remains high and this remains a focus for the team. CMT has recently agreed to extend the contract with Adecco until early in 2017, which will allow sufficient time to procure a new contract.

4.9.4 On examining the IT process controls we concurred that key controls over the requisition and approval of workers through the Adecco Beeline system have now been rectified.

6.   INVESTIGATIONS

6.1   Benefit Fraud - This has been a period of transformation with the roll out of the Single Fraud Investigation Service, however there are a number of ongoing Housing Benefit fraud cases which did remain with RBC. These are cases where legal charges have been laid or legal advice obtained.

6.2   For the whole period April 2014 to March 2015 the total Housing Benefit Council Tax Benefit and Council Tax Support overpayment is £214,604. With a further £62,958 of State benefit overpayment also sanctioned by RBC giving a global total of £277,562. This figure shows all sanctioned cases and does not count any case

where a decision not to sanction has been made. There have been 28 sanctions made up of 17 prosecutions and 11 administrative penalties[3].

6.3   In one ongoing case where the overpayment value is in excess of £32,000 we have begun proceedings under the Proceeds of Crime Act (POCA). POCA applications have been submitted in this case and the recovery process is now underway.

6.4   Housing/Tenancy Fraud Investigations –Since 1 April 2014 we have received twenty three referrals of Housing/tenancy Fraud and have assisted in the return to stock of six Council properties and two properties for Social Landlords within Reading.

6.5   It is difficult to quantify the financial implications of these types of investigations, however the national agreed figure of £18,000 is considered to be the average cost per Local Authority for retaining a family in temporary accommodation. Using this figure (6 x £18,000) in the region of £108,000 could have been saved as a result of tenancy investigations.

6.6   We have been awarded grant funding of £103,000 to provide an intelligence hub for partnership data sharing and cross boundary fraud prevention with Bracknell Forest Council, Civica Fraud Detection Solutions and a number of Housing Associations in the Reading and Bracknell area. We will work jointly in partnership to deliver proactive non-benefit fraud prevention, detection and deterrence through the sharing and matching of data. Data feeds such as tenancy, housing lists and Council tax will be cross checked and risk assessed to identify high risk cases for appropriate action. The initial funding has been received and we are now closely working with Bracknell Forest Council to look at data matching between both authorities in five areas including tenancy and social service payments. We will also undertake data matching with 4 RSL's. The work is underway and we are hoping to get the test data hub ready by May 2015.

6.7   Blue Badge investigations - In the period we have undertaken two proactive drives within the Town Centre. The purpose of these drives is to check the use of Blue Badges and locate any false, lost or stolen badges. It is also useful in identifying miss-use of badges.   14 cases of possible fraud or misuse in the Blue Badge scheme have been investigated.

6.8   Social Services Investigations - We are currently involved in a complex investigation into payments made in respect of an Adult Care provider. We have also successfully prosecuted one claimant in receipt of personal budget payments on charges of fraud and false accounting.

6.9   Planning Investigations: Lawful developments certificates - there have been two linked investigations into potential fraud and possibly perjury, where applicants have submitted fictitious supporting statements in order to secure an exemption from the need to apply for planning permission. We are working closely with legal on possible criminal charges for false statements.

6.10   Electoral Registration - We have been, and will continue, to work alongside officers from the Electoral registration service for the prevention and detection of electoral fraud.

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[3] We offer an administrative penalty in circumstances where it is felt that it would be more suitable to dispose of the matter without criminal proceedings being initiated.

7.   ANNUAL GOVERNANCE STATEMENT ACTION PLAN UPDATE

7.1   Appendix 1 below sets out the progress made in implementing the actions which were reported in the 2013/14 Annual Governance Statement (AGS). The 2013/14 AGS was approved by the Audit and Governance Committee on 2 July 2014 with the specific request that Internal Audit followed up agreed actions and reported back progress to the Committee at the end of the following financial year.

7.2   There were 14 actions identified in the 2013/14 AGS, all of which have been implemented or are in the process of being implemented. There are 6 actions that remain appropriate and it is recommended that they be carried forward to the 2014/15 AGS (for reporting to the Audit & Governance Committee in July 2015).

8.   CONTRIBUTION TO STRATEGIC AIMS

8.1   Audit Services aims to assist in the achievement of the strategic aims of the authority by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

9.   COMMUNITY ENGAGEMENT AND INFORMATION

9.1   N/A

10.   LEGAL IMPLICATIONS

10.1   Legislation dictates the objectives and purpose of the internal audit service the requirement for an internal audit function is either explicit or implied in the relevant local government legislation.

10.2   Section 151 of the Local Government act 1972 requires every local authority to "make arrangements for the proper administration of its financial affairs" and to ensure that one of the officers has responsibility for the administration of those affairs.

10.3   In England, more specific requirements are detailed in the Accounts and Audit Regulations 2011 (which applied for the 2014/15 year), in that authorities must "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices".

10.4   The Internal Audit Service works to best practice as set out in Public Sector Internal Audit Standards Issued by the Relevant Internal Audit Standard Setters. This includes the requirement to prepare and present regular reports to the Committee on the performance of the Internal Audit service.

12.   FINANCIAL IMPLICATIONS

12.1   N/A

13. BACKGROUND PAPERS

13.1 N/A

Appendix 1 – AGS Action Plan update

Ref	Action	CMT lead	Progress as at 31.3.15	Status
AGS1	We will develop and manage a budget and financial management strategy to operate within available resources over the period to 2017/18	Managing Director	A balanced budget for 2015/16 was agreed by Council in February and a process is already in place to work on and develop the budgets for 2016/17 and 2017/18.	Ongoing
AGS2	Strengthen financial and budget management throughout Council services and provide effective financial management support considering reducing budgets and the changing nature of income	Head of Finance	During 2014/15 the Council implemented Oracle Fusion which will provide a more flexible and effective system going forward. A Financial Improvement Plan has also been implemented and this will continue throughout 2015/16.	Ongoing
AGS3	Update and approve a revised Scheme of Delegation and Financial Procedure Rules	Head of Legal	The Scheme of Delegation was approved by Council on 27/1/15. The Financial Procedure Rules have also been updated and will be presented for approval at the Council's AGM in May 2015.	Implemented
AGS4	Continue to develop our commissioning, procurement and contract management	Director of Adult Care & Health Services	Online system being rolled out to give consistency in procurement and contract monitoring across council. Market position statement (commissioning) for adult social care published. Governance board in place. Commissioning plans for social care being developed	Ongoing
AGS5	Produce a new workforce development plan to take into account of Reshaping the Council, new skills required and the changing demands on services	Director of Adult Care & Health Services	A draft OD plan has been agreed by CMT and Policy Committee and the work will now be undertaken in a more focussed way as part of the 'Reading Offer' work	Ongoing
AGS6	Manage the availability of school places in all statutory year groups	Director of Children, Education & Early Help	The Primary Expansion Programme is delivering 2520 places across the primary with projects on the ground at the current time. There are sufficient school places in all academic years at the current time.	Implemented
AGS7	Review the budget monitoring and profiling arrangements in Leisure and Cultural Services to ensure the service deals with changing income levels and patterns of activity	Director of Environment & Neighbourhood Services	Procedures for budget setting and monitoring have been reviewed and tighter systems of control introduced. Further work will be done to ensure this process is achieved across Culture and Sport.	Implemented

