


To: Councillor Stevens (Chairman)  
Councillors Davies, Brock, Gittings,  
McKenna, Terry and Warman

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Your contact is: **Michael Popham - Democratic Services Manager**

### NOTICE OF MEETING - AUDIT AND GOVERNANCE COMMITTEE 16 APRIL 2019

A meeting of the Audit and Governance Committee will be held on Tuesday, 16 April 2019 at 6.30 pm in the Council Chamber, Civic Offices, Reading. The Agenda for the meeting is set out below.

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This report provides an update since the last meeting in January 2019 on progress being made towards completing the audit.

## **7. EXTERNAL AUDITOR UPDATE**

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**Present:** Councillors Stevens (Chairman), Brock, Davies, Gittings, McKenna, Terry & Warman.

### 18. MINUTES

The Minutes of the meeting of 27 September 2018 were confirmed as a correct record and signed by the Chairman.

### 19. RECRUITMENT UPDATE

Shella Smith, Head of HR & Organisational Development, gave a presentation on the action that had been taken since April 2018 to improve recruitment of permanent staff at the Council. The main issues with the current recruitment procedure that had been identified by candidates were that there was no Council employer brand, posts were not well advertised, there was a complete lack of social media presence and the application process was protracted and complicated. Managers had concern about there being no strategic ownership of recruitment and HR provided little in the way of support for the process. Adverts were limited to eight jobs per week regardless of business need due to resource constraints in HR and the lengthy recruitment process was time consuming and costly and was often unsuccessful in appointing permanent staff. As a result, there was an over-reliance on agency staff, the cost of which had risen from £4.9m in 2013/14 to £14.2m in 2017/18. It was reported that a more sustainable level of spending on agency staff would be between £5m and £6m or around 7% of the overall wage bill.

In order to address the concerns, a new team had been appointed in HR to increase skills and resource with responsibility for effectively supporting both agency and permanent recruitment. All jobs were now advertised nationally using REED.com, social media (Facebook or LinkedIn) and the Council's website as standard with an aim to have RBC job adverts appearing on first page of a Google search. Candidates would shortly be able to apply by CVs with a supporting statement, which would significantly reduce the time it took to apply for a position.

There was action being taken to improve the experience of candidates, including those who had been unsuccessful to ensure they retained a positive opinion of the Council as a prospective employer. Paperwork would be dealt with more promptly using a more streamlined approach to avoid unnecessary delay. In addition, further work was taking place to: develop and promote the Council's 'employer brand' on media channels and through the recruitment process; encourage employees to promote the Council as a place to work; develop the RBC jobs website further; roll out the HR recruitment system to managers; introduce an 'on-boarding' system so that new starters could access employment documents commencing employment; and help drive faster, more successful recruitment through the development of key data.

**Resolved:** That Shella Smith, Head of HR and Organisational Development, be thanked for her presentation on the improvements being made to recruitment procedures to address the concerns raised at the Committee meeting held on 1 August 2018 (Minute 8 refers), which

## AUDIT AND GOVERNANCE COMMITTEE MINUTES - 24 JANUARY 2019

had recognised that recruitment issues were being regularly cited as a reason for non-compliance with audit recommendations.

### 20. INTERNAL AUDIT QUARTERLY PROGRESS REPORT

Paul Harrington, Chief Auditor, submitted a report providing an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in September 2018.

The report set out a summary of the audit reports in respect of Delayed Transfer of Care; Continuing Healthcare; Revenue Budget Setting (Hyperion); Journal Testing Q2; Residents' Parking; Declarations of Interest, Employee Gifts and Hospitality; Bus Subsidy Grant 2017/18; Transport Capital Grant funding 2017/18; and Commercial Lease (Nursery). The report stated that audit reviews specific to children and education, including schools, would be reported directly to Brighter Futures for Children (BFfC). The audits of Delayed Transfers; Continuing Healthcare; and Residents' Parking had been given limited assurance, and the full audit reports were therefore attached as appendices.

The report also listed the audits that were currently in progress, or were planned for the remainder of 2018/19, and gave a summary of investigations work between April and December 2018.

**Resolved:** That the report be noted.

### 21. INTERNAL AUDIT PLAN 2019 - 2020

Paul Harrington, Chief Auditor, submitted a report setting out the work that Internal Audit planned to undertake during the financial year 2019/20. The draft Internal Audit Plan was attached as Appendix 1 to the report along with the Internal Audit Charter at Appendix 2. A separate internal audit plan would be prepared for Brighter Futures for Children (BFfC). The report explained that the Chief Auditor had the responsibility to produce an audit strategy of how the internal audit service would be delivered and how it linked to the organisational objectives of the Council.

The report explained that Internal Audit was responsible for forming opinions about the risks and controls identified by management and annually to give a formal opinion on the control environment. It stated that in the context of the Public Sector Internal Audit Standards, 'opinion' did not mean simply a view, comment, or observation; it meant that Internal Audit would have done sufficient, evidenced work to form a supportable conclusion about the Council's activities they had examined.

In accordance with The Accounts and Audit Regulations 2015, the Council had to undertake an internal audit to evaluate the effectiveness of its risk management, control and governance processes, with reference to public sector internal auditing standards and guidance. The Public Sector Internal Audit Standards required an Internal Audit Charter to be in place which would be reviewed periodically and presented annually to the Committee.

**Resolved:**

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- (1) That the Internal Audit Plan for the period April 2019 to March 2020, which was attached to the report at Appendix 1, be approved;
- (2) That the Internal Audit Charter 2019/20, which was attached the report at Appendix 2, be noted.

### 22. STRATEGIC RISK REGISTER QUARTER 3

Paul Harrington, Chief Auditor, submitted a schedule updating the Committee on the Q3 status of the Council's 2018/19 Strategic Risk Register (SRR), in line with the requirements of the Council's Risk Management Strategy. The SRR was attached to the report at Appendix 1.

The report explained that the SRR had been developed to provide a focused and high level overview of strategic risks for staff, councillors and other stakeholders, and was supplemented by more detailed directorate, service and project risk registers. The primary aim of the Strategic Risk Register was to identify those key vulnerabilities that needed to be closely monitored. Risk appetite had been introduced to the SRR in 2018, which established the level of risk that an organisation was willing to seek or accept in order to meet its long term objectives. This approach was consistent with the Institute of Risk Management which advised that risk appetite should be identified for each risk. In order to focus attention on areas of greatest risk, the SRR should only include the key current risks that did not exceed the risk appetite level. As a result, it was recommended that where risks had been rated as 'green' for two or more consecutive quarters they should be removed from the Register and would only be re-instated should the risk level rise again.

The SRR highlighted ten risks, eight of which were rated as 'red' as follows: delivering a sustainable Medium Term Financial Plan/ achieve a balanced budget; data management; governance procedures; failure of a major contract; insufficient vision and strategy for regeneration and economic growth; inadequate mitigation to reduce risk of injury or death in Council residential accommodation and private high rise; failure to develop and maintain key partner relationships; and risk of death, harm or injury to vulnerable people.

#### Resolved:

- (1) That the Strategic Risk Register be noted;
- (2) That risks that had been rated as 'green' for two or more consecutive quarters be removed from the Register and only be re-instated in the event that they exceeded the risk 'appetite' level again.

### 23. TREASURY MANAGEMENT HALF YEARLY REPORT

Jean Stevenson, Chief Accountant, submitted a report providing an update on the activity of the Treasury Management function for 2018/19 as at 30 September 2018. The report had appended a commentary on the economic backdrop for 2018/19 and a

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list of approved counterparties showing the limits of exposure to financial risk that might exist in terms of cash and time period.

The report stated that the Council was required to receive a report on its Treasury Management activity at least twice a year, in accordance with CIPFA's Code of Practice on Treasury Management, which should include:

- a review of the Council's financial investment portfolio for 2018/19 as at 30 September 2018;
- a review of the Council's borrowing strategy for 2018/19;
- a review of compliance with the Council's Treasury and Prudential Limits for the first six months of 2018/19; and
- an economic update for the first part of the financial year.

The report confirmed that the Council had complied with all elements of its Treasury Management Strategy Statement (TMSS), as agreed by Council on 28 February 2018 (Minute 34 refers).

The report stated that the Minimum Revenue Provision (MRP) Statement for 2018/19 had been approved as part of the Council Tax and Budget Setting on 28 February 2018 (Minute 34 refers) and would be reviewed by Council on 26 February 2019, as part of its Treasury Management Strategy alongside consideration of the Medium Term Financial Strategy 2019/20 - 2021/22. The Council would be asked to approve two changes to the MRP Strategy, which were described in Section 5 of the report and would involve: not charging MRP to the Housing Revenue Account on the basis that it had not been a mandatory requirement for a number of years and would allow greater freedom to spread the profile of HRA provision for debt repayment to later years; and to provide for an MRP charge on borrowing to fund investment property acquisitions, thereby allowing for repayment of debt in a similar manner to other capital expenditure funded by borrowing.

### **Resolved:**

- (1) That the performance of the Treasury Management function for the six months to 30<sup>th</sup> September 2018 and the key issues emerging be noted;
- (2) That the recommendations to be put to Council in the Treasury Management Strategy on 26 February 2019 to update the Minimum Revenue Provision policy and Commercial Investment policy set out in section 5 and summarised above be endorsed.

## **24. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER**

Further to Minute 14 of the meeting held on 27 September 2018, Jackie Yates, Director of Resources, submitted a report setting out, at Appendix 1, the Implementation of Audit Recommendations tracker report.

The report explained that each recommendation was marked with a percentage complete which correlated to a red/amber/green rating (up to 25% complete: red,



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between 26% and 75%: amber, over 75% complete: green). Any recommendations that were less than 50% complete but had exceeded their agreed completion date were also marked red. In the tracker report at Appendix 1 there were 116 high and medium risk recommendations from Internal Audit, of which 57 (49%) were currently green, 40 (34%) were amber and 19 (16%) were red. Thirty six recommendations had now been completed and would be removed from the next report. The continued fall in 'red' rated risks was a significant improvement on the previously reported position on 27 September 2018.

**Resolved:** That the high and medium risk Internal Audit recommendations and the responses to those risks be noted as set out in Appendix 1 to the report.

### 25. ACCOUNTS 2016/17 & 2017/18 UPDATE

Further to Minute 13 of the meeting held on 27 September 2018, Jean Stevenson, Chief Accountant, submitted a report providing an update on progress with the audit of the 2016/17 and 2017/18 accounts. The Committee noted that the 2016/17 Accounts should originally have been audited and signed off by 30 September 2017, and that regular reports had been made to the Committee since then providing updates on progress. The report stated that, in early October 2018, following discussions with EY's technical experts regarding the methodology previously used by the Council to value its Fixed Assets, the Council had tendered for fresh valuations of its property portfolio as at 1 April 2015, 31 March 2016 and 31 March 2017. It was expected that the new valuations, along with amendments to the historic accounting treatment of depreciation and impairment would resolve the outstanding queries on the 2016/17 accounts. Additionally, officers had applied the learning from the 2016/17 process to the completion of the 2017/18 accounts. EY had now started preparatory work on the 2017/18 audit and the accounts would be handed to EY as soon as was practical once the 2016/17 accounts had been finalised.

**Resolved:**

- (1) That the progress made by the External Auditor and officers in finalising the 2016/17 accounts be noted;
- (2) That the Chairman of the Audit and Governance Committee and the Lead Councillor for Corporate and Consumer Services, in consultation with the Director of Resources (Section 151 Officer), be authorised to sign the final version of the 2016/17 accounts;
- (3) That the progress made by the External Auditor and officers in closing the 2017/18 accounts be noted.

### 26. EXTERNAL AUDITOR UPDATE

Maria Grindley, EY, presented an Audit Update report, which included the key extracts from EY's Audit Results report. The full version of the report would be issued once the audit of the 2016/17 financial statements had been completed. The

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report drew attention to the work that had been the completed to date and in particular set out the following:

Section 1 - A table of outstanding matters for completion; a commentary on scope changes since planning and our key messages to date;

Section 2 - Audit differences identified to date;

Section 3 - Control observations.

**Resolved:** That the Audit Update report be noted.

### **27. EXCLUSION OF THE PRESS AND PUBLIC**

**Resolved -**

That pursuant to Section 100A of the Local Government Act 1972 (as amended), members of the press and public be excluded during consideration of the following item below as it was likely that there would be a disclosure of exempt information as defined in the relevant paragraphs specified in Part 1 of Schedule 12A to that Act.

### **28. HOUSING BENEFITS AND COUNCIL TAX SUPPORT SCHEME - RISK-BASED VERIFICATION POLICY 2019/20**

Jackie Yates, Director of Resources, submitted a report recommending that the Council continued to use its Risk Based Verification (RBV) process in 2019/20. The process had been introduced by the Council in June 2010 following a recommendation by the Department of Works and Pension. The process enabled processing of claims for Housing Benefit payments and Council Tax Support awards to be streamlined, thereby enabling customers to receive payments sooner. The approach also helped to mitigate risk and fraud entering the system. The Council's risk based verification policy principles had remained unchanged. Guidance to staff had been updated to reflect changes to the Council Tax Support Scheme agreed in 2018/19 with the scheme remaining unchanged for 2019/20. The Risk-Based Verification Policy 2019/20 was appended to the report for endorsement.

**Resolved:**

- (1) That the Risk-Based Verification Scheme, as appended to the report, be approved;**
- (2) That the continued use of a Risk Based Verification approach to evidence supporting claims for Housing Benefit and Council Tax support in 2019/20 be approved.**

(Exempt information as specified in paragraph 7)

(The meeting commenced at 6.30pm and closed at 8.20pm).

## READING BOROUGH COUNCIL

AUDIT & GOVERNANCE COMMITTEE

16 APRIL 2019

### QUESTION NO. 1

Colin Lee to ask the Chairman of the Audit & Governance Committee:

#### Accounts 2016/17

As I understand it, this committee has alleged that the cause for the failure to deliver 2016/17 accounts spans from Oracle to data input and recently the previous auditors. Can the Chair please give a comprehensive statement as to the reasons why this Council has been impotent to deliver a set of fully audited accounts in a timely manner, stating clearly 1) where blame rests and 2) the full cost of this failure; not just, the current auditors costs. If this chamber cannot deliver a more comprehensive review, does this not demonstrate still further a weakness in management practices?

**REPLY** by Councillor Davies (Vice-Chair of the Audit & Governance Committee):

It is the responsibility of the Council's designated 'responsible financial officer' (s151 Officer) to prepare the Council's accounts for audit. The Council has a responsibility to ensure they have the necessary resources to fulfil their role.

This Committee has received regular reports from officers on progress with completing the 16/17 audit, the causes for delay and the remedial action taken to address underlying issues. These reports are a matter of public record and available on the Council's website and I would refer you to them rather than repeat the detail of their contents here.

However, the key issues which have prevented the 16/17 accounts from being signed off earlier include:

- Historic problems regarding the capacity within some parts of the Finance Function and a consequential breakdown in internal control resulted in poor quality working papers and an inability to provide appropriate evidence to the external Auditors. These issues have been addressed going forward through a restructure of the Finance function, the introduction of new systems and procedures and quality assurance processes.
- The historic accounting treatment of the Council's two PFI contracts and valuation of HRA dwellings has required the Council to re-calculate each year's position from the inception of the PFI's and from 2007 for the HRA dwellings. These have been highly technical, complex and time consuming pieces of work.
- Additionally, Red Book compliant valuations have had to be obtained and processed for around 150 of the Council's high value fixed assets.

Without having completed this work our external auditors would not have been able to issue an opinion at all on the accounts.

The external auditor's fee for the work undertaken on the 2016/17 audit is expected to be over £400,000 in addition; the cost of the valuations work undertaken was £139,000. We believe the investment in improving the accounts for 16/17 will be beneficial for future years.

## READING BOROUGH COUNCIL

AUDIT & GOVERNANCE COMMITTEE

16 APRIL 2019

### QUESTION NO. 2

Colin Lee to ask the Chairman of the Audit & Governance Committee:

#### Management Data

I would appreciate it if the Chair could confirm that he is satisfied with the quality and the clarity of information that is provided to this committee in terms of "management data" to ensure that there is no repeat of the 2016/17 accounts fiasco and in doing so highlight what changes and improvements he would wish to see in terms of reporting to this committee to improve oversight of financial delivery?

REPLY by Councillor Davies (Vice-Chair of the Audit & Governance Committee):

As I said in my response to your previous question, this Committee has received regular updates on progress with the accounts closure process and is receiving a further update later on tonight's agenda.

To resolve the issues which have led to the difficulty closing the 2016/17 Accounts, the Council has invested in additional financial capacity as well as new systems to improve efficiency and governance going forward. These include a new financial asset register; a closure of accounts system and software to undertake the closing of the Collection Fund and Cash Flow Statement. Training and development plans have also been put in place to ensure the finance team are able to provide appropriate financial management support across the Council.

The work undertaken by the Council's internal audit team is key to providing assurance. In the last 12 months this Committee has raised the profile of internal audit and the importance of implementing audit recommendations by introducing regular reports which clearly track the implementation of audit recommendations. Service managers are also now required to attend this Committee to address "limited audit assurance" reports and explain the actions they are taking to achieve full compliance.

A recent example of where internal audit work has led to an improvement to the control framework is in quality assuring journal transfers and ensuring they are appropriately evidenced and that controls are working effectively.

As I've just outlined, the quality and clarity of reporting over the last 12 months has improved. We will of course continue to review this and make further improvements if necessary.

READING BOROUGH COUNCIL

AUDIT & GOVERNANCE COMMITTEE

16 APRIL 2019

QUESTION NO. 3

Colin Lee to ask the Chairman of the Audit & Governance Committee:

Accounts 2016/17

May I ask the Chair to express a view on the fact that the Council has refused the public an opportunity to re-inspect the 2016/17 books once there is clarity that the books and therefore the accounts for this period have been restored to order?

REPLY by Councillor Davies (Vice-Chair of the Audit & Governance Committee):

In accordance with the Accounts and Audit Regulations the Council has already allowed a 30 day period for the public to inspect the 2016/17 accounts and our external auditors will have taken into consideration any matters brought to their attention as they felt appropriate.

Providing a second period of inspection is not a legal requirement and would delay the sign off of the 2016/17 accounts still further and have a knock-on impact on work to finalise the 2017/18 and 2018/19 accounts.

The public will shortly have chance to inspect the 2017/18 accounts.

READING BOROUGH COUNCIL  
DIRECTOR OF RESOURCES

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	16 April 2019		
TITLE:	INTERNAL AUDIT QUARTERLY PROGRESS REPORT		
LEAD COUNCILLOR:	COUNCILLOR BROCK	PORTFOLIO:	CORPORATE AND CONSUMER SERVICES
SERVICE:	FINANCE	WARDS:	N/A
LEAD OFFICER:	PAUL HARRINGTON	TEL:	9372695
JOB TITLE:	CHIEF AUDITOR	E-MAIL:	<a href="mailto:Paul.Harrington@reading.gov.uk">Paul.Harrington@reading.gov.uk</a>

## 1. PURPOSE OF THE REPORT

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 2019.

1.2 The report:

- Provides assurance, commensurate with the control environment evidenced by audits conducted in the last quarter.
- Advises on significant issues where controls need to improve to effectively manage risks.
- Tracks progress on the response to audit reports and the implementation of agreed audit recommendations.
- Where limited opinions have been given, the full internal audit report is appended to this report.

