

READING BOROUGH COUNCIL

HEAD OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	21 July 2016	AGENDA ITEM:	9
TITLE:	AUDIT & INVESTIGATIONS QUARTERLY PROGRESS REPORT		
LEAD COUNCILLOR:	COUNCILLOR STEVENS	PORTFOLIO:	FINANCE
SERVICE:	FINANCE	WARDS:	N/A
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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 April 2016.

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 of significant issues where controls need to improve to effectively manage risks.
- Track progress on the response to audit reports and the implementation of agreed audit recommendations

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 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:

Substantial	 GREEN	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	 YELLOW	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 exposure until resolved.
Limited	 AMBER	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	 RED	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.

3.2 Grading of recommendations

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

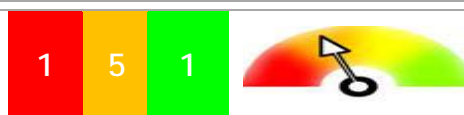
Priority	Current Risk
High	Poor key control design or widespread non-compliance with key controls. Plus a significant risk to achievement of a system objective or evidence present of material loss, error or misstatement.
Medium	Minor weakness in control design or limited non-compliance with established controls. Plus some risk to achievement of a system objective
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. These are generally issues of good practice for management consideration

3.4.2 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.

3.4.3 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 or 'no' assurance.

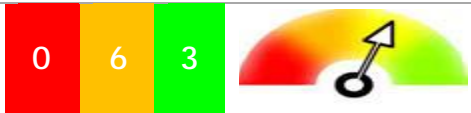
4. HIGH LEVEL SUMMARY OF AUDIT FINDINGS

4.1 Electronic Document & Record Management



- 4.1.1 For a number of years the Council has been using an Electronic Document Records Management (EDRM) system from Northgate called Information@work (I@W). This service has been implemented in Revenues and Benefits, Planning, Human Resources and Payroll. EDRM offers considerable savings in paper handling and associated processes. Its corporate implementation across the Council has enabled the 'front office' to deal with document queries, 'back office' to handle all documents electronically and to enable remote workers access to key document information.
- 4.1.2 The overarching objective of this audit was to review internal procedures for collecting, organising and transferring documents to the courier for shipment.
- 4.1.3 The Council uses an established delivery and courier company, to collect and manage the transportation of paper documents to Information@work for scanning. Service performance is monitored and a protocol is in place to alert officers of any missing shipments.
- 4.1.4 There are procedures for sending documents via the courier, however these are in need of a refresh and do not provide a corporate approach for transferring documents. Current internal processes do not provide sufficient guarantees that documents will be safely accounted for and are in need of strengthening to protect the Council from the risk of data loss.
- 4.1.5 The highest priority risk identified related to the transfer of liability should shipments become lost, due to there being no central contract or framework agreement in place with the courier. The volume of documents being shipped for online scanning has remained reasonably consistent over the past 3-years, but is subject to the courier's terms and conditions, which are only liable for costs in relation to weight or cost of carriage.
- 4.1.6 An action plan is underway to address the risk(s) identified. The Business Systems Support Team is progressing with the work to redesign the overall service provision including the arrangements for the secure transfer of hard copy documents. Information Asset Owners using the service will each need to assess whether the level of any residual risk is acceptable for the specific types documents being transferred by courier.

4.2 Leisure Income

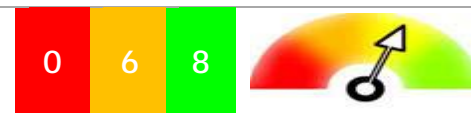


4.2.1 Reading Sports and Leisure (RSL) provide a number of activities across a number of venues and customers can access a wide range of facilities through either the 'Your Reading Passport' or the 'Active Membership' scheme. This review was at the request of the Head of Service and was focused on evaluating controls covering the identification and recording of income.

4.2.2 RSL is a well-run and established area of the Council and the staff members who contributed to this audit showed a high level of commitment to their operational areas and were keen to improve processes and procedures.

4.2.3 Notwithstanding the above, a number of administrative and control issues were identified in the course of this audit and while none are considered to be significant issues they still require to be resolved. It is acknowledged that progress has already been made in resolving a number of these issues and an action plan has been agreed with the Service Manager.

4.3 Katesgrove Primary School



4.3.1 It is our opinion the School has a good understanding of its financial and operational risks and is keen to be proactive in improving its systems. In particular the new Executive Headteacher has recognised the need to strengthen control(s) and has brought in specific resource to do this, as well as recruiting an experienced School Business Manager.

4.3.2 It is recognised that the school is coming out of a period where financial and operational controls did not always operate in an appropriate manner leaving a number of areas with issues to be fully resolved, but which the Executive Headteacher is now in the act of addressing.

6. AUDIT REVIEWS 2016/2017

6.1 The table below details those audit reviews in progress and the reviews planned for the next quarter. Any amendments to the plan to reflect new and emerging issues or changes in timing have been highlighted.

Audit Title	Timing	Start Date	Draft Report	Final Report
MOSAIC (Finance Payments)	Q1	Mar 16	July 16	
Creditors (Accounts Payable)	Q1	Dec 15	Apr 16	
Nursing & Residential Care Packages	Q1	Mar 16	June 16	
School Places Capital programme	Q1	Mar 16	May 16	
Right to Buy	Q1	Apr-16	Jun 16	July 16
Leisure (Income Collection)	Q1	Apr 16	Jun 16	Jun 16
MOSAIC/Oracle Fusion End of year reconciliation	Q1	May 16		
Overtime	Q1	Jun 16		
Nursing & Residential Care Packages	Q1	Mar 16	Jun 16	
Health & Safety Review	Q1	May 16		
Information Governance & Data Protection	Q1	Jun 16		
Electronic Document and Records Management	Q1	Apr 16	May 16	Jun 16
Troubled Families (Grant Sign Off)	Q2	-	-	
Pinch Point (Grant Cerification)	Q2	-	-	
LTP Capital Settlemet (Grant Certification)	Q2	-	-	
Integrated Discharge Scheme	Q2			
Access to Records	Q2	May-16		
MASH (Multi-Agency Safeguarding Hub)	Q2			
Use of cash vouchers & cash accounts	Q2	Jun-16		

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 contributing to the strategic aim of remaining financially sustainable.

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, 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.

11. FINANCIAL IMPLICATIONS

- 11.1 N/A

12. BACKGROUND PAPERS

- 12.1 N/A