Appendix 1 – AGS Action Plan update

Ref	Action	CMT lead	Progress as at 31.3.15	Status
AGS8	Continue to implement the Information Security Action Plan and standards. Enable the Public Service programme (PSN) connectivity between the Council and NHS Health ICT systems	Head of Legal	Linked to AGS 14 actions below. In addition completed 2 independent IT Health Checks of Councils internal and external network. Submitted 2014-15 PSN Code of Connection. Various ICT Infrastructure Upgrade Programmes completed or running to deliver continued supported compliance.	Implemented
AGS9	Review and consolidate operational and financial procedures and introduce shorter and clearer policies and procedures	Head of Customer Services	A review of policies and procedures has been carried out. All policies and procedures were identified and included in a database along with a timeline for updating them. A new template has been produced so that in future all policies whether new or being updated will be shorter and clearer.	Implemented
AGS10	Continue to undertake work on embedding the policy, delivery, governance and monitoring arrangements for Health & Safety	Managing Director	The Council's H&S Action Plan has been reviewed and updated to focus on embedding H&S into the day to day activities of the Council. CMT and DMTs have standing agenda items to discuss and resolve any H&S matters. H&S targets are being built into the 1:1 and appraisal process.	Ongoing
AGS11	Develop further the Special Educational Needs (SEN) Strategy to enable schools to meet the needs of children and young people with higher levels of need	Director of Children, Education & Early Help	An external review of resource units and central services has been undertaken and a sub-group of Schools Forum has been established to redesign the high volume pathways to special schools. Mainstream schools have started a new moderation process to drive up the level of skill in all schools for those in mainstream with additional needs.	Ongoing
AGS12	Continue to refresh forecasts to maintain level of understanding and develop capacity/demand modelling in children's services	Director of Children, Education & Early Help	A piece of commissioned work is due for completion by April 2015 to inform future requirements. The objective will be to set out what the future structure of teams and corresponding caseloads would look like to manage the work and set confidence intervals that alert senior managers to pressures in the system that require attention.	Implemented
AGS13	Deliver the Digital Strategy and a new Website to ensure residents, businesses and visitors have access to good quality services and information	Head of Customer Services	The new council website has been completely redesigned and rewritten and went live on 15 December 2014. This has provided better access to information and has provided a new platform for redesigning services to improve access to self -serve transactions by customers.	Implemented

Appendix 1 – AGS Action Plan update

Ref	Action	CMT lead	Progress as at 31.3.15	Status
AGS14	Deliver an ICT improvement plan to ensure that information is stored, managed and accessed appropriately and efficiently to support service delivery	Head of Customer Services	Document Marking Introduced with associated staff training. Induction staff training updated. Data Protection awareness training provided where needed. Technical infrastructure and systems upgraded for capacity and compliance in line with required external standards (PCI DSS, PSN). Secure email (Global Certs and GCSX) deployed to staff in increasing numbers. Secure remote working deployed in increasing numbers in support of flexible working. Audits completed of GCSX users, audits of AD users and emails underway. Annual review of ICT Security Policies underway.	Implemented

<div align="center">
READING BOROUGH COUNCIL
REPORT BY HEAD OF FINANCE
</div>

TO:	**AUDIT & GOVERNANCE COMMITTEE**		
DATE:	**21st April 2015**	**AGENDA ITEM:**	**4**
TITLE:	**INTERNAL AUDIT PLAN 2015-16**		
RESPONSIBLE COUNCILLOR:	**COUNCILLOR STEVENS**	**PORTFOLIO:**	**FINANCE**
SERVICE:	**FINANCE**	**WARDS:**	**N/A**
LEAD OFFICER:	**PAUL HARRINGTON**	**TEL:**	**79390695**
JOB TITLE:	**Chief Auditor**	**E-MAIL:**	Paul.Harrington@reading.gov.uk

1. **EXECUTIVE SUMMARY**

1.1 The annual audit plan is designed to implement the internal audit strategy. In preparing the plan the adequacy and outcomes of the Council's risk management, performance management and other assurance processes have been taken into account. Where the outputs from these processes are not judged to be sufficiently reliable, the plan has been informed using an internal audit risk assessment.

1.2 It is internal audit's responsibility to form opinions about the risks and controls identified by management and annually to give a formal opinion on the control environment. In the context of the Public Sector Internal Audit Standards[1], 'opinion' does not simply mean 'view', 'comment' or 'observation'; it means that internal audit will have done sufficient, evidenced work to form a supportable conclusion about the Council's activities that we have examined. Internal audit will word its opinion appropriately if it cannot give reasonable assurance (e.g. because of limitations to the scope of, or adverse findings arsing from, its work). The attached audit plan (appendix 1) will allow for the effective discharge of this responsibility. In accordance with the Accounts and Audit regulations (2015)[2] and the Public Sector Internal Audit Standards the Council's Audit and Governance Committee is required to approve (but not direct) and monitor progress against, the internal audit strategy and plan.

2. **RECOMMENDED ACTION**

2.1 **That the Audit & Governance Committee approves the audit plan for the period April 2015 to March 2016.**

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[1] The Public Sector Internal Audit standards – Applying the IIA International Standards to the UK Pubic Sector 2013

[2] A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

3.   INTERNAL AUDIT PLAN

3.1   The Chief Auditor must produce an audit strategy; this is the high-level statement of how the internal audit service will be delivered and developed in accordance with the terms of reference and how it links to the organisational objectives and priorities of the Council.