1.3 The following document are appended:

- Appendix 1 - Sundry Debtors
- Appendix 2 - Accounts Payable
- Appendix 3 - Direct Payments - follow up
- Appendix 4 - Data Storage

## 2. RECOMMENDED ACTION

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

### 3. ASSURANCE FRAMEWORK

3.1 In each Internal Audit report Internal Audit provides a clear audit 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:

Opinion	Explanation
No Assurance	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives.
Limited	Significant weakness (es) identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
Reasonable	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
Substantial	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified.

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 or 'no' assurance.



#### 4. HIGH LEVEL SUMMARY OF AUDIT FINDINGS

	Recs			Assurance	
4.1	Sundry Debtors	1	0	0	Limited

- 4.1.1 The Income & Assessment team in the Directorate of Resources is responsible for the higher level management and control of the Accounts Receivable system<sup>1</sup>, with service areas being responsible themselves for identifying and raising debtor accounts and then monitoring and wherever necessary following up unpaid invoices.
- 4.1.2 Staff in the central team are working diligently to follow up unpaid invoices and recover payment from debtors, however as with previous years, there is no apparent consistency, priority or direction as to their work, and in particular the order that accounts are worked on.
- 4.1.3 To address audit concerns a project was established to centralise the raising of invoices, however this has not been sufficiently progressed, and therefore transactions conducted during 2018/19 were subject to the same shortcomings identified in previous audits. Although one new high priority recommendation has been made, a further nine recommendations still remain outstanding from previous audits.
- 4.1.4 The centralisation of invoices, whereby services will forward details of potential invoices to Income & Recovery for the team to then raise centrally, was planned to be in place by the end of May 2018. This however has been delayed until the start of the 2019/2020 financial year, but when in place there may be several potential advantages for the Council and which could improve the efficiency and effectiveness of income collection and recovery.
- 4.1.5 There are still failings in the debt collection process, with no standard procedures for the monitoring and chasing of debt and a lack of consistent arrangements for tackling long term debt (60+ days). Given there is now a greater focus on commercial trading and income generation, there needs to be better central overview of the chasing and monitoring of debt.
- 4.1.6 Sundry debt as at the end of period 10 was £10.9m, with £5.4m relating to invoices raised within the last 30 days, leaving outstanding debt (30+ days) of £5.5m. Debt over 121 days was £4.405m. The majority of debt over 121 days is related to Adult Social Care debt and to help address this, the service, Accounts Receivable and Legal are meeting monthly to review debt.
- 4.1.7 We have been informed that new procedures and processing guides on debt collection will be put in place when the project goes live and these will new provide clear guidance on how to collect debt, when to escalate a debt and to whom and when to start a debt write off process.

<sup>1</sup> This audit focused on the debtors function within Academy system and did not review other income collection systems in operation across the Council.

4.1.8 In addition the aged debtors report will be more targeted/service relevant and run by cost centre when the function is transferred on to Oracle Fusion. This will enable the corporate team to challenge budget holders once a debt is over 60 days old. Low value invoices being raised for less than £30 will also be phased out during 2019/2020 resulting in immediate payment of small values.

		Recs			Assurance
4.2	Bank reconciliation:	0	0	0	Reasonable

4.2.1 Bank reconciliation is the process of comparing and reconciling accounting records with transactions presented on the bank statement. The daily bank reconciliations reconcile the daily cash transactions and the monthly bank reconciliation is undertaken using cumulative data. Both reconciliations should be used for ensuring that year-end adjustments are correct.

4.2.2 Both Internal and External Audit have raised concerns over the frequency of bank reconciliations, lack of documented processes, the need to clear historic unreconciled items and there being no centrally held overview of control account reconciliations.

4.2.3 During 2018/2019 daily reconciliations have been undertaken to check that all receipts in the bank account are processed by the Civica (cash) system, so it is known that cash has been allocated. However, monthly reconciliations providing a cumulative oversight were still not being performed at the time of our audit (December 2018). However, it was reported to us, although not evidenced, that a consolidated reconciliation for the period April to October 2018 had taken place. As auditors we would expect the bank reconciliation to be completed and reviewed on a monthly basis.

4.2.4 Documented procedures to confirm the standards and methodology for producing and monitoring the daily and monthly reconciliations remain work in progress and should be complete by the end of the 2018/2019 financial year.

4.2.5 Progress at individual system level has been minimal as the corporate approach to reconciliations has not been agreed, including documenting procedures and reconciliation standards/conventions. The current format of reconciliations is sometimes unclear and unprotected with manual processes being necessary to physically input data from the systems being reconciled into Excel spreadsheets.

4.2.6 Although we made no new recommendations as part of this year's audit, historical recommendations are still valid and remain as work in progress, but we acknowledge the direct of travel is positive.

		Recs			Assurance
4.3	Budgetary Control & Savings Programme:	0	0	1	Satisfactory

4.3.1 The purpose of this audit was to review the measures in place designed to achieve planned budget reductions and the current governance structure of the programme of delivery savings. Additionally the audit sought to review a sample of high value/high risk savings plans.

4.3.2 Based on a sample review of 21 (10%) savings proposals, we were satisfied that the savings reported are accurate and supported. Arrangements remain detailed and appropriate to the governance and reporting framework with incremental improvements having been made to improve the quality of information available for the management of the programme.

4.3.3 The approach taken towards the management and delivery of the savings programme has been well regarded by Lead Officers and Business Partners that were interviewed. The budget monitoring process represents a continuous monitoring of the delivery of savings proposals alongside reports to the Corporate Programme Board. No concerns were raised with respect to the frequency and quality of monitoring.

4.3.4 Where amendments have been made to a savings proposal the governance and reporting structure was evidenced to have performed well with the required changes to the proposal and programme having been evidenced as being communicated and agreed.

		Recs			Assurance
4.4	Homes for Reading:	0	7	3	Reasonable

4.4.1 The purpose of this audit was to review governance arrangements within Homes for Reading (HfR).

4.4.2 Governance structures are generally in place both within HfR itself, as well those that address the relationship between HfR and the Council, the principal one being the Articles of Association. Within HfR, governance is overseen by the Executive Management Team (EMT) of Officer Directors and the Board of HfR. The Board of Directors comprises Councillors and two Non-executive Directors.

4.4.3 Meetings of both the Board and the EMT are regularly held and a record maintained, although arrangements could be tightened by considering increasing the frequency with which the Board meets currently.

4.4.4 HfR commissioned advisors to look at the operating arrangements and to propose areas for improvement. The findings and recommendations suggest making changes in the way the company functions are governed. The key proposal made is to change the way the existing relationship between the Council and HfR is structured as well as refining the composition of the Board to strengthen the skills and industry knowledge by increasing the number of Non-Executive Directors.

- 4.4.5 HfR is a young company and so many of the operating systems are in their relative infancy. This is exemplified by the company’s documented policies and procedures, in that those that do exist vary in purpose, style, file location and detail. Work has been undertaken to introduce better standardisation and review, but those policies principally developed and operated by service providers would now benefit from regular review, sign off and approval in future to ensure they reflect best practice.
- 4.4.6 Under the existing operating model the Council remains the principal provider of services, in particular for finance, valuations, legal support and conveyancing, property maintenance and voids work and housing management. The Board of HfR has expressed concerns about the reliability and availability of these services and the impact this has on operating capability. The Board has formally written to the Shareholder expressing its concerns and the compliance requirements required by the Directors to satisfy legal requirements. Clearly this is a significant issue for the company that needs resolution.
- 4.4.7 Although the scope of the audit did not include a review of the arrangements established to fund HfR, issues regarding the accounting arrangements for this have recently become apparent, most notably the need to account for Minimum Revenue Provision (MRP). It is understood that it is currently being considered how best to manage this.

		Recs			Assurance
4.5	Accounts Payable	1	2	1	Limited

- 4.5.1 The audit was not able to comment on purchase ordering in any detail as the purchase order reports were not available due to technical issues with Oracle Fusion at the time of the audit. This means that Purchase to Pay (P2P), PO creation and processing, as well as and open POs and receipting could not be tested. However, an average compliance of around 70% across services is being reported for Purchase-to-Pay.
- 4.5.2 There were no fraud or irregularities discovered in the testing that was focussed on the processing and payment of invoices and supplier details and set up.
- 4.5.3 A review of payments did not reveal any areas of significance with all non BACS payments evidenced and BACs processes operating as expected. The lack of formal process and procedure in the area of manual payments (cheque and CHAPS) is a control weakness as substantial amounts of money are transferred via electronic payments mechanisms such as CHAPS. There were no issues with duplicate payments although in two cases reviewed payments for the same amounts for different months were made on the same invoice on the same date.
- 4.5.4 Credit memos were examined and an issue identified with broken links to supporting scanned documents that meant the audit trail for the transaction was obscured. There was a further issue in the number of memos issued in respect of some companies which may suggest issues around the original procurement terms.

- 4.5.5 Examination of invoice processing did not reveal any issues around the times or dates of invoice processing (PO creation was not examined). There was no evidence found to identify the deliberate postdating of invoices for payment.
- 4.5.6 There were indications of processing backlogs in testing the numbers of transactions that dated from before the audit commenced. These referred both to the invoice creation date on the system and the actual date used by the supplier on the invoice. Analysis of the days between the invoice date and the payment date showed that around 93% of invoice transactions were processed for within 30 days which left around 4,100 transactions being later or in some cases significantly later than 30 days (used as an average test period for terms of payment).
- 4.5.7 Suppliers were examined and there was a definite improvement since the previous audit both in the reduction and lack of duplication of sites. The portal that allows automatic matching still has an issue with processing the old style purchase order numbers and is not yet fully functional. There were also issues with the time taken to physically scan and upload the invoice details for social care invoices in batches for which a solution is pending, but not yet in place.
- 4.5.8 It was noted that the supplier set up process reflected a necessary separation of duties, but that the person setting up the suppliers is a consultant and not a council employee.
- 4.5.9 Although work has taken place to address concerns raised in previous audit reports, many of the actions are still work in progress. These include, but are not limited to: open purchase order control, lack of documented business process and office procedures, no central control over suppliers.

		Recs			Assurance	
4.6	Direct Payments - follow up	1	5	1	Limited	

- 4.6.1 On completion of our last audit review, we concluded that quarterly monitoring and annual audit checks by staff of Direct Payment accounts were not being done on time and there were backlogs with both.
- 4.6.2 Essentially this follow up audit sought to evaluate what progress had been made since the last review and that the recommendations had been successfully implemented.
- 4.6.3 Whilst we've concluded that some positive work has been undertaken to address audit concerns, for example there has been a review of documentation and guidance, the take up of direct payments (and pre-paid cards) has stalled and there is still a considerable backlog of monitoring reviews.

4.6.4 The number of people receiving direct payments has increased by 18% with the number of people having a pre-paid card having risen from 47 in 2017 to 150 in January 2019. However in the wider context of people who could use direct payments, the take-up is still low.

4.6.5 The strategy is to address the back-log of case reviews, is to monitor the last 6 months expenditure for all DP clients. The aim has been to complete 20 monitoring returns per week, whilst completing 50 pre-paid card monitoring reviews per month. At the time of our audit (January 2019), a small percentage (4%) of direct payment users hadn't been reviewed since 2015/16, 59% had not had a review since 2017, 21% were last reviewed in 2018 and 16% did not have a date recorded when the last annual review was undertaken. This is important because in the event of a fraud happening, the likelihood of it being detected early is reduced. Given this and the relatively recent instance of a known fraud occurring, it was only possible to provide a Limited Assurance opinion.

		Recs			Assurance
4.7	Data Storage	1	3	1	Limited

4.7.1 The Council has data retention policies in place for all corporate data held in key council systems such as Mosaic and Oracle, which is subject to review and archiving or deletion. However there is a large amount of data held in an email retention programme called Mailmeter or in personal drives, corporate drives that is not subject to any review and in places is unstructured.

4.7.2 This latter data that RBC holds could breach Data Processing and GDPR<sup>2</sup> requirements, as RBC does not know what it is storing with respect to personal data and maybe failing in not removing data it no longer requires for processing, or failing to identify personal data that it holds and ensure that it is adequately protected.

4.7.3 We concluded that corporate governance over data processing and storage issues required improvement, which was evidenced with the difficulties in obtaining an accurate system owners list and ensuring that those owners take responsibility for knowing what data they are storing. It must be emphasised that the problems RBC face are governance issues around how the business creates, processes, and stores data. The ICT issues arise from the current problems around failing to create and maintain structures to address these issues, which have resulted over a considerable period of time in the creation of a large amount of unstructured data being stored in individual silos, often without any organisational oversight.

<sup>2</sup> General Data Protection Regulation (EU) 2016/679 ("GDPR") is a regulation in EU law on data protection and privacy for all individuals within the European Union (EU) and the European Economic Area (EEA).

- 4.7.4 It is acknowledged that the problem of unstructured data is not unique to RBC and is common across both public and private sector. However the existence of unstructured data greatly increases the risk that there could be a technical breach of GDPR. In addition financial savings may not be achievable when Office 365<sup>3</sup> and Cloud solutions are implemented, especially if the current set up is replicated. Failure to change the existing storage arrangements may well cost RBC significantly more in storage space in the cloud for data it is not actively using.
- 4.7.5 RBC purchased a software programme (Mailmeter) as an email storage and retrieval programme, which is the only accessible historical record for all emails and attached documents. Data is stored and can be searched within individual accounts and includes all emails sent to and from the account which may include data personal to the individual.
- 4.7.6 Any transition to cloud and Office 365 will need decisions taken on retaining existing data. The GDPR project, whilst producing the requirement for Information Asset Owners and revising data retention policy advice, were unable to insist on Services addressing their data retention policy issues or assigning information asset owners. This could be a problem for significant Cloud migration projects needed for Office 365 including Sharepoint storage. There is an opportunity with Office 365 to delete the unstructured data being stored in email format and repositioning the data stored as being up to date.
- 4.7.7 The Information Commissioner is of the view that if the data is stored then it should be searchable and there is a possibility at some stage the ICO questions RBC whether personal data is being retained unnecessarily (ICO is already aware in part of Mailmeter issues). Data protection legislation says that data held must be searchable and the retention of personal data must be proportionate. The random and unstructured storage of data will make this task difficult, if not impossible, to identify what data should and shouldn't be being stored and may lead to data being stored that shouldn't be.

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<sup>3</sup> Office 365 is a cloud based (online) service of Microsoft Word, PowerPoint and Excel

## 5.0 AUDIT REVIEWS 2018/2019

5.1 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	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Continuing Health Care (CHS)	●				Apr-18	Aug-18	Nov-18	2	5	1	Limited
Delayed Transfer of Care	●				Apr-18	Jul-18	Sep-18	2	4	1	Limited
Entitlement & Assessment	●				Jan-19						
Revenue Budget Setting (Hyperion)	●				Jun-18	Oct-18	Nov-18	0	3	1	Substantial
Additional Payments	●				Apr-18	Jul-18	Sep-18	1	3	1	Limited
PCIDSS	●				Jun-18	Aug-18	Sep-18	0	3	0	Reasonable
Data Storage	●				Jun-18	Dec 18	Apr 19	1	3	1	Limited
Network Infrastructure Security	●				Apr-18	Sep-18	Sep-18	0	3	2	Reasonable
Residents Parking	●				Jun-18	Oct-18	Dec-18	3	5	1	Limited
Use of CCTV - Urban Traffic Control	Deferred until 2019/2020										
Homes for Reading	●				Jun 18	Sep-18	Jan-19	0	6	3	Reasonable
Right to Buy (follow up)	●				Apr-18	Jun-18	Aug-18	0	1	3	Reasonable
Norcot Nursery School	●				Jun-18	Jul-18	Jul-18	0	3	5	Reasonable
New Bridge Nursery School	●				Jun-18	Jul-18	Sep-18	0	1	1	Reasonable
Commercial Leases (Stepping Stones)*	●				May-18	Jul-18	Sep-18	2	1	1	N/A
General Ledger Q1 Journal testing		●			Aug 18	Aug-18	Aug-18	0	0	0	Substantial
Bank and Cash Reconciliations (follow up)		●			Dec-18	Jan-19	Feb-19	0	0	0	Reasonable
Budgetary Control & Savings		●			Dec-18	Feb-19	Mar-19	0	0	1	Substantial
Section 106 Agreements		●			Mar-19						
South Reading Leisure Centre		●			Jul-18	Sep 18	Sep-18	0	1	0	Substantial
LTP Capital Settlement (Grant Certification)		●			Sep-18	Oct-18	Nov-18	0	0	1	Substantial
Bus Subsidy Grant		●			Sep-18	Oct-18	Nov-18	0	0	1	Substantial



Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
General Ledger Q2 Journal testing		●			Oct-18	Jul-18	Jul-18	0	0	0	Substantial
Employee Gifts & Hospitality & Declarations of Interest			●		Sep-18	Nov-18	Jan-19	0	4	2	Reasonable
Creditors (Accounts Payable)			●		Dec 18	Jan 19	Mar-19	1	2	1	Limited
Troubled Families Grant Sign Off			●		Sep-18	Sep-18	Sep-18	0	0	0	Substantial
Direct Payments (f/up)			●		Jan-19	Mar-19	Apr 19	1	5	1	Limited
Commissioning (Adults)	Deferred until 2019/2020										
Business Rates			●		Nov-18	Apr 19		0	0	5	Substantial
Sundry Debtors			●		Oct-18	Dec-18	Jan-19	1	6	1	Limited
Payroll			●		Feb-19						
Commercialisation			●		Oct-18	Jan-19		1	1	0	Reasonable
Redlands Primary School**			●		Nov-18	Nov-18	Dec-18	0	0	2	Substantial
The Hill Primary School**			●		Sep-18	Oct-18	Nov-18	0	3	5	Reasonable
Whitley Park Primary School**			●		Jun-18	Jul-18	Jul-18	0	3	3	Reasonable
Stronger Together Partnership*			●		Sep-18	Oct-18	Oct-18	0	0	0	N/A
Births Deaths & Marriages (spoil certificates & counterfoils)*			●		Oct-18	Oct-18	Oct-18	0	0	0	Substantial
Public Health Grant (f/up)				●							
Blessed Hugh Farringdon Catholic Secondary School**				●	Oct-18	Oct-18	Nov-18	0	0	3	Substantial
Christ the King Catholic Primary School**				●	Jan-19	Feb-19	Apr 19	0	2	0	Reasonable
St Michael's Primary School**				●	Feb-19	Mar-19	Apr 19	0	2	5	Reasonable
Foster Care (follow up)**				●	Mar-19						
Administration of looked after children**				●	Mar-19						
Child Exploitation & Missing Children (follow up)**				●	Mar-19	Mar-19					Reasonable
Phoenix College**				●	Feb-19	Mar-19	Apr-19	-	-	-	N/A

\*This audit was added as was not part of the original planned programme of audits

\*\*Outcome of audit to be reported directly to BfFC

## 6.0 INVESTIGATIONS

### 6.1 Housing Benefit and Council Tax Support Investigations

6.1.1 For the period the Council Tax Support Overpayment is £13,672.47. One case generated a Housing Benefit overpayment of £34,360.95. The team investigated an allegation of fictitious tenants; this resulted in the return of £13,503.42 in owned Council Tax payments.