3.2   The strategy sets out the contribution that Internal Audit makes to the Council and includes:

a) Internal Audit objectives and outcomes
b) How the Chief Auditor will form and evidence his or her opinion on the control environment to support the Annual Governance Statement
c) How Internal Audit's work will identify and address significant local and national issues and risks
d) The resources and skills required to deliver the strategy.

3.3   The risk-based plan is designed to implement the audit strategy. In preparing the plan I have taken account of the adequacy and outcomes of the Council's risk management, performance management and other assurance processes. Where the outputs from those processes are not judged to be sufficiently reliable, I have undertaken my own risk assessment. I have consulted with stakeholders, such as Directors and Heads of Service, the Head of Finance and the Council's external auditor.

3.4   The audit plan is fixed for a period of one year; however it must at the same time be fluid, kept under continuous review and amended to take into account emerging risks and areas where assurance work is required to be provided. Any significant changes will be reported back to the Audit & Governance Committee.

3.5   The plan outlines the assignments to be carried out, their respective priorities and the estimated resources needed. A contingency allowance (14%) has been included to allow for flexibility in order to respond to the changing risks and priorities of the Council.

3.6   There is a preliminary detailed list of audits for the year underpinning this narrative plan (appendix 1); we will confirm our audit plans as we go through the year on a quarterly basis.

3.7   CMT and the Audit and Governance Committee will also be advised of performance against the audit plan and be kept informed of the results of those audit reviews undertaken.

4.   CONTRIBUTION TO STRATEGIC AIMS

4.1   Audit Services aims to assist in the achievement of the strategic aims of the Council set out in the Corporate Plan by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. In particular audit work is likely to

contribute to the priority of remaining financially sustainable to deliver our service priorities.

5.   COMMUNITY ENGAGEMENT AND INFORMATION

5.1   *N/A*

6.   LEGAL IMPLICATIONS

6.1   Legislation dictates the objectives and purpose of the internal audit service the requirement for an internal audit function is either explicit or implied in the relevant local government legislation.

6.2   Section 151 of the Local Government act 1972 requires every local authority to "make arrangements for the proper administration of its financial affairs" and to ensure that one of the officers has responsibility for the administration of those affairs.

6.3   In England, more specific requirements are detailed in the Accounts and Audit Regulations in that authorities must "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices".

7.   FINANCIAL IMPLICATIONS

7.1   N/A

8.   BACKGROUND PAPERS

8.1   N/A

INDICATIVE DRAFT INTERNAL AUDIT PLAN

(2015/2016)

Internal Audit Strategy & Approach

1. Purpose

1.1 The overall purpose of the Internal Audit work plan is to provide the framework for the use of audit resources and a yardstick for measuring audit performance.

2. Audit Strategy

2.1 In the context of the Council's financial position, the vision of the Council is to ensure we continue to prioritise all we do to help narrow the gaps within Reading.

2.2 To demonstrate this, there is a strong focus in the Council's Corporate Plan to ensure that the Council will live within its means, reducing costs wherever possible and investing scarce resources wisely so that service pressures and priorities are recognised and can be funded accordingly.

2.3 To support this aim, Internal Audit will provide independent, objective assurance and consulting activities designed to add value and improve the Council's operations. It will help the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

2.4 Specifically, the Internal Audit strategy is to:

- Provide assurance that both strategic and key operational risks are being managed,
- Review corporate and service arrangements for risk management.
- Carry out auditing of significant core financial systems such as payroll and accounts payable etc and to verify financial control.
- Carry out reviews of service systems and developments to provide management with assurance as to the adequacy of the control environment and the systems in place for ensuring proper economic, efficient and effective use of resources.
- Verification that the Council's Contract Standing Orders and Financial Regulations are being observed.
- Carry out periodic visits to all LA maintained schools throughout the borough to verify, by means of testing and review, that good financial control is practised. Regularity of visits will be determined on a risk basis including assessment of submitted SFVS returns and may be supplemented by thematic reviews across a number of other establishments such as primary schools, dependent on available resource.
- To promote the Council's anti-fraud and corruption strategy and to carry out investigations of suspected frauds and irregularities.
- To provide advice and support to managers as required.

2.5 The effectiveness of Internal Audit in delivering the strategy through the annual audit plan will be monitored by the Audit and Governance Committee. This Committee will receive reports from the Chief Auditor detailing key issues and a summary of the audit findings. The progress of audit recommendations implemented by each Directorate will be reviewed by Audit & Governance Committee as part of the annual audit report submitted by the Chief Auditor.

3. The Risk Assessment Process

3.1 The information which has been used to prepare our risk assessment and proposed internal audit plan has been collected and collated from a number of different sources. The starting point for a risk based audit approach is an understanding of the Council's objectives and risks. This has been achieved by reviewing the Councils Strategic risk register s and interviewing Directors and Head of Service asking where they perceive to be the 'headline' risks within their individual areas and where they would require internal audit to provide assurance that such risks are being effectively mitigated and managed. This information is used to inform and design the audit plan. The plan is based on an underlying risk assessment. The inherent risks existing within each area are then identified for audit as part of the audit planning process. The audits which make up the plan have been assessed on priority.

4. The Internal Audit Plan

4.1 An annual plan is derived following the audit risk assessment, whereby audits will be selected based on the greatest perceived inherent risk. We will ensure that most effort is focused on inherently high risk areas while, at the same time, not totally ignoring the potential for problems to materialise in other areas.

4.2 Whilst Internal Audit will adopt a risk based approach to determine relative risk, there will remain areas where a purely cyclical approach will still be required, i.e. the audit of key financial systems. Such audits will be undertaken on an annual basis, largely to satisfy the requirements of the external auditors who seek to place reliance on the work of internal audit.

4.3 The Chief Auditor in liaison with the Head of Finance will keep progress against the audit plan, and the content of the plan itself, under review. The Corporate Management Team and the Audit and Governance Committee will also be advised of performance against the Audit Pan and be kept informed of the audits undertaken.

5.   Resources

Resource Requirements

5.1   Resource requirements are reviewed each year as part of the audit planning process and are discussed with the Head of Finance. The impacts of the financial pressures with the requirements to generate efficiencies and hard savings have seen internal audit resources reduce over the last few years from ten to six staff (including the Chief Auditor); in addition 100 days is to be provided to Bracknell Forest Council under a shared agreement and support is being offered to manage the Council's insurance programme. This effectively equates to resources of 4 audit staff to cover RBC arrangements.

5.2   Achievement of the audit plan is based on the assumption that the current internal audit structure will remain essentially unaltered and intact throughout the year. An indicative audit plan can be found in appendix A.

Contingencies

5.5   The internal audit plan needs to be fluid and flexible enough to enable the internal audit service to be reactive as required to situations arising during the course of the period covered by the plan. A contingency reserve element has been built in, to assist in dealing with any such matters arising and/or for internal audits to assist in any investigations. The contingency equates to approximately 14% of the audit plan.

Fraud & Irregularities

5.6   As part of Welfare Reform, the Government created a Single Fraud Investigation Service (SFIS) nationally and our investigation work on Housing and Council Tax Benefit was transferred across to the Department for Work and Pensions (DWP) along with some of our staff on the 1st December 2014.

5.7   The Reshape of the Audit & Investigations Team as a consequence of the Single Fraud Investigation Service led to a reduction of 6 FTE posts, including one senior internal auditor post. The Council agreed to retain a small investigations resource, which has merged with the Internal Audit team.

5.8   The longer term plan is for the team to become more generic, but this needs to be undertaken with sufficient training and support, but in the meantime internal audits will assist in investigations as and when needed.

5.9   Any time allocated for investigations or in the unlikely event that the contingency reserve is not required; it could and would be reallocated to specific audit tasks as subsequently agreed with clients and the Corporate Management Team.

6.   Delivering the Audit

6.1   All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement. Any key (serious) issues arising during the course of the audit review will be promptly reported to the Chief Auditor to determine impact on the scope of the review. Key issues will also be promptly brought to management's attention during the course of the review to enable appropriate remedial action to be taken prior to being formally published in the audit report.

6.2   The auditor will draft a report and arrange to meet with management, to ensure factual accuracy of the audit observations and findings and to ensure a proper understanding of the risks to which any action plan relates. These meetings should take place in accordance with dates agreed in the terms of reference or within two weeks of completion of the audit fieldwork, whichever is the sooner.

7.4   Management will be required to provide a response to the action plans. Any areas of disagreement between the auditor and management, regarding audit's observations and/or the auditor's assessment of current risk exposure, which cannot be resolved by discussion, will be recorded in the action plans.

7.5   Following discussion of the draft report the auditor will draft a clear, concise and constructive report, following a standard format, outlining:

- the overall level of assurance opinion, based on the auditor's professional judgement of the effectiveness of the framework of internal control, risk management and governance;
- audit recommendations, along with management response and implementation date
- an executive summary of the key findings and conclusions
- Details of findings, to include an explanation of the risk and the identified control weaknesses.
- The final report will be issued in the names of the auditor conducting the review and the Chief Auditor.

7.   2015/2016 Assurance Ratings

7.1   The 'level' of opinion provided in the formal report will be based on a simple traffic light system, as follows:

Substantial — **Substantial assurance** can be taken that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with **low impact on residual risk** exposure.

Reasonable — We can give **reasonable assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with **low to moderate impact on residual risk** expose until resolved.

Limited — **Limited assurance** can be taken that arrangements to secure governance, risk management and internal control within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with **moderate impact on residual risk** exposure until resolved.

No assurance — There is **no assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Action is required to address the whole control framework in this area with **high impact on residual risk** exposure until resolved.

8. Prioritisation of Recommendations

8.1   In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Priority rating		Current Risk	Action required
Priority 1	🔴	Poor key control design OR widespread non-compliance with key controls. PLUS significant risk to achievement of a system objective OR evidence present of material loss, error or mis-statement.	Immediate*
Priority 2	🟠	Minor weakness in control design OR limited non-compliance with established controls. PLUS some risk to achievement of a system objective	Within one month*
Priority 3	🟢	Potential to enhance system design to improve efficiency or effectiveness of controls. These are generally issues of good practice for management consideration	Within three months*

9. Follow up Reviews

9.1   Whether or not and audit review is scheduled for a follow up is reliant on the assurance opinion given at the time of the audit. Where significant gaps in the control environment have been identified then the audit will be subject to a follow up. The timing of the follow up is very much dependent on available resources, but our aim to complete the follow up within six to twelve months of completion of the audit.

10. Reports to CMT and the Audit & Governance Committee

10.1 A status report on internal audit work will be presented to CMT and the Audit and Governance Committee on a quarterly basis (approximately). The purpose of these reports is to provide an update on the progress made against the delivery of the Internal Audit Plan. The report will provide details of audits completed to date, the assurance opinions given and the number and type of recommendations made. The report will also provide a summary of internal audit performance, planning and resourcing issues.

11.   Annual Assurance Report

11.1   A formal annual report to the Audit & Governance Committee and CMT, presenting the Chief Auditor's opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control, will be published to enable it to be taken into account within the annual review of the effectiveness of the system of internal audit and in preparing the Corporate Annual Governance Statement. The format of the Chief Auditor's report will follow that set out in the Public Sectors Standards for Internal Audit and will include:

- an opinion on the overall adequacy and effectiveness of the Council's framework of internal control, risk management and governance;
- disclose any qualifications to that opinion, together with the reasons for qualification;
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- any issues considered by the Chief Auditor to be particularly relevant to the Annual Governance Statement;
- A comparison of work undertaken with that planned, with a summary of internal audit performance for the year; and
- Comment on compliance with the Public Sector Standards on Internal Audit and internal audit's quality assurance programme.

Safeguarding and protecting those that are most vulnerable

Better Care Fund	This audit will consider the key risks and issues around the set-up (e.g. governance, contractual agreements etc.), implementation (e.g. potential novation of contracts, accounting arrangements etc.), and the ongoing governance and internal control arrangements of the Better Care Fund.
Foster Carer & Adoption (Allowances)	Review allowances and decision book agreement and test to see that they are being applied consistently. This is directly linked to specific actions in the Children's Services action plan.
Child Protection - visiting and recording	IA to test progress on Child Protection plan visiting and look for evidence to confirm it is being kept up to date and is being recorded accurately as per DFE definition in Purple book. Verify children being visited and in line with the definition of the indicator. Ensure audit and exit plan has been developed for children who have been on an exit plan or 15 months. Have they had an audit?
Children Services Performance (Information) Management	We will review selected performance reports and ensure statistics and performance information are aligned with the requirements as defined in the Purple Book and Government returns. Ensuring that these are in place and functioning gives the base point for understanding what performance is expected and how it will be reported to government bodies and to bodies with governance responsibilities. Review records (held within frameworki), storage and presentation of data. We will look to ensure that reports meet what is needed for government returns.
Nursing & Residential Care Packages	This audit will review the reassessment/review process for care packages of clients in nursing and residential care to ensure that proposed savings are being delivered.
Learning Disability Reassessment/review process	Review progress on implementing plans with a view to make savings to encourage service users to choose to move from non-Supported Living Accreditation Select List (SLASL) providers to SLASL providers. Are savings being delivered? Review the processes and controls supporting the assessment of individuals in order to determine appropriate care packages.