### 6.2 Single Person Discount

6.2.1 Following a data matching exercise matching 21,918 address records against tracing and occupier lookup databases to determine the strength of residency for all individuals in a household within the borough, investigations officers are working with Council Tax reviewing the very high risk data matches and high risk matches. From the matches investigated to date £195,247.80 has been identified for CTAX recovery.

6.2.2 This exercise will be repeated in the 2019/2020 financial year.

### 6.3 Housing Tenancy Investigations

6.3.1 Since 1st April 2018 Investigation Officers have investigated 57 cases of alleged tenancy fraud and have assisted in the return to stock of 21 Council properties. At present we have 21 ongoing tenancy investigations.

6.3.2 It is difficult to quantify the financial implications of these types of investigations, however the RBC agreed figure of £15,000 is considered to be the average cost for retaining a family in temporary accommodation. Using this figure (21 x £15,000), to date notional savings of £315,000 have been made as a result of tenancy investigations.

### 6.4 Right To Buy (RTB)

6.4.1 We are working with Housing Officers to check applications against Council tax and other records and will investigate any applications that look suspicious. Improper applications can result in eviction and criminal prosecution. Since 1 April 2018 the team have been asked to check 35 RTB applications and as a result of our investigations, seven applications did not proceed any further and one application was refused as a result of our investigations. This property transaction in this instance would have been entitled to the maximum of £80,900.

### 6.5 Internal Investigations

6.5.1 Following authorised surveillance at one of the Council's leisure establishments, a now former member of staff was arrested on the suspicion of theft of cash. The matter was heard at Reading Magistrates Court on the 6<sup>th</sup> April 2018 and the defendant pleaded guilty to all charges. Full costs were awarded to the Council and the defendant has since paid £13,198.

## 6.6 Social Care Fraud & Investigations

6.6.1 The Audit & Governance Committee has been made aware of the complex investigation relating to allegations of Direct Payment<sup>4</sup> Fraud in excess of £62,000. On the defendant was found guilty on three accounts of fraud by false representation, three accounts of furnishing false information and one account of fraud by abuse of position and concealing criminal property (money laundering).

## 6.7 New Homes Bonus

6.7.1 The New Homes Bonus (NHB) is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas. It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use.

6.7.2 Investigations officers, under the direction of the Council's Empty Homes Officer, worked in partnership with CTAX officers to maximise potential income, by reducing empty properties recorded on the CTAX database. The project team reduced the registered CTB1<sup>5</sup> figure from 502 to 387. The 'net reduction' of 115 long term empty properties earns the Council an NHB payment of £106,467 for 2020/21, part of the 4-year NHB reward of £425,870.

## 6.8 Disabled Persons Parking Badges (Blue Badges)

6.8.1 Since the 1<sup>st</sup> April 2018 the team have received 27 referrals with regards to the potential misuse of a Blue Badge. Of these, there have been 3 successful prosecution cases with respect to the misuse of a Blue Badge, and 3 further Blue Badges have been seized and taken out of circulation. The role of investigations officer is not that of enforcement work, but to investigate referrals into alleged misuse of blue badges, they are not enforcement

## 7. CONTRIBUTION TO STRATEGIC AIMS

7.1 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.

## 8. COMMUNITY ENGAGEMENT AND INFORMATION

8.1 N/A

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<sup>4</sup> Direct payments are payments for people who have been assessed as needing help from social services, and who would like to arrange and pay for their own care and support services instead of receiving them directly from the Council.

<sup>5</sup> Local authorities are required to return the Council Tax Base Return (CTB1) form each year.

## 9. LEGAL IMPLICATIONS

- 9.1 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.
- 9.2 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.
- 9.3 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”.

## 10. FINANCIAL IMPLICATIONS

- 10.1 N/A

## 11. BACKGROUND PAPERS

- 11.1 N/A

# Internal Audit Report

## Key System: Sundry Debtors 2018/19

To: Chris Beauchamp - Accounts Payable & Receivable Manager  
Matthew Davis - Head of Finance

From: Robert Dunford, Senior Auditor  
Kathleen Gibbons, Auditor

Date: 29/1/19

Ref: 23/18



Limited  
Assurance

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### 1 Purpose and Scope of Review

- 1.1 Reading Borough Council uses Academy as its principal system to raise invoices and monitor the collection of income thereafter.
- 1.2 Whilst the Income & Assessment team in Corporate Support Services is responsible for the higher level management and control of the systems, it is the responsibility of services to identify and raise debtor accounts and then monitor and wherever necessary follow up unpaid invoices.
- 1.3 This audit reviewed the expected high level controls for Accounts Receivables to ensure:-
- To ascertain and evidence the implementation status of those recommendations made and agreed to in the previous audit report.
  - Ensure payments are auto-matched to debtor accounts and receipts without a valid reference are posted to and cleared from a suspense account on a regular basis.
  - Unpaid invoices are monitored and chased appropriately.
  - Bad debts are appropriately authorised and accounted for before being written off
  - Collection performance is monitored and reported
  - Collection activity is focused and less priority is given to accounts with ageing balances which may not be 'real' receivables
  - To substantiate the timely completion and accuracy of the daily reconciliations between the cash receipting and debtor systems.
  - To substantiate the timely completion and accuracy of the monthly reconciliation between the debtor general ledger systems.
- 1.4 This audit will focus on operation of the debtors function within Academy and will not review any other income collection systems in operation across the Council.

### 2 Main Conclusions

- 2.1 Management has reported that the implementation of the previously agreed audit recommendations which have been outstanding since 2016/17 have been delayed until the administration of the Council's corporate sundry debtor function has been transferred from Academy to Fusion by the end of 2018/19 financial year.
- 2.2 The Council's corporate debt policy needs to be enforced and the strategic approach for managing debt needs to be reviewed to prevent debt growth and improve recovery. The Income and Assessment Manager has re-emphasised the importance for the debt policy and strategical approach to direct procedural standards and operational requirement, which is particularly

important given that the sundry debtor project team has been tasked with this exercise without confirmation of either the strategic approach or an overview of Fusion's operational functionality.

- 2.3 There are a lack of consistent arrangements within the Accounts Receivable team for identifying, recording and reporting of unpaid invoices beyond 60 days. There is an inherent risk of debtors with long term and accumulating arrears not being identified for action because the status of customer debt and profiles are not being accurately captured for analysis so that these can be targeted.
- 2.4 As greater reliance is being placed upon trading and income generation, it is our opinion that the debt monitoring control needs to be more improved and better embedded within the budget monitoring process in order to better understand the reasons for accruing debt and poor recovery so that unnecessary debt is prevented.
- 2.5 Control improvements for substantiating, authorising and securing the balances on the daily and monthly reconciliations remain outstanding.
- 2.6 We have raised a new single high priority recommendation in respect of this review (Appendix 1), which is sequentially referenced to those raised previously (See Appendix 2) since 2016/17. The new recommendation is referenced number 12.

### 3. Summary of Findings

#### 3.1 Systems, controls and responsibilities are documented

3.1.1 We previously recommended (Rec 1) that the policies and procedures should be reviewed on an annual basis. Management have reported that this exercise has been delayed until after the project to transfer the sundry debtor accounts from Academy to Fusion has been completed in late 2018/19. The following should be noted:-

- The Council's Corporate Debt Policy<sup>1</sup> dated March 2015 has been published on the Council's website for information.
- The managerial responsibilities for administering corporate sundry debt were transferred to the newly appointed Accounts Payable/Receivable Manager from the 1/10/18.
- The Head of Finance has sponsored the project to transfer the sundry debtor account database from Academy to Fusion by the end of 2018/19, which will also include a review of the operational procedures and processes.

#### 3.2 Payments are auto-matched to debtor accounts and receipts without a valid reference are posted to and cleared from a suspense account on a regular basis

3.2.1 Receipt of payment is administered through the Council's cash receipting system (Civica) which is auto-matched via a programme against the Council's debtor system (Academy), which is then reconciled on daily basis. Those payments that cannot be matched by the system due to an invalid account reference numbers or because it is part of a bulk payment are automatically posted to the suspense account for investigation.

3.2.2 The suspense account is reviewed and cleared regularly by downloading an 'un-matched sales transaction' report from both Academy and Civica on a daily basis to identify un-matched receipts. These reports are cut and paste into an excel spreadsheet workbook for investigation and re-allocation to the correct account. The procedures for this need to be reviewed

<sup>1</sup> Scope covers the collection of sundry debtors, council tax, NNDR, rents income etc. housing benefit and council tax overpayments and the recovery of overpaid salaries and wages.

approved and then monitored as per recommendations 2, 3 and 4 made in the 2016/17 audit report.

3.2.3 Recommendation 11 has not been implemented. This was made to ensure the total and movement in the value of payments requiring investigation in the suspense excel workbook could be accounted for. We have been informed that the procedures for this are now subject to change following the Fusion sundry debt project.

3.2.4 Apart from “highlighting” that a payment has been identified for resolution, no cross reference to the journal raised is recorded on the workbook albeit this can be verified against Academy.

### 3.3. Unpaid invoices are monitored and chased appropriately

3.3.1 Although we can confirm that a regular aged debtors report is produced and circulated to services on a monthly basis for monitoring, the approach for chasing and monitoring outstanding invoices requires urgent attention to make it more effective and efficient:-

- The Recovery & Control Team<sup>2</sup> provide an Aged Debt report from Academy to the Income and Recovery Officers on a monthly basis. The report is sent in its entirety, including full name of each customer, customer ID, department ID and value of invoices outstanding to the 3 Income and Recovery Officers along with 20 further staff members and 2 ‘team’ email inboxes including, Officers, Managers and Head of services across the different directorates. This diminishes its purpose. See Rec 12.
- The same Aged Debt Report including a general summary is also sent separately to 8 (see 3.4.2) further members of staff including Managers, Head of Services and Accountants for information. See Rec 12.
- The Aged Debt report received by the Income and Recovery Officers is split between the three staff members to work off. Two of the Recovery Officers concentrate on Sundry Debtors by dividing the report alphabetically and alternately this process each month on a new report. The third Recovery Officer solely investigates social care invoices that are outstanding. The September and October Aged debt report was examined and it was noted there was potential for an uneven divide to occur when each report is split between the two types of debts, Sundry and Social care. Social care accounted for 47% of clients in September 2018 and 39% in October 2018.

3.3.2 An examination of the September 2017 and September 2018 Aged Debt Report shows an overall increase in the value of outstanding invoices totalling £1,238,92.00, although there is an improvement in the clearing of unallocated credit (-£1,198,103).

3.3.3 The September 2017 report showed a total of 4,707 invoices older than 60 days outstanding. 1,707 invoices to the value of £2.28m were cleared by September 2018, however the remaining 3,000 invoices to the value of £2.18m currently show as outstanding on the September 2018 Aged Debt report.

3.3.4 A sample of invoices from the September 2018 Aged Debt report was examined and the following noted:

- Notes in Academy were not always updated in correlation with the Recovery Officers’ monthly Aged Debt workbook
- Notes on the Recovery Officers monthly Aged Debt workbook were not always an accurate reflection, e.g.: Invoice noted as ‘Paid’ when it was credited due to termination of lease, or else easily being identifiable to the status of the debt, e.g.: Notes stating ‘emailed relevant department’
- Internal departments are emailed on a case by case basis to contact the client regarding outstanding invoices rather than a consolidated summary being provided.

<sup>2</sup> Team forms part of the Income & Assessment Service

- The team investigate outstanding invoices from 60 days and older however notes were recorded against invoices outstanding from 30 days.

3.3.5 The Accounts Receivable team are reliant on other internal departments' processes to complete reconciliations to ensure accurate reporting on Aged Debt which impacts the timely investigating of true outstanding invoices under that service.

3.3.6 The Corporate debt team have repeatedly highlighted the need for services to improve the quality of their information and supporting documentations to ensure the recovery is not aggravated. The previous Strategic Director of Finance approved and communicated the need to address these risks at a strategic level by centralising the production and issue of sales invoices.

It is worth noting that the Senior Recovery Officer is working on publishing a Webform to centralise the request of invoices and assist in streamlining this process to ensure accurate and consistent production in the issuing of sales invoices.

#### 3.4 Collection activity is focused and recovery performance is monitored

3.4.1 The Corporate Debt Policy specifies *"The council recognises that prompt recovery action is key in managing its debt and maximising income. The Council therefore aims to a) regularly monitor the level of debt, b) set clear targets for the recovery of debt, c) have clear written recovery procedures, d) set priorities for specific areas of debt and continue to review the recovery methods used to ensure maximum recovery, and e) regularly review irrecoverable debts for write-off."*

3.4.2 A summary analysis is prepared by the Control Team of the aged debt status for the directorates and services is circulated for information to the Income & Assessment Manager, Accounts Payable Manager, Recovery & Control Team Leader, Head of Finance, Chief Technical Accountant and the Heads of Service.

3.4.2 The working practices and approach for investigating, recording or tracking each contact with clients regarding outstanding invoices by the Recovery Officer need to be standardised and coordinated and the information obtained need to be consolidated into a single workbook.

3.4.4 The Corporate Debt Policy executive Summary states 'As Reading Borough Council rises to the challenges of reduced grant funding, having to find further savings of some £40 Million over the 2014-17 period whilst delivering increased quality services to our residents, we need to adapt the way in which we approach debt collection'

In reference to recommendation 2 from the Debtors Audit Report 17/18, *'The Income & Assessment Manager should review and formalise the strategy, techniques and records Income & Recovery staff should use in the identification and follow up actions used in respect of recovery of unpaid invoices. Once agreed this should be documented and followed by staff.'*

It was noted however that there is no evidence this has happened.

#### 3.5 Bad debts are appropriately authorised and accounted for before being written off

3.5.1 The bad debt policy<sup>3</sup> stipulates that a write off is only appropriate where there is a justifiable reason to avoid uneconomic cost of chasing debt where there is no realistic prospect of recovery.

3.5.2 In comparison to September 2017, which recorded 6,384 outstanding invoices totalling £8,616,988.25, the aged debt report for September 2018 records 7,134 unpaid invoices totalling £9,855,940.70 (14% growth).

<sup>3</sup> Bad Debt Policy – Section 8 Write Offs



3.5.2 Although an exercise is being undertaken to write off those debts which are 6 years old, a yearly profile of the total value of outstanding invoices shows there considerable arrears between 1 and 5 years:-

Years Outstanding	Invoice Count	Outstanding Invoice Balance	%
Other	2	£ 4,223.47 +	0%
0	3,767	£ 7,478,648.60	76%
1 - 5	2,977	£ 2,108,712.78	21%
6+	388	£ 264,355.85	3%
	7,134	£ 9,855,940.70	100%

3.5.3 Contrary to the corporate debt policy, sales invoices are still being raised for extremely low value income: 40 invoices totalling £247.93 were raised below the bad debtor policy's recovery economic value of £10. The economic value needs to be substantiated in relation to Fusion as there are a further 224 debts between £11 and £30 totalling £4,530.34.

3.5.4 141 invoices totalling £141,423.39 have been written off on Academy since the 1/4/2018. Write offs are actioned independently of the service by the Control Team on Academy when an authorised 'write off form' is received as justification. A journal is raised at the same time to attribute the cost on Fusion back to the service.

### 3.6 Daily reconciliation between the cash receipting and the debtor systems

3.6.1 Guidance notes were produced in 2015 to clarify how the daily reconciliation is conducted as this may be completed by any of the Revenue and Control Team. The daily 'cash receipt' report from Civica is reconciled against the 'daily invoice posting' report<sup>4</sup> and then against the 'daily transaction totals' report<sup>5</sup>, which reports the accumulative position in Academy.

3.6.2 As at 16/10/2018, we can confirm Civica (cash receipting system) has been reconciled and balanced against Academy (sundry debtor system) on a daily basis up to 15/10/2018, however:-

- The reconciliation is not certified and dated by the preparer or reviewing officer albeit this is held on the shared drive for management information.
- System reports to substantiate the balances in the reconciliation are not secure and audit trails to these documents which are held on the shared drive are still not in place. Given this, we can confirm the system balances for the 15/10/18 are correct as these were regenerated in our presence.

3.6.3 Explanations for the variances in the daily reconciliation are recorded to confirm those manual adjustments made to the system, and the cumulative total of unresolved variances is summed for managerial information. As at 15/10/18, the cumulative total variance is currently £48,082.87. Reasons for these variations include:-

- Direct debits: Although direct debit receipts are accounted for within the reconciliation, these are highlighted as a "variance" because the receipt of these funds is not accounted for through Civica<sup>6</sup>.
- Academy system report: The overall total in the 'invoice payment posting' report<sup>7</sup> does not fully account for all payments e.g. although Civica records the receipts on the 15/8/18 as £1,762,691.61, Academy reports this to be £762,691.61.

<sup>4</sup> Academy: im6020

<sup>5</sup> Academy: im6330

<sup>6</sup> The Academy 'direct debit generation' is held to support the total in the reconciliation and we can confirm that the direct debit is also accounted for in the cumulative total

<sup>7</sup> Im6020 report

- Previous application o/s debts: Account references that continue to relate to the previous debtor system (Northern) have to be identified<sup>8</sup> for investigation so that the appropriate account on Academy can be adjusted.

### 3.7 Monthly reconciliation between the debtor and general ledger systems

- 3.7.1 Subject to the conformation of opening balances from 2017/18, as at October 2018, monthly trial reconciliations have been correctly completed up to August 2017 between Academy and Fusion.
- 3.7.2 The reconciliation template, procedures and processes have still not been reviewed and approved by Finance to ensure these are/remain appropriate. The reconciliation procedure is complicated as it amalgamates both sundry debtor and housing benefit overpayments. The Recovery Team have however produced guidance notes to explain the reconciliation approach.
- 3.7.3 There are still no automatic audit trails (cross reference or hyperlink) between the balances on the reconciliation and their supporting documentations, which are filed on the shared drive. Although we were able to substantiate the balances for Academy, we were unable to verify those for Fusion because the balances have been adjusted due to some journal entry adjustments being applied retrospectively after the reconciliation has been completed. We can confirm that the Recovery & Control Team had raised this issue previously with Finance in March 2018 and we have since re-raised it again with the Chief Accountant in post now.
- 3.7.4 The reconciliation is not certified and dated by the preparer or management to confirm its completeness and accuracy albeit this is held on the Control Team's shared drive for management information. The Recovery and IT Control Team Leader has confirmed that she has not forwarded a copy of the reconciliation to Finance since the departure of the previous Head of Finance. We can confirm that the Chief Accountant requires these to be forwarded to Corporate Bank Reconciliation in future (the recommendation from the bank and key system reconciliation for this remains outstanding).

## Appendix A - Report Distribution

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### Staff Interviewed

Tania Newman	- Systems Control Officer, Recovery & Control
Howard Stone	- Administration Control Officer, Banking & Suspense
Vicky Smith	- Senior Recovery Officer, Recovery & Control
Emma Hannington	- Senior Systems Control Officer, Recovery & Control
Sam Wills	- Recovery & Control Team Leader

### Draft Report Distribution

Zoe Hanim	- Head of Customer & Transformation Services
Jean Stevenson	- Chief Accountant
Kirsty Anderson	- Income & Assessment Manager
Christopher Beauchamp	- Accounts Payable/Receivable Manager
Samantha Wills	- Recovery & Control Team Leader

### Final Report Distribution

Jackie Yates	- Strategic Director of Finance
Matt Davis	- Head of Finance
Zoe Hanim	- Head of Customer & Transformation Services
Jean Stevenson	- Chief Accountant
Kirsty Anderson	- Income & Assessment Manager

<sup>8</sup> A script (Ref: Alpha) file was produced to identify those payments where customers have continued to use their old Northern account reference. These would be investigated through the review of the suspense account.