Providing the best life through education, early help and healthy living

School Places Capital programme	This is a continuous review the management of school construction and expansion programmes. A consolidated update report will be provided to CMT & A&G Committee in Q4.
School Audits	Visit a sample of maintained schools to give the Head of Finance adequate assurance over their standards of financial management and the regularity and propriety of their spending.

Providing homes for those in most need

Homelessness	Review the impact of changes on the level of requests being made to the homelessness section following the introduction of welfare reform. Review progress on strategy to mitigate the impact and how the service is sourcing cost effective solutions to meet the demand for emergency accommodation.

Keeping the town clean, safe, green and active

Refuse & Recycling Collections	Review collection performance, arrangements in place for increasing levels of recycling, how we deal with customer complaints, as well as monitoring costs and collecting income (trade waste). The service has undergone a reshaping exercise and has a new service manager and there is a new fleet of refuse vehicles. Scope needs to be agreed with the new interim head of service.
Waste PFI contract	Complex reconciliations required to ensure all payments balance to Oracle and to the number and value of those made to WRG and those received from BFC and WDC. The following broad areas have been identified for review as part of this audit: Finance, Facilities, Governance, Contract monitoring

Providing infrastructure to support the economy

LSTF - Grant Sign Off	This audit will provide assurance to the Managing Director and Head of Finance who are required to confirm to the DfT that, in all significant respects, the conditions of the specific grant determination have been complied with. As part of this work we will undertake a procurement and contract review of the Park & Ride Scheme and/or Reading Cycle Bridge (Q3). Grant sign off in Q4.
Local Pinch Point Funding (Grant Certification) in Local Transport Capital Settlement	This audit will provide assurance to the Managing Director and Head of Finance who are required to confirm to the DfT that, in all significant respects, the conditions of the specific grant determination have been complied with. As part of this work we will undertake a procurement and contract review of a scheme under pinch point funding to support the grant sign off (Reading Bridge). Scheme review and sign off need to be completed in Q2.

Remaining financially sustainable to deliver these service priorities

Business Rates	Annual systems audit focusing on key controls and any systems changes (not reviewed in 2014/2015)
Debtors system & debt management	The review will examine controls in place to verify that income due is properly identified, collected and accounted for and management receives timely and adequate information to confirm this and provides a sound basis for control and decision making (include social care debt). The review will also assess the level of debt monitoring and reporting arrangements. We will review compliance with the debt write off process, in particular whether write offs are approved correctly.
General Ledger (inc Budget management)	Review the appropriateness of transactions within the general ledger accounting system. The audit will include a review of the processing of journals and virement, reconciliation of control, suspense accounts and feeder systems. We will also look at the creation and maintenance of the coding structure given the Council's reshaping programme.
Creditors (Accounts Payable)	The review will examine and sample test the controls in place to ensure that orders for goods and services are properly authorised and placed, correctly accounted for and comply with Financial Regulations and Procedures. We will sample test a selection of payments to substantiate that payments are correctly coded, made in full and only in respect of authorised invoices. We will also test that controls around the processing of amendments to supplier (bank details) details are robust.
Payroll (iTrent)	The HR/Payroll service has been streamlining services with the introduction of iTrent. This review will look at some of the process changes and review the adequacy of the controls in place to ensure that they are operating as intended.
Frameworki/MOSAIC (Finance Payments)	To review the process for setting up service providers on the system and accurately of payments made. Ensure financial controls are appropriate in relation to payments to providers
Adult Social Care Income & Charging	This is a follow up of internal audit recommendations made in 2014/15 internal audit review. To review how fees and charges are set, and in particular how these take into account the cost of providing services or the requirement to make a specific contribution. Review whether processes are sufficiently robust and clear around Adult Social Care charging and income collection.
Atrium	Evaluate Atrium in terms of its confidentiality, integrity and availability how the system is to be maintained as a corporate wide system. Particular focus to be given to the quality of the data in the system and how data has been transferred to confirm validity and accuracy.

Asset Management/compliance & condition work (non-housing)	This review will provide assurance on progress of condition survey including asbestos and legionella management schemes in place for each building and the program for fire risk assessments. Review the systems in placed to monitor progress.

READING BOROUGH COUNCIL

REPORT BY HEAD OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	21st April 2015	AGENDA ITEM:	5
TITLE:	STRATEGIC RISK REGISTER		
LEAD COUNCILLOR:	JO LOVELOCK	PORTFOLIO: LEADERSHIP	
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
LEAD OFFICER:	PAUL HARRINGTON	TEL:	9372695
JOB TITLE:	CHIEF AUDITOR	E-MAIL:	Paul.Harrington@reading.gov.uk

1. EXECUTIVE SUMMARY

1.1 The primary purpose of this report is to update the Audit & Governance Committee on the Q4 status of the Council's 2014/15 Strategic Risk Register, in line with the requirements of the Council's risk management strategy.

1.2 The Council Management Team (CMT) maintains the Register on behalf of the Council, with the assistance of the Council's Chief Auditor.

1.3 The Register is reviewed on a quarterly basis and formally refreshed 6 monthly by CMT.

1.4 The Register is presented to the Council's Audit & Governance Committee a minimum of six monthly or quarterly in the case of any risks where the position has worsened or for residual red risks where the Audit & Governance Committee shows a particular interest. It was last presented to the Committee in January 15.

1.5 The following documents are appended:

Appendix 1 – the Council's Strategic Risk Register.

2. RECOMMENDED ACTION

2.1 The Audit & Governance Committee is requested to consider the Q4 status of the Council's 2014/15 Strategic Risk Register.

3.   **BACKGROUND**

3.1   The revised Strategic Risk Register as at April 2015 (Q4) is reproduced at appendix 1. Arrows are used to indicate direction of change in any scores since the previous quarter.

3.2   The following key points should be noted to aid understanding:

↑↓   have been used to indicate movements in the net (residual) risk scores since the previous quarter, where a ➜   is shown no change has occurred.

A "mitigation" column has been added for each risk so as to provide a summary of the mitigating (controls) actions in place to minimise risk.

3.3   Members are reminded that although guidance is provided to officers in relation to the scoring of risks, with a view to providing as much consistency as possible, it still remains very much a subjective process. The primary aim of this report is to identify those key vulnerabilities that the officers consider need to be closely monitored in the forthcoming months and, in some instances, years ahead. In many cases this will be because the risk is relatively new and, whilst being effectively managed, the associated control framework is yet to be fully defined and embedded. In such circumstances it follows that not only will the potential impact be large, but the risk of likelihood of occurrence could also be increased. Furthermore, it is possible that the likelihood can be influenced by events outside of the Council's control e.g. the economic climate and its impact on financial planning, or severe weather etc.

3.4   Directorate level risk registers generally only contain risks whose impact would not be felt wider than the directorate to which they belong should they materialise and are managed within the directorate.

3.5   The Strategic Register is compiled from risks identified at directorate level, which have been escalated along with high-level generic risks, which require strategic management. Entries within the Register reflect the risks identified by the Council Management Team thereby strengthening their strategic perspective, management response and controls.

3.6   The inclusion of risks within any level of risk register does not necessarily mean there is a problem. On the contrary, it reflects the fact that officers are aware of potential risks and have devised strategies for the implementation of mitigating controls.

3.7   Each entry within the register is scored to provide an assessment of the residual level of risk. All risks have been scored based on an assessment of their impact and likelihood. These assessments are made at two points, before any actions are in place (inherent risk) and after identified controls are in place (residual risk).

3.8   Whatever level of residual risk remains it is essential that the controls identified are appropriate, working effectively and kept under review.

3.9   Plans are in place to mitigate the risks identified in the Strategic Risk Register.

4.0 CONTRIBUTION TO STRATEGIC AIMS

4.1 Risk management underpins all aspects of the council strategic aims.

4.2 The risks within the risk registers are directly linked to the projects and work streams that are in place to deliver the strategic aims.

4.3 Budget risks directly influence all strategic aims.

5.0 COMMUNITY ENGAGEMENT AND INFORMATION

5.1 Risk management is an internal management process that is open to scrutiny from councillors and the public at the councils Audit and Governance Committee meetings.

6.0 LEGAL IMPLICATIONS

6.1 Local Government Acts 1999 and 2000 established a requirement of performance improvement in modernised local government. Risk management is an important element in ensuring that service delivery objectives are achieved.

7.0 FINANCIAL IMPLICATIONS

7.1 There are none associated with the recommendations in this report. The work recommended will be met from existing budgets.

8.0 BACKGROUND PAPERS

8.1 Council's Risk Management Strategy.

9.2 Delivering Good Governance in Local Government - Framework, CIPFA/ Solace 2012.

9.3 The Accounts and Audit Regulations 2011

APPENDIX A - STRATEGIC RISK REGISTER – Q4 2014/15

Reading Borough Council
Working better with you

The strategic risks are managed by the Corporate Management Team with directorate support. Strategic risks are those that can be described as presenting a:

- Significant Council wide risk
- Significant risk specific to one directorate which could impact upon the Council as a whole
- Significant risk to the Council as part of working with external organisations or its role within the community

Risk ref no	STRATEGIC RISKS	Inherent risk *Risks are assessed on the basis that there are no controls in place, or on the basis that any existing controls are not operating effectively - the worst case scenario if the risk were to occur*			Mitigation	Residual risk *Controls in place should already be helping to minimise the likelihood or impact of the identified risks. Therefore, the identified risks are then re-assessed in light of the existing and proposed controls.*				
		Impact	L'hood	Score		Impact	L'hood	Score	DoT	Risk Owner
1	Budget risk: Unable to deliver services within the resources available to the Council to meet obligations and service standards, including keeping the current year's budget within the approved budget framework	5	4	20	- Continuous development of a budget strategy and budget options to reduce spending by approximately £28m over the next 3 years - Reshaping the Council to ensure that future needs are met and opportunities taken whilst being realistic about what we can and can't do moving forward. (Reshape has delivered savings of £2m over the last 12 months) - Monthly budget monitoring within services and directorates ultimately reports to Policy Committee and Audit & Governance Committee - Directorates are required by the budget framework to bring forward mitigating measures where practical to address adverse budget variances	4	4	16	➔	IW/AC
2	Customers service model does not deliver expected benefits to customers and efficiency savings (including the level of cultural and behavioural change needed to achieve channel shift)	4	3	12	- Programme of work established to redesign business processes, implement new organisational structure and make best use of technology to deliver service improvement. - The Digital strategy is being implemented to deliver channel shift whilst ensuring digital inclusion. A programme of digital volunteers is being launched spring 2015 via the Council's libraries to help people to go on line and use the internet with confidence. - The new website was launched on 15 December 2014. Further functionality is being put in place providing better access to Council services to support customers to self serve, Successful delivery requires engagement across all Council services and an ongoing programme of redesigning services to focus on self serve as the main access point to the Council.	3	3	9	➔	ZH

Risk ref no	STRATEGIC RISKS	Inherent risk *Risks are assessed on the basis that there are no controls in place, or on the basis that any existing controls are not operating effectively – the worst case scenario if the risk were to occur*			Mitigating Actions	Residual risk *Controls in place should already be helping to minimise the likelihood or impact of the identified risks. Therefore, the identified risks are then re-assessed in light of the existing and proposed controls.*				
		Impact	L'hood	Score		Impact	L'hood	Score	DoT	Risk Owner
3	Creation and development of commissioning plans becoming disjointed and having conflicting priorities;	4	4	16	▪ Commissioning and procurement plans link with areas of major budget spend and council strategies ▪ Clear communication and responsibility agreed for all strategies and plans that require commissioning and procurement Establish a corporate governance framework Register of major contract/tender procurement dates ▪ To report progress/issues to CMT	3	2	6	→	BD/JL
4	ICT security – risk of loss of data by not preventing and minimising the impact of ICT security incidents, resulting in significant financial penalties levied by the Information Commissioners Office.	5	4	20	▪ Corporate ICT Security Policy implemented with clear audit trail ▪ Information Governance procedures ▪ Data Protection policy ▪ Document retention policy ▪ Information risk Management Work ▪ BeCrypt Implementation ▪ Encrypted USB Stick Introduction ▪ Increased Secure Email roll-out ▪ Introduction of Protective Document Marking ▪ Policy Revision ▪ Security Briefings ▪ Staff Security Booklet Issue	3	4	12	→	CB
5a	Failure to maintain the fabric and services of buildings resulting in injury to individuals and/or non-compliance with relevant legislation or unavailability of asset.	5	5	25	▪ The comprehensive review of assets has included a rolling program of condition surveys that has informed a prioritised program of works ▪ Asbestos - Management schemes for corporate buildings ▪ Legionella - Management schemes in place for each building. Full review being undertaken of management arrangements to ensure compliance with ACOP. ▪ A range of Business Continuity plans are in place to enable continuation of services from different buildings ▪ Installation & Maintenance of UPS units and generators. ▪ Fire risk assessments ▪ Commissioning detailed condition surveys. Further detailed analysis to be undertaken to prioritise condition works and procure. Budget / resource implications fed into 15/16 budget process. ▪ Progressing Corporate Property review and outstanding works will also reduce this risk ▪ Completed first phase of priority works at Central Pool and detailed condition and structural reports carried out to inform future phases.	4	4	16	→	AB