Christopher Beauchamp  
Samantha Wills

- Accounts Payable/Receivable Manager  
- Recovery & Control Team Leader

**Auditor Contact Details**

Robert Dunford, Senior Auditor	-	(0118) 937 2849
Kathleen Gibbons, Auditor	-	(0118) 937 2693
Kevin Parker, Principal Auditor	-	(0118) 937 2694
Paul Harrington, Chief Auditor	-	(0118) 937 2695

For further details on our assurance opinions please [click this link](#)

Appendix 1

## Audit Management Action Plan Sundry Debtors - Report Ref 23/18

Ref	Risk	Recommendation	Priority	Management Response	Responsible Officer(s)	Target Date
12	There is a risk that income will not be received for those services supplied and that these may be increasingly written off.	<p>The procedures and processes for managing and monitoring sundry debt need to be strengthened to actively reduce and prevent the current level of debt. The following areas should be considered:-</p> <ul style="list-style-type: none"> <li>* distribution of aged debtors report should be specific to the service.</li> <li>* all services should promote payment at the point of supply of service etc.</li> <li>* arrears should be analysed to identify services and reasons for arrears so that a targeted approach can be instigated.</li> <li>* services should be required to provide an account of the reasons for their arrears alongside the reasons for their budget variance status as part of the regular budget monitoring process/es.</li> </ul>	1	<p>In agreement, procedure and processing guides will be produced on debt collection for sundry debt by the 31/03/19. These guides will give clear guidance to the AR team on how to collect debt, when to escalate a debt and to whom and when to start a debt write off process. In addition to this we will be focusing on the following key areas:-</p> <ol style="list-style-type: none"> <li>1) The aged debtors report will have a more targeted/service relevant approach when debtors is moved to Fusion, Fusions will enable the aged report to be run by CC. AR to chase managers of CC for comments once a debt is over 60days old.</li> <li>2) Invoices being raised for less than £30 will be phased out during 2019/2020 resulting in immediate payment of small values, Payment for adult social care cannot be chased in a traditional way and must follow a set process.</li> </ol>	Chris Beauchamp (Accounts Payable/Receivable Manager)	30/03/2019

NB: Your management response is your commitment to treat the risk identified as part of the review. The standard response time to draft recommendations is 15 working days; any failure to meet this target could be reported to the Audit & Governance Committee.

The management response to recommendations will be reported to both CMT & The Audit & Governance Committee as part of our quarterly monitoring arrangements. Audit recommendations and agreed actions will be followed up during the year, where deemed appropriate by the Audit Management Team. All outstanding recommendations will also be reported through CMT as part of the Council's monthly performance monitoring.

## Audit Management Action Plan Debtors 2017/18 - Report Ref 19/17

### NEW RECOMMENDATION MADE IN 2017/18

Ref	Risk	Recommendation	Priority	Management Response	Responsible Officer(s)	Target Date
11	If the source of the receipts are not identified and posted to the correct accounts on a timely basis there is a risk:- * The level of unallocated credit will increase * The payee will be requested to pay again even though this has been paid	The debtor suspense account investigation workbook should be reconciled against the system on a daily basis to confirm the completeness of records presented for investigation and resolution and consideration should be given to analysing the causes/problems in order these can be brought to management's attention	3	Agree - procedures will be put in place. In terms of analysing, this will be done and additionally customers will be contacted to change payment behaviour to avoid continued suspense issues. In addition, with the introduction of the Civica upgrade, there will be an new option to apply rules whereby Civica will automatically post payments to correct accounts where they have previously continually gone to suspense.	To be agreed	To be agreed

### IMPLEMENTATION STATUS OF RECOMMENDATIONS MADE IN 2016/17 PROVIDED BY THE RECOVERY & CONTROL TEAM LEADER (R&CTL)

Ref	Risk	Recommendation	Priority	Management Response Made in 2016/17	Implementation Status 2017/18
1	Out of date / inaccessible guidance could result in uneven treatment of debt across the council	The various policies, guidance and procedure notes relating to the raising, monitoring and treatment of debt generally should be reviewed and where necessary brought up to date. In addition they should be clearly documented on Iris, if appropriate and all relevant staff and users advised of their location and the need for them	2	Agree - policies and guidance will be reviewed and updated where appropriate. A request for a pod to be published on IRIS for debtors will be requested and relevant documentation will be posted there.	Delayed: Current project in hand to centralise invoice production. The R&CTL felt it would be more appropriate to update once new process agreed. If done now potential for it to be incorrect and would waste time being done twice.
2	Uneven treatment, record keeping and audit trail in the follow up and recovery of unpaid invoices.	The Income & Assessment Manager should review and formalise the strategy, techniques and records Income & Recovery staff should use in the identification and follow up actions used in respect of recovery of unpaid invoices. Once agreed this should be documented and followed by staff.	2	Agree: Our current processes will be formalised in a document for both sundry debtors and social care debt and be published on IRIS.	Delayed: Current project in hand to centralise invoice production. The R& CTL felt it would be more appropriate to update once new process agreed. If done now potential for it to be incorrect and would waste time being done twice.
3	Poor or inadequate information on debtor invoices is likely to increase the likelihood of customer queries as well as additional officer having to be spent on resolving them so that payment can be made by the customer.	All staff who raise invoices should be reminded that: a) invoices should be raised accurately and on a timely basis; b) each invoice should bear the necessary information or detail to reduce the likelihood of subsequent customer queries; c) as a principle services should not continue to be provided until outstanding invoices have been paid; d) there should be clear supporting records and information concerning the invoice that is easily accessible and understandable in the event of future query or need.	2	Agree: A report will be submitted to advise that a centralised invoice team would be beneficial to ensure consistency and accuracy. If centralisation is not agreed, a best practice document will be produced with regards to raising invoices. This will be published on Iris, but in addition will be mandatory to read through netconsent for those identified as raising invoices through the Capita system. In addition audit need to consider auditing the individual service areas to establish that they are following the best practice guidance.	Delayed: The Income & Assessment Manager has been seconded to work on projects, one being the centralised debt proposal. Work shops have commenced to capture the relevant information.

4	Loss of income to the council at a time of severe financial pressure(s).	In order to improve collection performance, failure by teams or services to comply with the requirements specified in updated guidance should be reported to the Head of Customer Services for subsequent follow up with the Head of Service.	3	Agree: A process will be put in place to report non-compliance to the relevant Head of Service	In place if arises, however generally an email from SW to service manager will result in a response.
5	Unclear / inadequate purpose and role of the external agency used by the Council to collect outstanding invoices.	The value, purpose and role of using an external agency as an extension of the existing collection methodology (letters / phone calls) already used by the Council should be reviewed to see whether there are alternative strategies or methods to collect outstanding debts.	2	Not Applicable: Bristow & Sutor act as an extension of our existing collection methods, it is a free service to both RBC and the debtor. They are only able to pursue via phone/letter as they have no legal power to take further action. They collect in full 30% of what we submit to them, these are cases we have exhausted all routes within the income and recovery team and have been unable to collect ourselves. See following note regarding alternative strategies/methods.	N/A
6	The purpose and role of Legal Services in recovery action of certain invoices is unclear given (their) other priorities.	It is further suggested that the role and work undertaken by Legal Services in the recovery of unpaid items is reviewed and re-evaluated to ensure it remains appropriate and fit for purpose. Once it is clear what is agreed it is recommended that this is defined in an SLA between Legal Services and Income & Assessment.	2	Agree: We aim to increase the volume of cases submitted to legal services. A pro-forma exists in order to refer cases to legal, however services need to keep clear and accurate evidence, in order for legal to progress. In collaboration with legal we will create a best practice guide to advise what level of evidence/documentation is required to be kept in order to take legal proceedings, this will also be published on Iris. A recovery flowchart will also be produced and added to the corporate debt policy.	Delayed: The R&CTL to book meeting with RH to agree what minimum documentation required to progress a case through legal route. Once agreed will disseminate to all relevant staff. This may form part of the invoice centralisation, i.e. what basic documentation will be required to raise an invoice to ensure should the invoice not be paid, we have sufficient supporting evidence to pursue a legal case.
7	Non-compliance with Corporate Debt Policy/Financial Regulations (8.1.5) re authorisation of write offs	In line with Financial Regulations there should be an audit trail to confirm that either the Director or a Head of Service had agreed each write off request. This should be clarified and reflected on the write off form template itself.	2	Agree: All future write offs will be submitted to the service areas for their Head of Service to sign and return. We will however review with finance whether levels of delegation based on value of debt can be applied. If this is agreed, the values of delegation will be added to the current write off form.	R&CTL is no longer approving write offs, the team have the write off forms ready for sign off by head of service, but are grouping them before sending to avoids Heads of service being sent them adhoc, batches are being sent monthly to heads of service.
8	Backing information showing the reasons and approval of write offs needs to be clearly retained to provide an audit trail.	Completed and authorised write off forms should be held and retained on information@work for each written off invoice.	3	Agree: All write off forms are now scanned and held on I@work, this process is in place.	Now in place
9	Unless services and managers are aware and understand the consequences of an unpaid invoice being written off there is a risk invoices might not be raised, monitored and recovered with the appropriate focus and commitment.	The updated procedure guidance (see R1 above) and write off form should clearly remind service areas / Heads of Service that by agreeing to the write off they understand and agree that the relevant amount will be debited from their cost centre(s).	3	Agree: Procedures can be updated and a statement will be added to the current write off form.	Delayed: Write off form in hand and audit suggested amendments to be added.
10	The value and purpose of the monthly Aged Debt report(s) may be reduced if not targeted at the appropriate recipients.	It is recommended that the current distribution list(s) for receiving the aged debt reports as well as the summary report should be checked to ensure the parties remain the appropriate recipients.	3	Agree: All future aged debt reports will also be issued to Heads of Services and we will discuss with finance the possibility of them being discussed at budget review meetings. We will also work on providing annual collection data as well as monthly summaries.	Delayed: It has been agreed that aged debt will be discussed at service steering groups but we need to agree on what data will be presented and in what format. Have met with Adrian Godden and Emma Hannington and in process of creating a report based on cost codes as some service areas confused by current corporate debt format.

NB: Your management response is your commitment to treat the risk identified as part of the review. The standard response time to draft recommendations is 15 working days; any failure to meet this target could be reported to the Audit & Governance Committee.

The management response to recommendations will be reported to both CMT & The Audit & Governance Committee as part of our quarterly monitoring arrangements. Audit recommendations and agreed actions will be followed up during the year, where deemed appropriate by the Audit Management Team. All outstanding recommendations will also be reported through CMT as part of the Council's monthly performance monitoring.

Appendix 1

# Internal Audit Report

## Accounts Payable

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To: Jackie Yates Director of Resources  
Matt Davies Finance Director  
Christopher Beauchamp Accounts Payable Manager  
Jean Stevenson Chief Accountant



From: Anthony Kearns, Principal Auditor  
Date: 05/04/2019  
Ref: 27/18

Limited Assurance

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### 1 Purpose and Scope of Review

1.1 Our audit in 2016/2017 identified inefficient processes and highlighted that the accounts payable function was incurring an unnecessary level of administrative delay, by not managing its supplier database and that corporate priorities such as purchase to pay were not being complied with. Although these control deficiencies still applied in 2017/2018, an action plan was put in the place to both address audit concerns and improve business processes.

1.2 The primary purpose of this review was to review progress on implementing previous audit recommendations, which had been made and repeated in previous audit reports over the past couple of financial years.

1.3 In addition the audit reviewed the controls for Accounts Payable, to ensure:

- Amendments to supplier details are appropriately authorised and inactive suppliers are periodically removed.
- Payments are correctly coded, made promptly, in full and only in respect of authorised invoices.
- Orders for goods and services are placed in advance and appropriately authorised.
- System and data access is secure for standing data on bank accounts and for invoices and invoice processing.

### 2 Main Conclusions

2.1 The audit acknowledges that work has taken place to address the recommendations arising from the previous audit report. The action plan outlined from the previous audit report was ambitious and we accept that the implementation of recommendations was never going to be immediate.

2.2 The evaluation of the audit action plan established that four high priority recommendations were still outstanding, despite progress having been made against a large number. However we are unable to offer a more positive opinion until these remaining recommendations are addressed.



### 2.3 The outstanding actions cover:

- The need for business processes to be mapped and a procedure manual to be put in place providing direction to all users (although job descriptions and a measure of staff training have been completed).
- The supplier portal is still not fully functional, however once implemented in full it should address issues around data input.
- Supplier set up not yet subject to a comprehensive accreditation process (although the database has been cleansed).
- The need to achieve substantial compliance with the Council's Purchase to Pay policy within the user community.

2.4 The audit was not able to comment on purchase ordering in any detail as the purchase order reports were not available due to technical issues with Oracle Fusion at the time of the audit. This means that Purchase to Pay (P2P), PO creation and processing, as well as and open POs and receipting could not be tested at the time of our review. However, corporately it was being reported that approximately 30% - 35% of orders are still being raised after receipt of the invoice and this has not been addressed through the business process. This is replicated when it comes to the prompt receipting of goods received that impose delays on processing payments. This impacts the accuracy of management financial information in respect of budgeting and accounting for expenditure in a timely fashion.

2.4 There were no fraud or irregularities discovered in the testing that was focussed on the processing and payment of invoices and supplier details and set up.

2.5 A review of payments did not reveal any areas of significance with all non BACS payments evidenced and BACs processes operating as expected. The lack of formal process and procedure in the area of manual payments (cheque and CHAPS) is a control weakness as substantial amounts of money are transferred via electronic payments mechanisms such as CHAPS. There were no issues with duplicate payments although in two cases reviewed payments for the same amounts for different months were made on the same invoice on the same date.

2.6 Credit memos were examined and an issue identified with broken links to supporting scanned documents that meant the audit trail for the transaction was obscured. There was a further issue in the number of memos issued in respect of some companies which may suggest issues around the original procurement terms.

2.7 Examination of invoice processing did not reveal any issues around the times or dates of invoice processing (PO creation was not examined). There was no evidence found to identify the deliberate postdating of invoices for payment.

- 2.8 There were indications of processing backlogs when testing the numbers of transactions that dated from before the audit commenced. These referred both to the invoice creation date on the system and the actual date used by the supplier on the invoice.
- 2.9 Analysis of the days between the invoice date and the payment date showed that around 93% of invoice transactions were processed for within 30 days which left around 7% (4,100 transactions) being later or in some cases significantly later than 30 days (used as an average test period for terms of payment).
- 2.10 Suppliers were examined and there was a definite improvement since the previous audit both in the reduction and lack of duplication of sites. The portal that allows automatic matching still has an issue with processing the old style purchase order numbers and is not yet fully functional. There were also issues with the time taken to physically scan and upload the invoice details for social care invoices in batches for which a solution is pending but not yet in place.
- 2.11 It was noted that the supplier set up process reflected a necessary separation of duties but that the person setting up the suppliers is a consultant and not a council employee.

Appendix 2

### 3. Summary of Findings

#### 3.1 Outstanding Issues from the Previous Audit Report

Below are issues that remained outstanding on the current audit tracker (see management action plan appendix).

3.1.1 *Recommendation 7 - Open Purchase Orders:* It was not possible to review the state of open POs due to issues with the Oracle Financials software that prevented the relevant reports being able to run. At the time of our review (Nov 2018 - Feb 2019) anecdotal evidence suggested that this issue had yet to be resolved. However steps were being taken to automatically delete all purchase orders over 18 months old during the close down of the 2018/2019 accounts and service managers will be sent schedules of those less than 18 months old to review.

3.1.2 *Recommendation 8 and 9 - The need for documented business processes and operational procedures:* A full operating manual has yet to be produced for the system detailing the processes and procedures for the AP system. Key to this will be defining the operational responsibilities between the AP team and the other users in the council. In addition whilst some processes have been fully documented the actual procedural manual is still some way off from completion.

3.1.3 *Recommendation 10 - Identify the strategic contribution of AP to the authority:* The secure electronic portal will enable purchase orders to be placed with suppliers and their invoices to be matched without paper being involved. It is expected that that this should bring greater clarity to what is being ordered and go some way to tackling data input issues as well as inefficiencies in invoicing and receipting. There were 2 phases to the project. Phase 1 was the roll out to existing suppliers and phase 2 covered the roll out to new suppliers. The issue with the Oracle Fusion and open purchase order reporting has meant that progress has stalled in this area until very recently.

#### 3.2 Current Audit Background

3.2.1 For context, the period covered for this audit covered transactions processed during 1/4/18 to 28/11/18. The total transactions in the period examined was 58,649.

3.2.2 Due to issues with the Oracle Fusion software it was not possible to get the Purchase Order (PO) reports to analyse data on Oracle Fusion between Nov 2018 and Feb 2019 (the period of our audit). Therefore it was not possible to specifically review PO activity such as open POs and comments on POs which are confined to data present in Fusion reports on invoices and Goods Received Notes (GRNs) where PO information was held.

### 3.3 Procedures

3.3.1 As explained above a full operating manual has yet to be produced for the system detailing the processes and procedures for the AP system. Whilst some processes have been fully documented the actual procedural manual is still some way off from completion.

### 3.4 Payment type

3.4.1 The three negative values for the period under review, were all credit notes to the total value of £152,248.18 and were reviewed and found to be evidenced.

3.4.2 There were nine manual payments made and these were electronic transfers with a total value of £10,456,518.54. These were reviewed and found to be evidenced.

3.4.3 There were five payments made by cheque to a total value of £14,463.05. These were reviewed and found to be evidenced. Four of the payments (value £13,288) were made to Great Western Railway in respect of season tickets.

### 3.5 Payment Amount

3.5.1 Fewer than 5% (2,318) of invoices were for a value below £100, 39 of these invoices were for less than £5. The bulk of transactions 31,671 (54%) fell between £1,000 and £50,000. No statistical indicators were found that highlighted issues with outlier data.

### 3.6 Duplicate payments

3.6.1 The testing for duplicate payments did not identify any significant issues, with only minor anomalies reported, as follows:

- Twelve transactions were identified for further investigation but it turned out that the majority of them were void payments (see 3.7 below for further detail).
- Two cases involved identical numbered monthly payments made against a specific invoice (not always best practice for identifying which payment was made when).

### 3.7 Voided Payments

3.7.1 Voided payments are due to BACS failure because supplier payment details have been changed or no longer exist at the time of funds transfer causing the funds to be rejected. We identified a total of 12 voided payments, but on further investigation no issues were identified with these payments.

### 3.8 Invoice Values

3.8.1 Tests for fraudulent activity were carried out on invoice values (see table below ) and no issues were found.

3.8.2 The negative value records 1,354 (2.3% of all transactions) were credit memos where invoices to suppliers were adjusted to reflect changes in what had been ordered.

Net Value	237,401,898.61	Absolute Value	244,006,373.83
No of Records	58,649	# of Zero Items	1
Positive Value	240,704,136.22	Negative Value	-3,302,237.61
No of Positive Records	57,294	No of Negative Records	1,354
No of Data Errors	0	No of Valid Values	58,649
Average Value	4,047.84	Minimum Value	-266,036.03
Maximum Value	7,293,320.00	Record of Min	1,586
Record of Max	6,406		

### 3.9 Credit Memos

3.9.1 There were 1354 transactions that were credit memos and these could be divided into two types one where there is a PO on the system and one where the PO is either not on the system or there is no PO number. Just over half (51%) of credit notes are without an AP PO reference number. There was also no narrative explanation on a total of 581 of 1354 (43%) entry lines.

3.9.2 Where there is a PO there is one major supplier responsible for 27% of credit notes. There was also no narrative explanation on 345 (53%) of 655 lines where there was an identifying PO number. Testing did not reveal any issues and there was a full audit trail for the transactions examined.

3.9.3 Where there was no PO in many instances there was no narrative on the AP system to explain the credit transaction, most of these were social care invoices which are processed differently to ordinary PO transactions. There were 236 of 699 memos (34%) where there was no identifying PO number. On examination in a number of those cases reviewed the url link to the originating document did not work. This was explained as an ongoing issue with Oracle where a previous link to the scanned document was broken and could not currently be replicated.

### 3.10 Invoice Processing

3.10.1 The reporting data supplied to the audit indicated three dates; Invoice Creation Date(the date the invoice was set up on the system for payment); Invoice Date (the date on the invoice supplied); and Payment Date (the date payment was made in respect of that invoice). Processing statistics were as follows:

	Payment Date	Invoice Date	Invoice Creation Date
Earliest Date	03/04/2018	05/06/2008	01/04/2015
Latest Date	28/11/2018	01/12/2018	28/11/2018

- 3.10.2 The latest invoice date indicates that there were 453 invoices processed slightly before the date on the invoice (1/12/18) which may be due to the processing date used for the period the company were invoicing for. There were no other dates used which would indicate postdating of invoices.
- 3.10.3 Earliest dated for invoices and invoice creation dates indicated that there may be a significant amount of invoices still in the system a substantial time beyond what could be called reasonable in terms of processing.
- 3.10.4 Time of earliest invoices processed was 05:39 and latest 19:09. No significant issues found.
- 3.10.5 There were 112 invoices processed with a Saturday creation date and none with a Sunday or Bank Holiday date.

### 3.11 Invoice Creation Dates

3.11.1 The table below shows days between invoice creation and payment date:

Interval Days	No of Records	% Records	Debits (£)	% Debits
0	0	0	0	0
5	45	5.17	6,754,132	5.09
30	456	52.41	68,209,311	51.45
90	158	18.16	24,566,400	18.53
360	156	17.93	24,496,087	18.48
720	49	5.63	7,618,979	5.75
1080	5	0.57	770,633	0.58
1080+	1	0.11	166,923	0.13
ERR	0	0.00	0	0.00
Totals	870	100.00	132,582,465	100.00

- 3.11.1 The earliest invoice creation date was 01/04/2015 and there were 870 such dates before 3/4/2018 the first payment date at period where covered by the audit.
- 3.11.2 The table below shows the breakdown by date interval and shows that 57% of invoices were within 30 days of payment (the main terms for payment) so could be directly waiting to be processed for payment.
- 3.11.3 Beyond that there were a number of invoices that were created three years in the past. A significant number of these are credit memos (148) created against an historical invoice (see credit memos).

### 3.12 Invoice Dates

3.12.1 The table below shows the breakdown by invoice date (date used on the original invoice).

Interval Days	No of Records	% Records	Debits (£)	% Debits
0	0	0	0	0
5	1,253	14.85	190,371,605	14.82
30	3,985	47.22	599,786,791	46.69
90	1,686	19.98	257,472,399	20.04
360	1,116	13.22	174,255,279	13.56
720	283	3.35	44,631,898	3.47
1080	54	0.64	8,434,554	0.66
1080+	62	0.73	9,733,570	0.76
ERR	0	0.00	0	0.00
Totals	8,439	100.00	1,284,686,096	100.00

3.12.2 There were 8,439 invoice transactions that were dated before 3/4/18 representing 14% of all invoices. There were 325 credit memos included in those totals.

3.12.3 There were 62% (5238) invoices that were 30 days or less behind in processing. There were also 1,116 transactions (13%) that were a year old and nearly 5% of transactions were processed with dates over three years old and up to ten years being the oldest dated invoice.

3.12.4 Issues with open purchase ordering prevented any analysis of dates of PO creation to dates of invoice reception.

### 3.13 Payment Processing

3.13.1 Further analysis of the days between the data on the invoice and the date when payment are contained in the table below:

Days From	Days To	No of Recs	% of total recs
Above -1800		16	0.03
-1800	-1800	55	0.09
-1080	-720	81	0.14
-720	-360	387	0.66
-360	-90	2,959	5.05
-90	-30	9,819	16.74
-30	0	40,867	69.68
0	30	4,465	7.61
Total		58,649	100

The majority of invoices (70%) are processed within 30 days. The invoices where the days are up to 30 days in credit occur where RSG rental payments have been made in respect of properties used for homelessness by RBC.

3.13.2 The next table has the breakdown of days between the date of invoice creation (when the invoice went on to the system) and the date of payment.

Days From	Days To	No of Recs	% of total recs
-1268	-1080	1	0
-1080	-720	5	0.01
-720	-360	87	0.15
-360	-90	559	0.95
-90	-30	568	0.97
-30	0	33,012	56.29
0	1	24,417	41.63
		58,649	100

Almost all invoices are processed within thirty days (98%) but this is helped by the social care invoices being paid on the day or next day after they are created.

3.13.3 The final table shows the difference between the invoice date and the invoice creation date on the system.

Days From	Days To	No of Recs	% of total recs
-3728	-1080	69	0.11
-1080	-720	70	0.12
-720	-360	275	0.47
-360	-90	2,567	4.38
-90	-30	8,296	14.15
-30	-5	26,701	45.53
-5	0	15,425	26.3
0	5	4,473	7.63
5	30	540	0.92
30	300	233	0.39
		58,649	100

3.13.4 There are significant gaps at the top of the table indicating a minority of invoices that have been in the system for a considerable amount of time. The majority of invoices are as expected (72%) are within 30 days. There were two areas where there the creation date was significantly after the invoice data and these were in respect of rental payments (see comment in invoice date 13.1) and a series of Education grant payments to schools which were invoice created for April but invoice dated for the following August (they were in effect manually created entries by RBC to allow the monies to go to the schools so there were no issues around processing dates).

### 3.14 Purchase Orders (POs)

3.14.1 There are problems in this area for the audit as it was not possible to run reports on Oracle Fusion in respect of open POs. Cannot get feel for POs not used in AP outside of social services therefore cannot give assurance for POs in respect of trends and potentially identifying unusual transactions for further investigation.



- 3.14.2 Number of POs associated with transactions 10,762. Transactions with PO number 22,472 (38%). Transactions without PO number 36,177 (62%). In part the numbers without POs reflect existing practice in respect of social services which in the main do not use the AP system for raising POs in respect of services provided to clients and instead use the MOSAIC system and only pay the subsequent invoices in Fusion after they have been authorised by social services.
- 3.14.3 Purchase to Pay (P2P) was not able to be evaluated due to the issues with the PO reporting. The auditor was informed that outstanding POs had declined and that systemic issues with facilities management resulting from them having their own system producing POs for work were being addressed.
- 3.15 Suppliers
- 3.15.1 There were a total of 4,547 in the AP report file.
- 3.15.2 In the file suppliers with identifying PO numbers 2,143 (47%) and suppliers without identifying PO numbers 2,404 (53%).
- 3.15.3 The majority of suppliers without PO numbers are those that were imported from Mosaic in respect of social service supplier payments (see also PO section).
- 3.15.4 There were no obvious duplication of suppliers or supplier sites and the database shows an improvement in organisation from the previous audit.
- 3.16 Supplier Set Up
- 3.16.1 Although no issues found as a result of random test of supplier details, we did note that suppliers are set up by a consultant (not an employee) and double checked by other AP staff at the point of first payment. The future expectation is that a portal would allow suppliers to accredit with their own details subject to overview by the procurement team.
- 3.16.2 Currently there is no formal link with procurement to correctly identify and accredit suppliers for goods and services that they will be procuring.
- 3.17 Supplier Portal
- 3.17.1 Approximately half of invoices processed through automatic matching. There is an issue with older open PO numbers (@50% invoices) as they have an S designation which gets confused with PO numbers beginning with 5 which causes an invalid match and rejection of the order.
- 3.17.2 Current system for social care invoices is a laborious time consuming process where invoices arrive to the AP team and then printed off and processed (from email) then certified for payment. For social care the current system is approval through PBS team and scanned and printed off and processed onto Fusion with each voucher number manually written on by AP team then validated back through Mosaic and scanned Docs on line through Info@work with link in Mosaic (link failed).

3.17.3 New proposal that scanned as pdf with Mosaic number already on with reference number on and voucher can be assigned in batches with url link back to stored pdf on drive.

### 3.18 Supplier by Invoice

3.18.1 Summary table of number of invoices and value:

Invoices per supplier	% by total invoices	% by value of invoice
1	39	2.75
2	10.75	1.6
3-10	27.6	17.85
10-100	20.75	63.7
100+	1.9	14.1
	100	100

3.18.2 Suppliers with just one invoice totalled 39% of all invoices processed and this rises to nearly 50% of all suppliers had just one or two invoices associated for the period examined highlighting the high number of “one off suppliers” (4,547 suppliers identified).

### 3.19 Digital Sequencing

3.19.1 The sequence of payment numbers was examined to establish the integrity by ensuring no gaps were found. It was noted that there were three gaps that corresponded to the three types of payment (see 3.4 payment types) but each payment type did not have any gap. The sequence of GRN numbers was examined to establish the integrity by ensuring no gaps were found. There were three gaps but the reason for these gaps could not be established because of the issues with PO reporting (could not be linked to PO numbers). The most likely explanation was that the goods receipt and been voided due a receipting error and this explanation was accepted and any impact would be minor.

### 3.20 Goods Received Notes (GRN)

3.20.1 Total goods received notes 23,421 with total GRN matched to purchase orders in the time period of the PO 20,934 (89%). Individual GRN numbers matched 19,738 of 58,649 (34%) allowing for more than one GRN for PO number. The number of PO that matched GRNs was 9,114 of 22,472 (41%). These figures reflect that social care purchase payments are made via invoice from social care and not purchase order. This would suggest an improvement on previous performance in this area.

### 3.21 System Access

3.21.1 System accesses for staff were reviewed and no issues were found.

## Appendix A - Report Distribution

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### Staff Interviewed

- Christopher Beauchamp Accounts Payable Manager

### Final Report Distribution

- Jackie Yates Director of Resources
- Matt Davis Finance Director
- Christopher Beauchamp Accounts Payable Manager
- Jean Stevenson Chief Accountant

### Auditor Contact Details

- Anthony Kearns, Principal Auditor (0118) 937 2692
- Paul Harrington, Chief Auditor (0118) 937 2695

For further details on our assurance opinions please [click this link](#)

## Audit Management Action Plan AP Creditors 27/18

Ref	Risk	Recommendation	Priority	Management Response	Responsible Officer(s)	Target Date
1	Risks identified from previous audit have not been addressed	Sign off and complete recommendations from previous audit report concerning ensuring Supplier database reflects best procurement policy.	Priority 1	A need for a dedicated resource for control over supplier set up requests and managing the supplier database has been identified. A job role is currently being defined and that person, when recruited, will be in the Procurement Team (not AP) with the responsibility for accrediting suppliers and will replace the current arrangement identified in the audit. It is anticipated that this will be to be operational by 01/05/19.	Matt Davis - Head of Finance/ Christopher Beauchamp - Accounts Payable Manager	01/05/2019
2	Significant impact on accuracy of financial information. Potential cover for fraud or abuse.	Issues around the supplier portal need to be resolved and the audit trail to supporting documentation reinstated .	Priority 2	Issues around the Supplier Portal and audit/documentations to be address before its roll out to suppliers, the rollout of the supplier portal - 01/06/19	Matt Davis - Head of Finance/ Christopher Beauchamp - Accounts Payable Manager	01/06/2019
3	Areas highlighted may allow fraud or abuse to take place or indicate that users are not properly following training instructions.	Consideration should be given to bringing the supplier set up function in house and subject to documented processes.	Priority 3	Supplier set up in future will be conducted through the supplier portal. The supplier will be responsible adding and checking there own details like bank accounts number shifting the risk from the council to the supplier	Matt Davis - Head of Finance/ Christopher Beauchamp - Accounts Payable Manager	01/05/2019

Appendix 2

## OUTSTANDING RECOMMENDATIONS FROM PREVIOUS AUDIT REPORTS

Ref	Risk	Recommendation	Priority	Management Response	Responsible Officer(s)	Target Date
1	Risks identified from previous audit have not been addressed	Sign off and complete recommendations from previous audit report concerning closing Open Purchase Orders. Formulate an action plan to address corporately the larger number of open purchase orders with a view to closing as many as possible.	Priority 2	<p>Since my arrival with the organisation there was until February 2019 a technical problem within Fusion preventing Accounts Payable from obtaining the open purchase order information. I have therefore been unable to carry out a review of the open purchase orders.</p> <p>The open purchase order report information has now become available and currently our system team is closing down open purchaser order that are older than 18 months old and haven't been used for 6 months this process is ongoing at the time of writing this.</p> <p>Once this process has been completed AP will conducting its own review of purchase order and close down of purchase orders to be completed by the 31/05/2019.</p>	Matt Davis - Head of Finance/ Christopher Beauchamp - Accounts Payable Manager	31/05/2019
2	Risks identified from previous audit have not been addressed	Sign off and complete recommendations from previous audit report concerning Creating a procedure manual. Operational issues identified should be addressed in new procedure manual to avoid reoccurrence.	Priority 2	Creation of Accounts Payable Procedure Manual should be completed by the 31/05/19.	Matt Davis - Head of Finance/ Christopher Beauchamp - Accounts Payable Manager	31/03/2019
3	Risks identified from previous audit have not been addressed	Sign off and complete recommendations from previous audit report concerning Creating documented business processes. Documented processes for all areas of operation linked to clearly defined roles and responsibilities for members of staff. This would include identifying the business interfaces and expectations around processing, time taken volumes of business for areas like Mosaic payments or expenditure limits on cost centre codes etc.	Priority 2	To be completed by 30/06/19	Matt Davis - Head of Finance/ Christopher Beauchamp - Accounts Payable Manager	30/06/2019

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Ref	Risk	Recommendation	Priority	Management Response	Responsible Officer(s)	Target Date
4	Risks identified from previous audit have not been addressed	Sign off and complete recommendations from previous audit report concerning Demonstrating strategic contribution of AP through use of electronic portal. Need to clearly identify the strategic contribution of AP to the authority and what is required to make AP business process(es) effective for efficient use of AP for the council.	Priority 2	The impact of not having the open purchase order information has been to prevent supplier portal implementation. When the supplier has access to the supplier portal the supplier will be able to see all the purchase orders available to them and can raise an invoice for that purchase order therefore we must conduct a PO review on that supplier account before there are invited to use the supplier portal. Potential if a purchase order has been raised in error on the account the supplier could invoice RBC for that purchase order lending to the council making incorrect payment to suppliers. Supplier portal will be rolled out for new supplier from the 01/06/2019 and will fully rolled out to all existing suppliers during 01/08/2019.	Matt Davis - Head of Finance/ Christopher Beauchamp - Accounts Payable Manager	01/06/19 & 01/08/19

Appendix 2

## Internal Audit Report - Final

### Direct Payments - Follow up

To: Clifford Clynch, Senior Financial Support Officer  
Stephen Saunders, Principal Personal Budget Support Officer  
Jayne Rigg, Commissioning and Social Care Manager  
Seona Douglas, Director of Adult and Health Care Services



From: Kathleen Gibbons, Internal Auditor

Date: 02/04/2019

Ref: 19/28

#### 1 Purpose and Scope of Review

1.1 The objective of this audit review was to provide independent assurance on action being taken for the processing and monitoring of Direct Payments following the original audit review in 2017/18. The audit review was not intended to be a complete re-audit of the department and functions and therefore our procedures were less in scope than would be performed in a full internal audit review. Essentially this follow up sought to evaluate what progress has been made since the last review in November 2017 and that the recommendations have been successfully implemented according to the action plans agreed with Internal Audit.

#### 2 Conclusion

2.1 Following the original audit review a total of 9 recommendations were made. The follow up assessment and testing of records since then indicates that some positive work has been undertaken to address the recommendations and it is the assessment of this follow up that of the 9 original recommendations action has been taken to either partially or fully implement 8 of these.

2.2 However despite this and work done by the team and others to address the risks, weaknesses and issues, one of the key findings of this follow up review is that although the take up of direct payments (and pre-paid cards) did initially improve, that this positive trajectory remains uncertain and that, despite these early successes, there are currently significant backlogs for the assessment of returns. This is important because in the event of a fraud happening, the likelihood of it being detected early (and so not being repeated) is reduced.

Given this and the relatively recent instance of a known fraud occurring, it is only possible to provide a Limited Assurance opinion.

2.3 The table below represents our assessment of the implementation status of the previous audit recommendations in November 2017. These have been summarised below with the corresponding priority rating and an opinion as to whether each recommendation has been implemented in full, partially implemented or not implemented.

Ref	Summary of November 2017 Recommendation	Priority	Status
1	Review of documentation and guidance	2	Implemented / Evidenced (See R1)
2	Approval of documentation, date of documentation and plan of annual review	3	Partially Implemented / Evidenced (See R1)
3	Review strategy to increase uptake of Direct Payments and report and Monitor progress	2	Partially implemented / Evidenced (See R6 )
4	Ensure agreements are signed, up to date, filed on Mosaic and correspond to spreadsheet.	2	Implemented / Evidenced
5	Review process of record keeping to ensure records are captured promptly and accurately to free up PSBT time for monitoring purposes	1	Partially Implemented / Evidenced (See R6 )
6	Review strategy, resources and purpose of current checking programme and assessed for effectiveness of controls of expenditure	1	Implemented / Evidenced (See R4/R5)
7	Demonstrate logic and reasons for determining the frequency of monitoring	2	Not implemented (See R4/R5)
8	Records relating to Risk Assessments are accurate and up to date	3	Implemented / Evidenced (See R6)
9	Review strategy to deliver pre-paid cards so that these become understood and accepted as a norm. Identify needs across relevant areas in the directorate to further increase the take up of Direct Payments with targets in place. Explore removing the choice aspect and moving all (new) clients straight on to Pre-paid cards, as some other local authorities already do.	1	Partially implemented / Evidenced

As part of the follow up process a further series of recommendations have been made, which pick up aspects also identified in some of the previous audit recommendations. For details see the Management Action Plan.

The management response has been agreed by DACHS DMT on 01/04/2019.