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		Impact	L'hood	Score		Impact	L'hood	Score	DoT	Risk Owner
5b	Failure to maintain the fabric of the structure, communal areas and services related to council's housing stock resulting in injury to individuals and or noncompliance with Legislation	5	5	25	▪ Asset Management plan covering next 5 years in detail and funding requirements for 30 years. ▪ 7 yearly external Planned Maintenance cycle to both individual tenanted / leasehold properties and communal area. ▪ 7 yearly communal decorations programme ▪ Rolling stock survey revisiting all properties every 5 years ▪ Fire risk assessments undertaken by both surveyors and neighbourhood officers alternate years ▪ Compliance with Annual Gas Service ▪ NICEIC registered and reviewed ▪ Suitable training programme for trade and professional staff covering all key areas. ▪ Ongoing review of Asbestos Database and management process ▪ Ongoing review of Legionella and programme of works to remove risks ▪ Periodic review by external consultants on operating procedures and processes, APSE, HQN, H&S. Employ dedicated Asbestos Officer.	5	2	10	↑	SGee
6a	CHILDREN- Risk of death or injury to children, through inappropriate care or attention.	5	3	15	▪ Monitoring of practice at all levels, escalation process in place ▪ Monitor staff capacity ▪ Regular external audit and challenge ▪ Regular internal themed audits ▪ Deliver OFSTED action plan	5	2	10	→	HM
6b	ADULTS - Risk of death or injury to young people or adults through inappropriate care or attention.	5	3	15	▪ Monitoring of practice at all levels, escalation process in place ▪ Monitor staff capacity ▪ Regular external audit and challenge ▪ Review governance mechanisms of quality group on commissioned services	5	2	10	→	SW
7	Failure to manage unexpected growth which leads to increased demand upon services- In particular looked after children.	4	4	16	▪ Analysing and refreshing forecasts to maintain level of understanding ▪ Develop capacity/demand modelling in children's services ▪ Regular financial and service monitoring	3	2	6	→	HM
8	DELETED SEPT 14 ~~Targeting of resources to meet Public Health priorities~~	4	3	12	▪ ~~Berkshire wide Transition Board/finance and contracts sub group advising on key contract issues with representation from Reading~~ ▪ ~~Workshop took place to review the published 2013-16 Health and Wellbeing Strategy, action/delivery reviewed and outcomes will be fed through the HWB Board to ensure agreed targeting of resource.~~ ▪ ~~Regularly review press coverage and ensure that the PH communication strategy is fit for purpose~~ ~~The Council's use of Public Health Grant may be subject to external scrutiny and arrangements are being put in place to ensure all usage meets the grant criteria~~	3	3	9	→	IW

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9	Failure to manage demand for school places via availability & funding for additional requirements	5	4	20	• ACE and Policy Committee agreement to support national government funding with local finance. Programme underway to deliver 2500 more permanent school places • The Councils £64m school expansion programme is now well underway, although high construction costs and shortages of skills and materials have placed considerable pressure on the programme. The Council has had no option but to work with schools to reduce the scope of the programme in order to stay within budget.	3	3	9	➔	HM
10	DELETED JAN 2015 ~~Failure to implement new ways of working (linked risk in resources register)~~	~~4~~	~~3~~	~~12~~	• ~~There is a cross party Civic Board overseeing this project to which detailed reports are made~~ • ~~A communication strategy is being developed~~ • ~~There are two reserves to help manage the phase in of the change in capital costs over time and the dual running costs.~~ • ~~Directorate Move Champions have been identified and are actively engaged in working on the planned move to the new building including the adoption of the flexible work style model and reducing paper storage in advance of the move.~~	~~3~~	~~2~~	~~6~~	➔	~~IW~~
11	Budget cuts will significantly increase the risk that young people disappear off the radar which may in turn impact on other statistics.	4	5	20	▪ Work with schools/colleges on accurately identifying numbers and profile of young people concerned ▪ Develop 14-19 inclusion strategy ▪ Work with partners to develop range of training/employment opportunities ▪ City Deal should help mitigate the risk	3	3	9	➔	HM
12	Failure to close the gap in school attainment	4	5	20	▪ Refresh 'narrowing the gap strategy' ▪ Monitoring of attainment levels of BME pupils and pupils in receipt of free school meals ▪ Challenge permanent exclusions from underachieving groups ▪ Develop and share good practice at school/cluster level ▪ Work on strategic relationship with schools to ensure that these vulnerable pupils are recognised as a priority ▪ Monitor use of pupil premium	3	4	12	➔	HM
13	DELETED JULY 14 ~~Lack of understanding of Disaster Recovery contingencies by service managers causes Business Continuity plans to fail~~	~~3~~	~~3~~	~~9~~	~~Prioritise work on disaster recovery and business continuity planning for key service areas and provide support and training for managers~~	~~2~~	~~3~~	~~6~~	~~No Q2 score~~	~~ZH~~