## Summary of findings

### Original report recommendations 1 and 2 - Review and approval of policies and procedures.

- 2.4. Since the last audit the those policies and procedures published on the Council's website and IRIS to assist in the explanation and promotion of Direct Payments have been reviewed and updated, although a number of documents still have not been dated or had evidence of having been reviewed.
- 2.5 This was demonstrated in that some differences in requirements were found in the sets of published documentation. For example regarding Disclosure & Barring Service (DBS) checks, a document on the Council's intranet (DBS Guidance) stated that "after making a job offer to a prospective Personal Assistant (PA), but before they start work, you *should* conduct a DBS Check on them." However the guidance published on the Council's website (Employ your own Personal Assistant) stated "It is Reading Borough Council policy that a DBS check *is* carried out on any person you wish to employ." In addition it was also unclear from the documentation whether a DBS check is mandatory or if there are any occasions when exceptions should be taken into consideration.
- 2.6 It was also found that there was conflicting requirements regarding the expectation of service users being required to send documentation to the Council to support Direct Payment expenditure. The Council's intranet states correctly on the document 'Managing a DP factsheet' that financial returns must be sent to the Council every *four* months and must be supported by bank statements for the period together with all supporting evidence (invoices, receipts, timesheets, Payroll records etc.) which is in line with the new monitoring process. However The 'Guide to Direct Payments' factsheet published on the Council's website required people to "send a financial return providing details of your Direct Payment spending, together with copies of your bank statements to the Personal Support Budget Team every *three* months".
- 2.7 It is understood that following the audit report in late 2017, the directorate DMT approved the recommendations and that the Direct Payment policies were then further updated in April 2018, although there's no evidence on the final published procedures that these had been formally approved.
- 2.8 It was also noted that the Personal Budget Support team's (PBST) own internal process notes were last updated in 2013. With so many changes and new processes having been introduced since then these also need to be documented and reviewed annually in future to evaluate risks and controls around the Direct Payments process

*See further recommendations R1, R2 and R8*

Original report recommendation 3 and 9 - Strategy to increase uptake of Direct Payments and pre-paid cards.

- 2.9 A concerted effort was made by the PBST in 2017/2018 to increase the take up of pre-paid cards by writing to service users in order to promote the option as a better way to receive their direct payment(s) and this had an impact on take-up numbers. As a result the number of people receiving direct payments has increased by 18% with the number of people having a pre-paid card has risen from just 47 in 2017 to 150 in January 2019. However in the wider context of people who could use direct payments, the numbers remain disappointing.
- 2.10 Since the last audit, progress on take up has stalled more recently, due mainly to a backlog of monitoring reviews, staff shortages and other initiatives within the team. Despite this it is recognised that awareness sessions were held with social workers and champions appointed to facilitate the promotion of direct payments for new users. The rate of take up monitoring performance has also commenced with a breakdown of each Direct Payment method and service users being monitored by the Principal Personal Budget Support Officer and being regularly reported to the Transformation Board.
- 2.11 The service recognises that opportunities exist to further assist the team to monitor the effectiveness of the strategy to ensure sustained momentum around the promotion of direct payments (and pre-paid card) is improved by tracking the number of existing service users that have switched over to a pre-paid card as well as new direct payment service users adopting this method. Further engagement with social care colleagues is also seen as essential.

*See further recommendation R3*

Original report recommendation 4 - Agreements of Direct Payments with service users

- 2.12 All Direct Payment service users' records on Mosaic have now been investigated to ensure an up to date signed agreement is held on file in each case. If one is found not to be in place then this is captured on the DP master spreadsheet reviewed weekly by the Principal Financial Officer and an appropriate signed agreement sought. Audit sample testing found no issues of non-compliance in this respect.

Original report recommendations 5 and 8 - Review process of record keeping to ensure records are captured promptly and accurately to free up PSBT time for monitoring purposes

- 2.13 The PBST team currently maintain the 'DP master spreadsheet' which holds relevant information pertaining to the Direct Payments service users. Since the last audit, the team have sensibly consolidated the spreadsheet from 41 columns to 24 columns, which now includes the status of an agreement in place as per recommendation 4 and columns capturing the dates when required documentation for monitoring reviews are received from those service users.

- 2.14 The team are also trialling a report facility from Mosaic to replace the DP master spreadsheet, although the nature and purpose of this proposed report has not been assessed in this follow up.
- 2.15 A sample of 14 service users was examined to assess the accuracy of records. A range of exceptions and inconsistencies found between service user's records and actions actually taken by the PBST team was noted including:
- Inaccuracies on the DP master spreadsheet
  - An over payment of a gross direct payment amount to service user
  - Lack of follow up action of a service user who hadn't paid their client contributions and who was noted in Mosaic as requiring in-depth monitoring
  - Invoices noted as having been evidenced in a monitoring review but with no copies being on file
  - Refunds being made to a family member of a deceased service user with no record of authorisation to do so or of a documented process for this
  - The existing process does not require the PBST to verify documented approval in place for the release of sums approved at panel for one off direct payments.

*See further recommendation R4*

Original report recommendation 6 - Review of checking programme for effectiveness

- 2.16 A new Direct Payments monitoring procedure was launched by the PBST in April 2018. Monitoring reviews are now completed on two different types of Direct Payment service users, pre-paid cards (known as PPC clients) service users and those service users who receive their Direct Payment into their own bank account (known as DPB clients). The monitoring of the two methods differ in that pre-paid card users are not required to send documentation to the Council as the PBST team are able to download the bank statement data from Allpay, the card management company, and copy this into the monitoring sheet. Although this is a more efficient system for the PBST to be able to review expenditure, there is a risk that service users could change the details of a payee on line and for this not to be detected. This is important because somebody could amend the bank account details of an apparently legitimate payee with the result that incorrect or fraudulent payments could be made.

*See further recommendations R4, R5 and R7*

- 2.17 The PBST programme of checking service users' submitted claims is not up to date. According to the PBST's records as at January 2019, out of the 93 service users receiving direct payments into their own bank account, 48 service users have not sent in any documentation following their last review or having started to receive their direct payment, nor have these been actively pursued as advised by the Senior Principal Officer. According to PBST records:

- 4% of service users' returns were last reviewed in 2015 / 2016
- 59% of service users' returns were last reviewed in 2017
- 21% of service users' returns were last reviewed in 2018, with 21 out of 52 direct payments being reviewed after April 2018 when the list of service users was provided
- 16% of users' details did not have the date recorded when the last annual review was undertaken

2.18 The PBST team's strategy to work through the back log is to arrange a review meeting and monitor the last 6 months expenditure for all DPB clients. The aim of the team has been to complete 20 monitoring returns per week, along whilst completing 50 pre-paid card monitoring reviews per month. However it is evident that this strategy to address the backlog is not working. It is feasible that there could be opportunities to automate some processes of the monitoring of pre-paid cards which would allow officers more time to perform monitoring activities for Direct Payment bank account (DPB) service users' expenditure, where there is a higher risk of misappropriation and the most number of monitoring reviews outstanding.

*See further recommendation R6*

#### Original report recommendation 7 - Risk matrix reporting

- 2.19 The risk matrix that the PBST team had in place, based on the amount of the Direct Payment being received and previous issues identified provided no discernible benefits so is no longer in use.
- 2.20 A total of 7 recommendations have been raised in respect of this review, of which 1 has been considered a high priority. The full detail of these recommendations and the corresponding management action plan are attached to this report as Appendix 1.

The quality assurance process has confirmed that this internal audit review was conducted in conformance with the Public Sector Internal Audit Standards, a copy of which can be found on the Internal Audit Team's intranet page on Iris.

## Appendix A - Report Distribution

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### Staff Interviewed

- Steven Fletcher, Commissioner, Contracts & Commissioning
- Steve Saunders, Principal Personal Budget Officer
- Cliff Clynch, Senior Personal Budget Officer
- Debbie Hawkins, Business Support Manager
- Kate Wigley, Transformation Project Manager

### Draft Report Distribution

- Steve Saunders, Principal Personal Budget Officer
- Cliff Clynch, Senior Personal Budget Officer
- Jayne Rigg, Commissioning & Social Care Manager
- Seona Douglas, Director of Adult and Health Care Services

### Final Report Distribution

- Steven Fletcher, Commissioner, Contracts & Commissioning
- Steve Saunders, Principal Personal Budget Officer
- Cliff Clynch, Senior Personal Budget Officer
- Jayne Rigg, Commissioning & Social Care Manager
- Seona Douglas, Director of Adult and Health Care Services
- Nick Penny, Strategic Business Partner

### Auditor Contact Details

- Kathleen Gibbons, Internal Auditor - (0118) 937 2369
- Paul Harrington, Chief Auditor - (0118) 937 2695

For further details on our assurance opinions please [click this link](#)

## Audit Management Action Plan Direct Payments - Follow up

Ref	Risk	Recommendation	Priority	Management Response	Responsible Officer(s)	Target Date
1	Publishing out of date information or misinforming our service users can create confusion and unnecessary action taken where not required. With the abundance of documentation published for Direct Payments it is important that the information correctly corresponds and is reviewed annually.	It is recommended that a register or summary record of all policies, procedures and letter templates is introduced to ensure these remain up to date. This register should also include confirmation that appropriate management approval has been obtained and the date of the next annual review is recorded, with each document updated accordingly to reflect this.	3	A register of all policies, procedures and templates will be created. All current documents will be reviewed, any inconsistencies amended then signed off. Annual review dates will be set in the register.	Stephen Saunders, Principal Personal Budget Support Officer	30/04/2019
2	Without appropriate vetting of people who work and support children, there is a risk that they may not be properly safeguarded.  The Council is potentially vulnerable to reputational risks by not carrying out essential safeguarding checks for children.	The service needs to have up to date assurance about the requirement(s) governing a Personal Assistant being able to work in the same household as a child, and in particular whether a DBS check should be undertaken in compliance with legislation, such as the Safeguarding Vulnerable Groups Act 2006.	2	Options paper will go to DACHS DMT for a decision on DBS checks for Personal Assistants who are paid from Direct Payment funds.	Stephen Saunders, Principal Personal Budget Support Officer	30/04/2019
3	Without clear and accurate records it is not possible to demonstrate good management control and compliance with agreed requirements with the result that monies could be spent in an unauthorised or inappropriate way and this might not be detected	In order to demonstrate and tighten controls over the use of public funds it is recommended, to improve the monitoring of pre-paid cards, that a verified list of suppliers and account numbers is used to be quickly checked, regularly updated and used to substantiate service users' pre-paid card expenditure.	2	Accounts Payable to annually provide a list of verified suppliers who we currently commission with. A process will be developed for adding verified regular personal assistants where identified.	Stephen Saunders, Principal Personal Budget Support Officer	30/05/2019
4	Where regular monitoring of the use of direct payments is not undertaken, there is a risk that payments may not be used in line with the terms of the agreement or that exploitation of vulnerable service users may not be identified.	In order to improve the monitoring of pre-paid cards it is recommended that the PBST requests a monthly report from Allpay that provides a statement of all services users' expenditure information (Supplier, account number, amount, date of transaction), which can be used to quickly verify account numbers and suppliers on the statement by way of a look up formulae in excel and for any exceptions to be further investigated.	2	Work with AllPay to get this regular report & explore other reporting options from the AllPay system.	Stephen Saunders, Principal Personal Budget Support Officer	31/08/2019
5	If regular and up to date monitoring of the use of direct payments is not undertaken, there is a risk that payments may not be used in line with the terms of the agreement etc and that fraud might not be detected in a timely way.	To assist with the current back log of monitoring reviews, it is recommended that alternative monitoring strategies are considered. For example DPB service users could be split into different review periods, with those with the longest outstanding reviews allocated to the first review periods with reminder letters being sent 2 months prior to the review month so that the supporting documents are received the month before, giving the PBST sufficient time to ensure the required documents are received on time for the review to be carried out. The PBST should establish a target by which the backlog of reviews should be cleared within a certain date and then creating a set routine for the team and service users in the future. It is also recommended that PBST performance is monitored by senior management and included as part of the DMT's regular review of performance management.	1	A plan will be created for tackling the backlog of monitoring reviews. A review of ongoing monitoring strategies and barriers to effective monitoring will take place, looking at what models work well at other local authorities. Performance information will be monitored by senior management and periodically presented to DMT.	Stephen Saunders, Principal Personal Budget Support Officer	30/04/2019

6	Without clear and accurate records it is not possible to demonstrate good management and compliance with agreed control requirements with the result that monies could be spent in an unauthorised or inappropriate way and this might not be detected.	Greater care should be taken by the PBST to ensure necessary receipts, records and documents are sought to support service users' direct payment expenditure.	2	A review of guidance for Direct Payment Monitoring will take place including reviewing the guidance on consistency of recording.	Stephen Saunders, Principal Personal Budget Support Officer	30/04/2019
7	Where there is a lack of segregation of duties there is an increased risk that administrative errors may not be detected. Also without restrictions, inappropriate or unauthorized transactions could take place.	Restrictions on the pre-paid card management site should be considered so that the same officers cannot, when completing payments to recoup excess funds, add a new (possibly fraudulent) payee or amend payee data on the site without approval.	2	Authorisation process to be proposed and shared with RBC Audit Team for their view. Work with AllPay to establish the agreed authorisation process within the AllPay system.	Stephen Saunders, Principal Personal Budget Support Officer	30/06/2019

NB: Your management response is your commitment to treat the risk identified as part of the review. The standard response time to draft recommendations is 15 working days; any failure to meet this target could be reported to the Audit & Governance Committee.

The management response to recommendations will be reported to both CMT & The Audit & Governance Committee as part of our quarterly monitoring arrangements. Audit recommendations and agreed actions will be followed up during the year, where deemed appropriate by the Audit Management Team. All outstanding recommendations will also be reported through CMT as part of the Council's monthly performance monitoring.

Appendix 3

# Internal Audit Report - Electronic Data Storage

To: Jackie Yates            Director of Resources  
Andrew Withey        (Acting) Head of Customer Care and  
                                 Transformation  
John Barnfield        ICT Technology and Services Manager  
Chris Brooks         Head of Legal And Democratic  
                                 Services  
Ricky Gill              Information Governance Officer



Limited  
assurance

From: Anthony Kearns, Principal Auditor  
Date: 5<sup>th</sup> April 2019  
Ref: 24/17

## 1 Purpose and Scope of Review

- 1.1 To establish that the Council is handling data in the way prescribed by the Data Protection Act and the GDPR legislation.
- 1.2 The scope of the audit covered data held electronically by RBC based on information held on Information asset registers along with an overview of current practices for storing this data. The audit focused mainly on data stored outside of the main council IT systems, all of which operate in a structured manner. The remainder of storage is located via email and files on server drives that can be both structured and unstructured but lacks any overall oversight.

## 2 Main Conclusions

- 2.1 It is a business responsibility to own and manage data responsibly. In the absence of a defined information asset owner by default this will be the respective Head of Service, or where an interim is in place the Director. It is the responsibility of the SIRO to report risks on business data practices to the Board. There are data retention policies in place for all corporate data held in key council systems such as Mosaic and Oracle which is subject to review and archiving or deletion. However, there is a large amount of data held in an email retention programme called Mailmeter, on personal and corporate drives that is not subject to any review and is in a large part unstructured. This latter data that RBC holds could be in breach of Data Processing and GDPR requirements as RBC does not know what it is storing with respect to personal data and may be failing in not removing data it no longer requires for processing, or failing to identify personal data that it holds and ensure that it is adequately protected.



- 2.2 RBC is not exercising sufficient corporate governance over data processing and storage issues as evidenced with the difficulties in obtaining an accurate system owners list and ensuring that those owners take responsibility for knowing what data they are storing outside of the main corporate systems like Fusion and Mosaic. It must be emphasised that the problems RBC face are governance issues around how the business creates, processes, and stores data. The ICT issues arise from the current problems around failing to create and maintain structures to address these issues which have resulted over a considerable period of time in the creation of a large amount of unstructured data being stored in individual silos, often without any organisational oversight. The council has purchased the tools to reduce the amount of unstructured data but as yet are lacking permission to go ahead and index and then delete necessary data from email and files currently held.
- 2.3 There is no strategic overview of data processing and the data requirements of the council. It is the responsibility of a SIRO (Senior Information Risk Officer) to report risks on business data practices to the Corporate Management Board as those risks can lead to financial penalties. The current data storage outside of corporate systems is fragmentary, silo based and does not fall under defined Information Asset Ownership and is not subject to any review regarding retention and disposal. This makes it extremely difficult to search for , or establish if the authority has data in respect of individuals, both for its own staff and its customers
- 2.4 The scope for making savings under the current contract is limited as the storage capacity is pre bought under the terms of the existing ICT contract with Northgate. Savings will be achievable when Office 365 and Cloud solutions are implemented providing the current set up is not replicated. Failure to change the existing storage arrangements may well cost RBC significantly more in storage space in the cloud for data it is not actively using.
- 2.5 A large part of the storage space is given over to Pst files (files composed of emails, calendars etc from Microsoft outlook) and there has been anecdotal evidence that H drives also contain large numbers of emails that are stored by officers because they have no alternative means of accessing available to them. This facility will not be available for Office 365 as .pst files will not operate with this software.
- 2.6 RBC purchased Mailmeter as an email storage and retrieval programme but its full functionality has not been deployed within the organisation. However it remains the only accessible historical record for many of the decisions in the council. Data is stored and can be searched within individual accounts and includes all emails sent to and from the account which may include data personal to the individual. Searches across the whole database by subject, name or similar is not possible making it much less effective in recovering corporate information.

- 2.7 Any transition to cloud and Office 365 will need decisions taken on retaining existing data which is mainly unstructured and in many cases of no use to the organisation either though being in “personal drives” or being stored for no apparent reason in corporate drives. The GDPR project, whilst producing the requirement for Information Asset Owners and revising data retention policy advice, were unable to insist on Services addressing their data retention policy issues or assigning information asset owners. This could be a problem for significant Cloud migration projects needed for Office 365 including Sharepoint storage. There is an opportunity with Office 365 to delete the unstructured data being stored in email format and repositioning the data stored as being up to date.
- 2.8 The Information Commissioner is of the view that if the data is stored then it should be searchable and there is a possibility at some stage the ICO questions RBC whether personal data is being retained unnecessarily (ICO is already aware in part of Mailmeter issues). Data protection legislation says that data held must be searchable and the retention of personal data must be proportionate. The random and unstructured storage of data will make this task difficult, if not impossible, to identify what data should and shouldn't be being stored and may lead to data being stored that shouldn't be.
- 2.9 It is acknowledged as part of this audit that the problem of unstructured data is not unique to Reading Borough Council and is common across both public and private sector. However the existence of unstructured data greatly increases the risk that the authority could fall foul of the ICO in a way that could impact financially and to its reputation and cannot defend itself if a problem arises with the argument that others are in the same position.
- 2.10 A total of 4 recommendations have been raised in respect of this review, of which 1 have been considered a high priority. The full detail of these recommendations and the corresponding management action plan are attached to this report as Appendix 1.
- 2.11 The quality assurance process has confirmed that this internal audit review was conducted in conformance with the Public Sector Internal Audit Standards, a copy of which can be found on the Internal Audit Team's intranet page on Iris.

### 3. Summary of Findings

#### 3.1 Corporate Data Retention

3.1.1 There are data retention policies in place for all corporate data and data with the Council's corporate systems is structured. However, outside the main corporate systems, data is by and large unstructured. This unstructured data comprises of three main ways that data stored. There are individual personal drives that can store emails or documents, spreadsheets etc.; there are corporate drives that in many cases offer some structure, but in the main are not subject to any rules about what is stored and for how long; and finally there are emails retained by the Mailmeter programme currently including around 10- years or more, of all emails sent to and from RBC.

3.1.2 Retention is dependent on the action of system owners where they have been identified. The audit did not find evidence of proactive data management in a corporate sense, but individual system owners are aware of issues and have enforced archiving or deletion of data for operational space reasons.

3.1.3 The audit found no evidence of an overarching corporate data structure that might link data being held on individuals across systems (an example of this might be Unique Property Reference Numbers (UPRN) being used as a basis). The majority of data stored by RBC outside of designated software programmes is in an unstructured format in individual silos.

3.1.4 The audit did not find an overall corporate policy or enforcement for storage or removal of information. There was no overall responsibility for archiving or storage of electronic records. What storage that takes place is done within existing operating systems or is enforced by operational requirements (no space left).

#### 3.2 Existing Corporate arrangements

3.2.1 RBC pays for the storage of individual local data which is retained in a secure SAN (Storage Area Network). Currently there is adequate storage capacity for the future but there are pressure points in respect of some service drives.

3.2.2 It is not within the current Northgate contract specification to allocate specific costs to storage. This is because it was procured as a service as a whole across the seven year life of the contract. This meant that storage capacity/availability was predetermined and fixed. If storage looks like running out, RBC is advised to remove existing files to make room for more (which has happened on a number of occasions for directorate drives). Costs in this area are not specifically itemised and monitored. A model for this maybe O365 Microsoft subscription account where all services are available along with xMB of cloud storage attached. At present RBC cannot achieve savings by doing less but has an element of cost avoidance in respect of not adding on new requirements. Real savings will only be achieved with the ending of the Northgate contract and subject to RBC radically changing its current storage specifications.

- 3.2.3 Tiered storage (store current, archive and delete after set time) could have been an option for RBC, but was unlikely given the lack of governance and accountability for data removal. This would have required the dedicated archiving and/or automatic disposal of data once it went past a certain predetermined date.
- 3.2.4 There are two major areas for storage and these are individual officer drives (“personal” H drives) and wider storage on network drives.
- 3.2.5 The vast majority of data is currently held on the H drives and the policy is that when officers’ leave employment of the Council, any files stored in the H drive are deleted, or transferred to another officer for a period of time on their H drive.
- 3.2.6 From a practical point of view these drives are not searchable or accessible by anyone other than the officer unless there is a long term absence or there is a disciplinary matter under investigation.
- 3.2.7 The remainder of data storage takes place on directorate or service based drives that are accessible by anybody in that directorate and these were subject to a detailed analysis outlined in the following section
- 3.3 Mailmeter and other email archiving products
- 3.3.1 RBC purchased 2 email products - EAS and Mailmeter. EAS is an email archiving tool capable of managing email archiving to retention policies and Mailmeter a forensic level audit tool for investigation purposes. Mailmeter as an email storage and retrieval programme is powerful but its full functionality has not been deployed by RBC so that emails storage is unstructured rather than structured (structured implying an archiving and deletion tool that removes emails after a date unless stored or deleted on basis of relevance). Data is stored and can be searched within individual accounts and includes all emails sent to and from the account which may include data personal to the individual. Attempts to cull data to more legally justifiable levels (e.g. 3-5 years) have been discussed but no decision has emerged to tackle the issue of a formal retention policy.
- 3.3.2 Since the introduction of Mailmeter there is around ten years’ worth of emails stored comprising of over 250GB of emails and attachments, currently in storage (up to mid-2018) comprising of approximately 200 million emails and 65 million attachments. There has not been any housekeeping or reduction in storage capacity since the software was introduced.
- 3.3.3 The emails that are retained are often the only record remaining offering an explanation for council activity and decision making. Storage is linked to individuals so any data retained is effectively in a silo that requires an individual search to establish if data exists.
- 3.3.4 Mailmeter offered other functionality that would allow any member of staff to access their own email but this facility has not been enabled, partly due to the preference of some officers to store their own emails in .pst format.

3.3.5 There is an increasing risk that as awareness grows of this database requests will be made by individuals to recover emails that should have been either incorporated into official records or deleted. The Information Commissioner is of the view that if the data is stored then it should be searchable and there is a possibility at some stage the ICO questions whether personal data is being retained unnecessarily.

### 3.4 Corporate Drives Data Storage

3.4.1 The audit found that data was stored across a number of servers in a fragmented way with a server hosting different named directorate/service drives side by side. The review focussed on the first 9,999 files in each drive and over 250,000 files were reviewed. The current capacity across all drives was 73% (a number of individual drives were at 85-91% capacity). For clarity this is data held outside of the Council’s corporate systems like Fusion and Mosaic.

3.4.2 File creation was reviewed up to the beginning of October 2018 (so the current files date from 1<sup>st</sup> January 2018).

#### 3.4.3 *Creation Date*

Earliest files have a creation date of 31/12/1979

YEARS OLD	% OF FILES CREATED	% OF FILES BY SIZE (MB)
0	0.7	1.05
1	14.62	16.19
3	24.15	23.46
5	24.84	23.25
7	13.33	12.06
9	9.12	10.29
11	6.32	6.51
11+	6.92	7.2

There were 60% of files by size and age, are over 5 years old from their creation date. The number of files that had not been accessed since creation represented 44.75% of the overall total. This was qualified by the fact that 21% of that 44.75% were files created in 2018.

#### 3.4.4 *Date Last Accessed*

YEARS OLD	% OF FILES CREATED	% OF FILES BY SIZE (MB)
0	1.58	14.37
1	19.05	21.6
3	23.88	20.51
5	46.3	33.63
7	6.3	6.83
9	2.59	2.8
11	0.23	0.18
11+	0.04	0.02

There were 55% of files that had not been accessed in the last five years (43% by size of file).

### 3.4.5 *Date last modified*

YEARS OLD	% OF FILES CREATED	% OF FILES BY SIZE (MB)
0	1.22	14.33
1	13.09	18.28
3	19.86	18.72
5	15.44	13.56
7	14.99	11.3
9	13.07	10.44
11	9.33	6.97
11+	13	6.39

There were 66% of files that had not been modified in the last five years (49% by size of file).

### 3.4.6 *Duplicate Files*

It is estimated that duplicate files constitute 13% of the whole database by size and 17% by number of files (it is possible that some files may have had more than one copy). Profiling the age of the duplicates showed that there were no particular issues with the age of the file.

### 3.4.7 *User names*

It proved difficult to estimate if there was a history for people who had left the organisation. A large number of files (75% of all file records supplied) did not come with a staff name but were “owned/created” by a designation of administrator or a folder name. This made it difficult to estimate whether significant numbers of files remained after staff had left RBC.

Against two current sets of Active Directory records (themselves not fully updated) it was found that 1589 user names were tested against the AD records and 234 and 177 were returned as not being on the current list. This extrapolates to approximately 15% of individually named users being still on record.

This could imply that historically a large percentage of the records RBC is retaining are linked to current staff who are storing large amounts of data that is subsequently being deleted in most cases when they leave and that there is an older residue of files from people who had left that are stored for years. The categories of administrator file were also examined and there was a spread of dates for file creation similar to those already found.

### 3.4.8 Types of file

In total there were 580 file types (this includes some duplications owing to minor variations in naming conventions for the file extension).

FILE TYPE	% BY RECORD	FILE TYPE	SIZE %
.pdf (PDF File)	18.26	.pst (PST File)	29.08
.jpg (JPEG image)	17.53	Mp4 (mp4 File)	7.86
.msg (MSG File)	10.42	.pdf (PDF File)	6.39
.doc (DOC File)	7.51	.zip (Compressed (zipped) Folder)	5.79
.xls (XLS File)	4.76	.AVI (AVI File)	4.93
.zip (Compressed (zipped) Folder)	3.24	.doc (DOC File)	3.33
.tif (TIFF image)	2.71	.msg (MSG File)	3.03
.ppt (PPT File)	2.30	.mdb (MDB File)	2.73
.xlsx (XLSX File)	2.17	.psd (PSD File)	2.16
.rtf (Rich Text Document)	1.78	.MTS (MTS File)	2.13
.docx (Office Open XML Document)	1.72	.mov (mov File)	2.03
.pst (PST File)	1.62	.xls (XLS File)	1.86
Mp4 (mp4 File)	1.31	.tif (TIFF image)	1.70
.pub (PUB File)	1.28	.jpg (JPEG image)	1.61
.psd (PSD File)	1.20	.ppt (PPT File)	1.35
.avi (avi File)	1.20	.xlsx (xlsx File)	1.27

Review of media types .mp3 and .mov did reveal some potential for abuse but the profile of age of file was similar to the overall file profile in terms of age.

Email message storing in the form of .pst and individual .msg files featured both by number of files and the space that they took up.

3.4.9 As pointed out in 3.3.4 the Information Commissioner is of the view that if the data is stored then it should be searchable and there is a possibility at some stage the ICO questions whether personal data is being retained unnecessarily. Data held must be searchable and the retention of personal data must be proportionate. The random and unstructured storage of date will make this task difficult, if not impossible, to identify what data should and shouldn't be being stored.





## Audit Management Action Plan Electronic Data Storage 24/17

Ref	Risk	Recommendation	Priority	Management Response	Responsible Officer(s)	Target Date
1	RBC will breach DPA/GDPR because it holds data that infringes right to be forgotten or holds data it is has no need for and should have deleted.	RBC urgently needs to establish proper governance processes in respect of data creation and storage as it is currently at a high risk of breaching GDPR requirements in respect of only storing data needed for processing.	Priority 1	To adequately address the work needed to plan and deliver change across the Council an Information Governance Board chaired by the SIRO with senior business and technical membership should be convened. the Board will own the programme of work and processes needed to maintain compliance with Information Governance requirements including GDPR and DPA .	Senior Information Risk Officer [Assistant Director for Legal Services and Governance] Assistant Director for Digitisation	Establish IG Board - May 19
2	Data is not structured in storage so it only exists in silos increasing the likelihood of GDPR breaches and is in not efficient and does not adequately support RBC business processes (ability to analyse data for management information).	A corporate programme to address the creation and storage of data needs to be created to ensure that going forward data is stored in a structured manner that facilitates easy recovery and reduces the cost of storage. The objective should be to remove, where possible, all "personal" data storage and integrate data creation and storage with business operations. Data that needs storing should be kept in corporate storage spaces that encourage a structured approach which can be managed by date or subject according to statutory requirements.	Priority 2	Business/case management systems should be the preferred and default location for service related data. The migration to M365 during 2019/20 will provide an opportunity to move to modern controlled storage of data that needs to exist outside of line of business applications. best practice guidelines including retention rules will need to be developed as part of the project and embedded into training of staff in their use of the new system.	Assitant Director for Digitisation	31/01/2020

3	Future ICT developments around Office 365 and Cloud could be adversely impacted by large amounts of unstructured data.	Existing data that is being stored needs review with an ambition of deleting all non essential data before transitioning to Office 365 and cloud based operation.	Priority 2	Mass migration of data will be avoided wherever possible. All users will need to engage with the programme to identify data to be retained within a defined timescale with the remaining unstructured historical data deleted after an agreed period.	Assitant Director for Digitisation	31/01/2020
4	Evidence for decision making and retention of information around key decisions is not available to support legal or other processes.	A decision needs to be taken regarding the future of the Mailmeter product. Microsoft will have products available that will match what it does for email access so an option review needs to establish whether to retain the software.	Priority 2	The capability of the Microsoft solution will be evaluated against business requirements to inform decision as to whether the Mailmeter product can be discontinued. Further meeting to take place between O365 project team, Waterford Technologies and RBC to determine the best way forward and in the mean time cull down to seven years and roll over Windows 7 Mailmeter has been agreed as holding position.	Assistant Director for Digitisation	01/07/2019

NB: Your management response is your commitment to treat the risk identified as part of the review. The standard response time to draft recommendations is 15 working days; any failure to meet this target could be reported to the Audit & Governance Committee.

The management response to recommendations will be reported to both CMT & The Audit & Governance Committee as part of our quarterly monitoring arrangements. Audit recommendations and agreed actions will be followed up during the year, where deemed appropriate by the Audit Management Team. All outstanding recommendations will also be reported through CMT as part of the Council's monthly performance monitoring.

## READING BOROUGH COUNCIL

### REPORT BY EXECUTIVE DIRECTOR OF RESOURCES

<b>TO:</b>	AUDIT & GOVERNANCE COMMITTEE		
<b>DATE:</b>	16 APRIL 2019		
<b>TITLE:</b>	IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER		
<b>LEAD COUNCILLOR:</b>	COUNCILLOR BROCK	<b>PORTFOLIO:</b>	CORPORATE & CONSUMER SERVICES
<b>SERVICE:</b>	AUDIT	<b>WARDS:</b>	BOROUGHWIDE
<b>LEAD OFFICER:</b>	JACQUELINE YATES	<b>TEL:</b>	x74710
<b>JOB TITLE:</b>	EXECUTIVE DIRECTOR OF RESOURCES	<b>E-MAIL:</b>	Jackie.Yates@reading.gov.uk

#### 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The outcomes of all internal and external audit reports are reported to this Committee.
- 1.2 Following discussion at the April 2018 Audit and Governance Committee it was agreed that to provide a greater focus on the importance of implementation of agreed audit recommendations an implementation tracker report would be reported to all future meetings of this Committee. This is the fourth report on the tracker.
- 1.4 Appendix 1 attached sets out all of the current high and medium risk internal audit recommendations together with their latest agreed implementation date and the officer responsible for implementing them. Going forward all Internal and external audit recommendations will be added to the report.

**Appendix 1 - Implementation of Audit Recommendations Tracker April 2019.**

#### 2. RECOMMENDED ACTION

- 2.1 The Committee are asked to note the report.

#### 3. POLICY CONTEXT

- 3.1 This report supports the Council's objective of ensuring that the council is fit for the future.

#### 4. THE PROPOSAL

- 4.1 A summary of those high and medium risk Internal Audit recommendations which remained outstanding at the last Committee together with an updated management response is provided in Appendix 1 attached. Those recommendations which were reported as closed at the last meeting have

been removed from the tracker and 19 new recommendations have been added to the report since the last meeting.  
Going forward all new Internal and External audit recommendations will be added to the tracker.

- 4.2 Prior to reporting to Committee officers responsible for implementing the specific recommendations are asked to update the 'implementation tracker'. Each recommendation is marked with a percentage complete which correlates to a red/amber/green rating depending on the percentage of completeness. Up to 25% complete is marked red, between 26% and 75% complete is amber and over 75% complete is green. However, any recommendations that are less than 50% complete but have exceeded their agreed completion date are also marked red.
- 4.3 Once recommendations are reported as being 100% complete to the Committee they are removed from subsequent reports.
- 4.4 Where there is a lack of progress with implementation, e.g. successive missing of implementation dates etc. The Assistant Director and responsible officer (if they are different) will be asked to attend a meeting of the Committee to explain the difficulties with implementation and the steps they are taking to address them.
- 4.5 There are 90 high and medium risk Internal Audit recommendations on the tracker attached at Appendix 1, of those
  - 48 (53%) are currently green;
  - 26 (29%) amber and
  - 16 (18%) red

Compared to the previously reported position recommendations which are rated green have improved from 49% to 53%. Amber recommendations have decreased by 5% and those rated red have increased slightly (by 2%).

27 recommendations are completed and will be deleted from the next report.

The table below provides a comparison of progress against previous reports.

RAG Status	Audit & Governance meetings			
	August 18	September 18	January 19	April 19
Green	24%	42%	49%	53%
Amber	10%	18%	34%	29%
Red	65%	41%	16%	18%

## 5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 The proposals contained in the report support the Council's Corporate Plan priority to:  
Remain financially sustainable to deliver its service priorities.

## 8. LEGAL IMPLICATIONS

- 8.1 The Council has a duty under the Accounts and Audit Regulations to ensure it

has in place a financial control framework which is fit for purpose. It also has a duty to ensure Value for Money in the provision of services.

## **9. FINANCIAL IMPLICATIONS**

- 9.1 Whilst there are no specific financial implications arising directly from this report, the timely implementation of audit recommendations is critical in strengthening the Council's internal control and governance arrangements.
- 9.1 The Council's Chief Internal Auditor's reports have over several years repeatedly reported that audit recommendations made in previous audits have not been implemented. This does not represent value for money from either an audit or wider organisational perspective.
- 9.2 Poor systems of internal control and financial governance potentially leave the Council exposed to loss and will result in higher external audit costs due to the lack of assurance they provide and the consequential higher testing thresholds required by the Council's external auditors.
- 9.3 Whilst there are still a large number of recommendations that are rag rated red, there has been positive engagement with the new arrangements and significant improvement since implementing the new tracking and reporting process

## **10. BACKGROUND PAPERS**

- 10.1 Internal Audit Reports presented to Audit and Governance Committee, Chief Internal Auditors Annual Report 2017 & 2018.