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14	Ensuring that staff comply with corporate policies and procedures and that they are appropriate to support people in their day-to-day work	4	4	16	▪ Review of all policies and procedures now completed ▪ Proposals to streamline policies and procedures to be brought forward ▪ New corporate approach to be introduced ▪ New training to be introduced	3	4	12	➔	IW
15	Failure of providers around children and adult safeguarding - Closure, poor performance, change of ownership or bankruptcy of private or third sector providers necessitates mitigating action by Adult Social Care and other services/partners to ensure ongoing service provision for all service users	4	5	20	▪ Review contingency plans at local and sub-regional level ▪ Ensure sufficient capacity available to develop and monitor 'improvement plans' by provider ▪ Liaison with CQC and MONITOR on understanding/knowledge of quality issues at local level ▪ Develop market position statement	4	3	12	➔	SW / HM
16	Impact of the Reshaping the Council proposals on service delivery and capacity within the Council	4	4	16	▪ Proposals from the Reshaping that resulted in policy changes were presented to the respective committee as necessary. ▪ Each proposed change will be subject to a 'Service Review' process which will consider, challenge and moderate proposals and be clear about impacts on services, citizens and staff. These Reviews will be considered by the respective DMT's and CMT. ▪ Consultation will be held for each Service Review to ensure that the proposals are robust so that and staff and Trade Unions can provide suggestions. ▪ Each proposed change as part of the Service Review will complete an Equality Impact Assessment to be clear on potential impacts, what can be mitigated and also be clear about what cannot be mitigated. ▪ Delivery of the proposed Reshape proposals are monitored via highlight reports to monthly CMT performance meetings to outline progress against the timetable, any key issues that need to be addressed and next steps. ▪ A training needs analysis has begun to assess any potential skills shortages, single points of reliance and also staff that could be deployed in other areas of the organisation if required. ▪ The training needs analysis will inform a new Leaning & Development Menu and Workforce Development Plan to ensure that training and support is available to all staff but also particularly staff whose roles have changed or are going to change to minimise potential risks. ▪ Business continuity arrangements will continue to be updated that will take account of any proposals about the council's structure.	3	3	9	➔	IW

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17	Changes in the way children with special needs (SEN) are identified and catered for will see parents given new rights to buy help for children and fewer children labelled as having SEN in the biggest change to the system for 30 years.	5	3	15	▪ Develop further the Special Educational Needs (SEN) Strategy to enable special schools to meet the needs of children and young people with higher levels of need. ▪ Establish better controls on spend through Schools Forum and review the supporting services to enable more pupils to stay in their local provision ▪ Complete external review of existing system ▪ Develop accurate benchmark information with 'good' authorities ▪ Ensure that the voice of the child and parents are captured and used in design of new system	3	3	9	➜	HM
18	Impact of the Care Act on adult social care services including increased numbers of assessments, additional duties to carers, deferred payment system and risk of the new system being underfunded by Government	5	3	15	▪ Establish governance through programme Board ▪ Establish clear work-streams and programme leads ▪ Regular reporting to CMT on progress ▪ Complete financial modelling work ▪ Ensure health partners are aware of the challenges that the Care Act poses and the impact on their services ▪ Regular reporting of Care Bill work stream to CMT & ACE	4	2	8	➜	SW
19	Impact on staff resilience (stress and motivation) of Reshaping and change generally.	4	5	20	▪ Issue guidance to staff on how workload and other concerns can be directed; ▪ Messages from leadership to staff giving key messages of empathy and support – cultivate a culture of openness and upward challenge ▪ Work with unions and other stakeholders to identify key themes, concerns and where they are located ▪ 'Take the Temperature' through staff surveys and focus groups ▪ Ensure that managers are carrying out 1:1's, appraisal and team meetings at a local level; ▪ Ensure that managers know how to measure stress and carry out surveys of staff; Senior managers to model behaviours and to drive forward an operational culture of involvement and participation in change programmes.	3	4	12	➜	CB

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20	Impact of the Better Care Fund on health and social care economy, including the Council's savings plans and overall integration agenda	4	4	16	▪ Work with health partners to deliver targets established in the plan ▪ Risk sharing agreement with the Berkshire West LAs and the CCG to ensure the BCF funding is released to support the delivery of the projects and to ensure Adult Social Care is supported by the BCF funding ▪ Encourage neighbouring local authorities to develop shared principles around the integration agenda ▪ Maintain sufficient capacity within the Council to deliver system change	3	3	9	➔	SW
21a	Homelessness: a) Increasing number of people becoming homeless and placing additional financial pressure on the Council to provide temporary accommodation (including B&B).	4	5	20	• The 14-15 budget included an additional budget allowance of £88k. ▪ Temporary accommodation: One building was refurbished in 14/15 and brought back into use and is fully occupied (14 family units); works on another are not expected to be completed until May 2015, so will not have much impact on numbers needing B&B this financial year. ▪ Proactive housing advice service seeks to prevent homelessness through negotiation and intervention at individual case level at the earliest stage possible, including landlord/family negotiation where eviction threatened. ▪ However, in spite of mitigations, the level of demand presenting will exceed the increased budget in 14/15, due to the number of placements and the increasing cost of rooms being charged by providers. ▪ A strategy to try to mitigate impact and source cost effective solutions to meet the demand for emergency accommodation and ease pressure on the B&B budget is being developed and implemented, including piloting a more commercial offer to landlords through the Council's well regarded Deposit Guarantee Scheme following extensive landlord consultation and an independent review. The aim is to increase the numbers of quality-assured private rented sector homes available to households who are homeless and at risk of homelessness. The Council is also working with DCLG sector experts to identify best practice in other authorities. Currently in spite of mitigations however, the likelihood of financial pressure remains due to the wider housing market and welfare reform pressures.	4	5	20	↑	SGee

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21b	**NEW RISK MAR 15** Increasing numbers of households placed by the LA in B&B for longer periods (exceeding the 6 week guideline maximum) increases risk of accident/incident occurring, including due to health and safety hazards.	5	2	10	▪ Annual Inspections of most used B&B's in the borough by Environmental Health Team ▪ Quarterly Inspections of all B&B's that are used within the borough by Housing Needs staff ▪ Quarterly inspections of all B&B's that are used out of borough by Housing Needs staff ▪ Letters written to all Environmental Health Teams requesting inspections in out of borough areas where B&Bs are being used ▪ All complaints made by occupants in B&B are followed up with the relevant landlord and visits take place where necessary ▪ Implementing protocol with Adult and Children's Social Care as they make placements into B&B directly to ensure establishments are vetted as above	5	1	5	NEW	SGee
22	Failure to manage the growth in landfill waste tonnage, and the resultant increased pressure on the Councils budget	4	2	8	▪ Draft Waste Minimisation Strategy prepared ▪ Consultation programmed for January/February 2015 ▪ Report back to NHL Committee in March 2015 with a view to adopt. ▪ Neighbourhood reshape incorporated specific posts to help implement the Waste Minimisation Strategy.	2	2	4	↓	MS