Rec No.	Dir	Audit Title	Recommendation	Rec Yr.	Original Audit Completion Date	1st Follow-up Date	Responsible Officer	Responsible Officer Latest Update	Updated on (date)	Status (% Complete)	Overall Status
1	DoR	Bank rec & control account reconciliations	<p>1. A corporate approach for producing reconciliations, evidencing balances and for monitoring the completion status, issues and their resolution needs to be produced and agreed.</p> <p>2. Greater staff/resource resilience is required to ensure the reconciliations are completed on a timely basis throughout the year.</p> <p>3. Departments should be required to provide a reconciliation position statement each month.</p> <p>4. Response will be addressed in rec 5 2017-18 action plan</p> <p>5. In conjunction with recommendation 3, reconciliation needs to be brought up to date.</p> <p>6. The completion and review of the bank reconciliation status MUST be a monthly key priority.</p>	16/17	9-Feb-17	4-Oct-17	<p>Matt Davis - Head of Finance, Jean Stevenson - Chief Accountant</p> <p>Reconciliation officers: Bank &amp; cash – Jean Stevenson Creditors – Jean Stevenson Council Tax, HB, NNDR, Debtors – Sam Wills Payroll – Sharon Brown Rents – Zelda Wolfle</p>	1. a corporate approach has been introduced with named officers responsible for each area, for 2019/20 a tracker of latest position will be reviewed on a monthly basis by the Head of Finance. 2 as with 1 above individual named officers have been tasked with ensuring reconciliations are completed on a regular and timely basis. 3 confirmation that all departmental reconciliations are complete is to be incorporated into monthly monitoring processes. 4 response will be dealt with as part of 17/18 action plan. 5 reconciliations brought up to date as part of 18/19 closing processes and will be kept up to date via the new tracker process 6. completed on a monthly basis	4-Apr-19	76 or more	
2	DoR	Bank rec & control account reconciliations	The Head of Finance should ensure there is sufficient resource available to properly and robustly plan, execute, test and implement the accepted bank and cash reconciliation process	16/17	9-Feb-17	4-Oct-17	Jean Stevenson - Chief Accountant / Matt Davis - Head of Finance	Whilst resources remain tight following the Finance restructure, the new Technical Accountant is in the process of working through the procedures and organising the Technical team to ensure reconciliations are kept up to date.	4-Apr-19	76 or more	
3	DoR	Bank rec & control account reconciliations	<p>Following implementation of recommendation 1 of last years action plan, business process documents should be written for each reconciliation process to include:</p> <ul style="list-style-type: none"> <li>• Purpose of the procedure (impact on council)</li> <li>• Clearly define the outcome of the process</li> <li>• Name the process in accordance with naming conventions</li> <li>• Define the start and end of the process</li> <li>• Outline who does what and responsibilities – not person specific but role specific</li> <li>• Tools to complete the process, Systems, printing, marking etc.</li> <li>• Exceptions – if process goes wrong, system down etc.</li> <li>• Individual steps to get from start to finish</li> <li>• Reports used etc.</li> <li>• What to do when completed – balanced and unbalanced, actions, financial levels, responsibilities and authority</li> <li>• Review and sign off by the Head of Finance</li> <li>• Reporting framework</li> <li>• Evidence</li> <li>• Storage &amp; protection</li> </ul>	16/17	9-Feb-17	4-Oct-17	Jean Stevenson - Chief Accountant / Matt Davis - Head of Finance	The Technical Accounting team are using the new procedures and will review them fully once the backlog of issues with the Statement of Accounts have been cleared. Reconciliations are being submitted monthly to the Chief Accountant for review. The bank reconciliation processes have now been documented and documentation of the other reconciliations will be implemented and reviewed as part of implementing the monthly tracker process	4-Apr-19	76 or more	
4	DoR	Bank rec & control account reconciliations	<p>The Head of Finance should provide guidance and advice on the treatment of historic reconciling adjustment items for all system reconciliations.</p> <p>Likewise technical advice should be given in respect of those systems reconciliations that continue to have unreconciled balances.</p>	16/17	9-Feb-17	4-Oct-17	Matt Davis - Head of Finance	The historic differences on the bank reconciliation have now been written out. Other discrepancies are in the process of being written off as part of the finalisation of the 2017/18 accounts. This process was completed by the end of January. A monthly review is to be conducted as part of the new tracking process to ensure that any unreconciled items are cleared promptly.	4-Apr-19	76 or more	
5	DoR	Bank rec & control account reconciliations	<p>The 'unresolved' suspense items on Academy should be periodically (quarterly) checked to Academy to ensure correct recording.</p> <p>The Head of Finance should agree the treatment of historic unresolved items.</p>	16/17	9-Feb-17	4-Oct-17	Matt Davis - Head of Finance/ Jean Stevenson - Chief Accountant	Reconciliations to the end of March 2018 have been reviewed as part of the closure of 2017/18 accounts and historic amounts are being written off. Ongoing reviews will be conducted by the Technical Accountant and periodically reviewed by the Chief Accountant.	28-Mar-19	76 or more	

Rec No.	Dir	Audit Title	Recommendation	Rec Yr.	Original Audit Completion Date	1st Follow-up Date	Responsible Officer	Responsible Officer Latest Update	Updated on (date)	Status (% Complete)	Overall Status
6	DoR	Creditors/AP	Formulate an action plan to address corporately the larger number of open purchase orders with a view to closing as many as possible.	18/19	1-May-18		Matt Davis - Head of Finance/ Christopher Beauchamp - Accounts Payable Manager Jennifer Bruce - Financial Systems Manager	Fusion system team are now closing down all open purchase order that are older than 18months old. Accounts Payable (AP) to work with business partners about closing the remaining old purchase order numbers down in the next 2 months. Once completed supplier portal will be fully rolled out. Business partners to review the open purchase order report on a monthly basis with budget holders	29-Mar-19	76 or more	
7	DoR	Creditors/AP	Operational issues identified should be addressed in new procedure manual to avoid reoccurrence.	18/19	1-May-18		Matt Davis - Head of Finance/ Christopher Beauchamp - Accounts Payable Manager Jennifer Bruce - Financial Systems Manager	Due to major process changes happening within AP Process manuals will be finalised to address operational issues, completion before 30/04/19	29-Mar-19	51 to 75	
8	DoR	Creditors/AP	Documented processes for all areas of operation linked to clearly defined roles and responsibilities for members of staff. This would include identifying the business interfaces and expectations around processing, time taken volumes of business for areas like Mosaic payments or expenditure limits on cost centre codes etc.	16/17	25-Mar-17	1-May-18	Jean Stevenson - Chief Accountant Chris Beauchamp - Accounts Payable Manager	Good progress has now been made by the new AP Manager, most processes are now documented - no change due to process changes, changes and documentation to be complete by the 30/04/19. Clearly identified roles and responsibilities are in place and key PI's will be identified for team members	29-Mar-19	76 or more	
9	DoR	Creditors/AP	Need to clearly identify the strategic contribution of AP to the authority and what is required to make AP business process(es) effective for efficient use of AP for the council.	16/17	23-Mar-17	1-May-18	Matt Davis - Head of Finance Chris Beauchamp - Accounts Payable Manager	The strategic contribution is for accounts payable to enforce controls of expenditure on the Council. The main focus of this will be the roll out of supplier portal, to reduce costs to the council in terms of processing. This has been delay due to issues around the Fusion open purchase order report that has prevented a clean up of open purchase information, clean up happening now. Portal has been tested and is working, suppliers to be invited to use portal and to send invoices directly into the Fusion scanning/imaging solution, mass/auto matching within fusion to be considered once 75% of suppliers on-board with portal/scanning solution. Open PO's/receipts to be address for each supplier when invited to Supplier Portal. P2P is not voluntary and all invoices being processed through Fusion do have PO No.'s. The above is covered by the P2P compliance project.	29-Mar-19	51 to 75	
10	DoR	Creditors/AP	Further work needs to be done to ensure that goods are receipted promptly and for the correct amount or value. Reports need to be run on a regular basis to identify and tackle late payments.	16/17	23-Mar-17	1-May-18	Chris Beauchamp - Accounts Payable Manager	Procedures drawn up for processing Goods Received Notes and Service Level Agreement for Accounts Payable and Directorate processing drawn up including processing Mosaic holds. Agreement of users to address issues promptly. Needs implementation by organisation as a whole as Accounts Payable can't do it on their own. Letter being prepared to go to all Suppliers requesting invoices to be sent in centrally. Open purchase order report now working, Business Partners now working with Budget holders to look at unreceipted PO's, Accounts Payable now has a report to enable to them to requesters for receipting of invoices	29-Mar-18	51 to 75	

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11	DoR	Creditors/AP	Need to review the supplier database and cull inactive suppliers as well and consider if centralisation of procurement would be more cost efficient in terms of ordering and paying for goods and services.	16/17	23-Mar-17	1-May-18	Chris Beauchamp - Accounts Payable Manager	Clean up of open purchase orders now being undertaken, review of supplier site to be conducted. Reduced by over half number of suppliers on the system. Created supplier set up procedures. Need to close high number of open Purchase Order's on the system. Further report needed to complete tidy up of AP ledger. Supplier set ups are being centralised and a supplier portal introduced.	29-Mar-19	51 to 75	
12	DoR	Debtors	The various policies, guidance and procedure notes relating to the raising, monitoring and treatment of debt generally should be reviewed and where necessary brought up to date. In addition they should be clearly documented on Iris, if appropriate and all relevant staff and users advised of their location and the need for them to comply with these.	17/18	5-Jun-17	7-Feb-18	Chris Beauchamp - Accounts Payable Manager	Debtors team was joined to the AP Team from 01.10.2018. Decision was made to not update policies and procedures until debtors ledger is moved from Academy to Oracle Fusion. Project Migration scoping session undertaken. Project Plan now in place, funding agreed. New policies and procedures will form part of the project migration plan. Project completion date 01/06/2019	29-Mar-19	51 to 75	
13	DoR	Debtors	The Income & Assessment Manager should review and formalise the strategy, techniques and records Income & Recovery staff should use in the identification and follow up actions used in respect of recovery of unpaid invoices. Once agreed this should be documented and followed by staff.	17/18	5-Jun-17	7-Feb-18	Chris Beauchamp - Accounts Payable Manager	The corporate debt recovery manual was produced providing guidance for staff to identify and action outstanding debt	29-Mar-19	Complete	
14	DoR	Debtors	All staff who raise invoices should be reminded that: a) invoices should be raised accurately and on a timely basis; b) each invoice should bear the necessary information or detail to reduce the likelihood of subsequent customer queries; c) as a principle services should not continue to be provided until outstanding invoices have been paid; d) there should be clear supporting records and information concerning the invoice that is easily accessible and understandable in the event of future query or need.	17/18	5-Jun-17	7-Feb-18	Chris Beauchamp - Accounts Payable Manager	a) internal web form has been set up to request invoices to be raised, once form is completed it is sent to the AR team for raising on systems, improving processing times. b) the form contains a series of boxes which must be completed accurately before the form can be sent to the AR team for invoice raising which reduces the likelihood of queries. c) managers can chose to continue with social services even though invoices are outstanding due to legal obligations d) web form and all correspondence are retained through information@ work	29-Mar-19	76 or more	
15	DoR	Debtors	It is further suggested that the role and work undertaken by Legal Services in the recovery of unpaid items is reviewed and re-evaluated to ensure it remains appropriate and fit for purpose. Once it is clear what is agreed it is recommended that this is defined in an SLA between Legal Services and Income & Assessment.	17/18	5-Jun-17	7-Feb-18	Chris Beauchamp - Accounts Payable Manager	An SLA with legal is being scoped to clarify the role of legal in the recovery of unpaid debt. Regular monthly meeting between legal services and income and assessment are underway until the SLA is developed	20-Dec-18	51 to 75	
16	DACHS	Direct Payments	It is essential that records are updated accurately and in a timely fashion. Currently there are multiple records that need to be individually updated to provide a complete record of actions and transactions relating to individual DP clients. Therefore it is recommended that the current process is reviewed to assess whether a more streamlined record keeping system could be designed so that records agree, with the purpose of freeing PBST time for monitoring purposes.	17/18	24-Nov-17		Jayne Rigg, Commissioning & Social Care Manager	Following the audit review there is a new robust management action plan being put in place to address these recommendations and this is being submitted this week.	31-Mar-19	51 to 75	



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17	DACHS	Direct Payments	In order to demonstrate appropriate controls over the use of public funds it is recommended that the strategy, resources and purpose of the current checking programme is reviewed. In particular it is important that the required validation regime (frequency, process etc.) is assessed to make sure that it provides a reasonable but effective challenge to check and agree the legitimacy of expenditure. A pivotal consideration should include an assessment of existing staffing resources and whether these are adequate in order to discharge the standards RBC should be expecting as the responsible body. If the assessment determines that (additional) changes are required then it should also be determined what (additional) resources are needed, if any.	17/18	24-Nov-17		Jayne Rigg, Commissioning & Social Care Manager	This will be robustly captured in the audit review management action plan to ensure the reviewed policy and strategy are meeting the Directorate objectives and the targets will be kept under monthly review.	31-Mar-19	51 to 75	
18	DACHS	Direct Payments	It is strongly recommended that the strategy to deliver pre-paid cards is reviewed and where appropriate tightened so that (unless there are good and documented reasons not to do so that are assessed on a case by case basis) the principle of their adoption (of pre-paid cards) becomes understood and accepted as the norm. It is also recommended that management identifies whether there needs to be a programme of education or support across relevant areas in the directorate (including care management colleagues) so that the take up is increased and it is further suggested that targets are set for this to happen. An option may be for the Council to remove the choice aspect and explore moving all (new) clients straight on to Pre-paid cards, as some other local authorities already do.	17/18	24-Nov-17		Jayne Rigg, Commissioning & Social Care Manager	A further audit review has taken place and a robust management action plan is being put into place to address these issues. The target to increase take up of pre paid cards with all new service areas is also being built into operational area services to increase the current usage, currently at just over 70%	31-Mar-19	51 to 75	
19	DACHS	Financial Deputies	Serious consideration and management support needs to be given to moving to a direct payments system for clients, where feasible, to reduce the amount of cash handled and time required to administer.	17/18	16-Feb-18	01-Jun-18	Jo Purser - Locality Manager	Reduced cash collectors to 25, 160 card accounts open, bank visits reduced greatly. Waiting for further cards to arrive and the remaining 25 will move over as these are received and arrangements made	5-Apr-19	76 or more	
20	DACHS	Financial Deputies	The premise of the team needs to be reviewed. If the team is to be cost neutral, this needs to be carefully costed out to ensure that this is achievable (particularly in terms of income targets).	17/18	16-Feb-18	01-Jun-18	Jo Purser - Locality Manager	The budget is being reviewed; the reports that can be created on Caspar to help supply more precise predictions are being explored. Due to implementing the payment cards which has been priority, and waiting for the decision of the new post to be agreed, As part of budget setting the income target for 19/20 has been set at a challenging but achievable level after reviewing prior years income achieved.	25-Mar-19	76 or more	
21	DoR	General Ledger	There needs to be consistent control over data entry from feeder systems that standardises and controls data input to reduce the need for journals to amend miscoded items. The number of Oracle Fusion codes needs to be reviewed with a view to identifying key codes and removing redundant or unused codes.	17/18	6-Apr-17	31-May-18	Matt Davis - Head of Finance	Daily reports produced and sent to owners of feeder systems for their checking that totals loaded correctly. Coding to be reviewed as part of a review of reporting hierarchies and will need to be considered in conjunction with BFFC reporting requirements.	2-Apr-19	26 to 50	
22	DoR	General Ledger	All journals need proper designation as to the type of journal and its purpose.	18/19	4-Jun-18		Jean Stevenson - Chief Accountant	The significant reduction in the number of journals means there is more clarity as there are less inputters processing journals. A review will be needed once the Statement of Accounts issues are resolved.	28-Mar-19	76 or more	
23	DoR	General Ledger	The number of codes that are being used for one off transactions needs to be reviewed to ensure that this is the most efficient way to record financial information.	18/19	4-Jun-18		Jean Stevenson - Chief Accountant	This review is scheduled to be conducted by the Financial Systems Team as part of the overall review of codes for the introduction of inter company accounting. This was expected to be completed by 1st April 2019, but will slip to the summer of 2019.	28-Mar-19	51 to 75	

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24	DoR	HB Subsidy	It is recommended that: a) backfill for secondee positions needs to be in place earlier. b) consideration is given to the number of contractors in place in key positions within the team. c) a clear plan is put in place for quality checking going forward. This needs to include the identification and reporting of issues relating to individuals to allow them to be addressed in a timely manner.	16/17	17-Sep-17		Sam Wills - Interim Income & Assessment Manager	10% Quality checking remains in place with contractor. Regular training updates provided to staff. Continued use of subsidy expert. Achieved zero subsidy loss in audit of 17/18 claims, due to commence external audit of 18/19 imminently.	2-Apr-19	76 or more	
25	All	Health & Safety	In order to share instances of different and best practice(s) it is suggested that the directorate chairs of the health & safety periodically attend and observe other directorates' meeting to see whether specific techniques, formats etc. could be usefully shared between them.	16/17	8-Feb-17	29-Sep-17	H&S Committee Chairs: Resources - Shella Smith Adults - Steve Saunders DENS - Zeldia Wolffe Central - Peter Sloman	Meetings have temporary stopped as staff have left and new Chairs of H&S Committees found. To compensate for this H&S Advisors regularly meet with Chairs of the H&S Committees and attend all H&S Committees. Meetings will be commencing in May 2019.	3-Apr-19	51 to 75	
26	DoR	Health & Safety	There needs to be confidence in the integrity of the staff health and safety training data held on I-Trent and that it is accurate and kept up to date so that reliance can be placed upon this. This may involve some further work to achieve this and possibly some prioritisation of resources by Training / HR.	16/17	8-Feb-17	29-Sep-17	L&D - Russell Gabbini	The Organisational and Workforce Development Manager is leading on the training actions. Data cleanse exercise to tie in with other iTrent work. Also Learning Pool dates is being corrected. New CMT target to get all L1 & L2 training completed by Q2 2019. Plus All staff will have to complete an online appraisal (knowledge check) or update session commensurate with their responsibility. If they fail this then they will have to go to repeat the appropriate level of on-line training or attend a classroom course to be recognised as compliant. Knowledge checks for levels 1 and 2 to be released to relevant staff June 2019	2-Apr-19	51 to 75	
27	All	Health & Safety	Once the exercise to cleanse data has been completed, where it has become flagged that staff training is not up to date, then a programme of training to remedy this should be implemented.	16/17	8-Feb-17	29-Sep-17	L&D - Russell Gabbini	The Organisational and Workforce Development Manager is leading on the training actions. Data cleanse exercise has shown that information in iTrent is not accurate. New exercise underway to tie in with other iTrent work. Also Learning Pool dates is being corrected. New CMT target to get all L1 & L2 training completed by Q2 2019. Plus All staff will have to complete an online appraisal (knowledge check) or update session commensurate with their responsibility. If they fail this then they will have to go to repeat the appropriate level of on-line training or attend a classroom course to be recognised as compliant. Knowledge checks for levels 1 and 2 to be released to relevant staff June 2019	2-Apr-19	51 to 75	
28	DoR	Information Governance and Data Protection	The management framework needs to be documented (action plans and ToRs) and aligned with a strategy that identifies the key staff needed to implement and maintain it. This in turn needs approval and incorporation into the reporting framework of CMT who should receive regular reports on progress and any significant issues highlighted in work practices.	16/17	7-Oct-16	9-Apr-18	Chris Brooks - Head of Legal & Democratic Services	Management framework is encompassed in the General Data Protection Regulations project plan. Monthly reports have been to CMT. The last report to CMT went on 24.07.2018	No changes 27.03.19	76 or more	
29	DoR	Information Governance and Data Protection	All staff identified as being key to a properly managed information governance process should have their roles and responsibilities reflected in their job descriptions.	16/17	7-Oct-16	9-Apr-18	Chris Brooks - Head of Legal & Democratic Services	This is to be actioned. Discussions are in hand with HR to determine whether it is appropriate that the roles and responsibilities to Information Governance are to added to Job Descriptions	No changes 27.03.19	25 or less	
30	DoR	Information Governance and Data Protection	Information Asset Owners (IAO) need to be formally appointed for each system that processes personal data with responsibility for ensuring that it operates within the policies and procedures governing information security and data protection including ensuring access to data is only by authorised persons.	16/17	07-Oct-16	9-Apr-18	Chris Brooks - Head of Legal & Democratic Services	IAO guide is drafted and will be taken to CMT on 30.04.2019. There needs to be a corporate decision as to who will undertake the role of the Information Asset Owner within each service.	5-Apr-19	25 or less	

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31	DoR	Information Governance and Data Protection	There needs to be a formal risk management framework that incorporates a formal information risk register that records the location of personal data and the risks associated with it. IAOs should be tasked with managing the risks identified for their data.	16/17	7-Oct-16	9-Apr-18	Chris Brooks - Head of Legal & Democratic Services	The information case owners system is in place. This will need to reviewed and updated annually due to staff changes and use of new systems.	5-Apr-19	Complete	
32	DoR	Information Governance and Data Protection	Privacy Impact Assessments (PIA) should be completed for all data processing changes and new projects	16/17	7-Oct-16	9-Apr-18	Chris Brooks - Head of Legal & Democratic Services	Completed but PIA will be reviewed annually. This is reliant on services informing DPO of any new processing activities and completing DPIA. DPIA template forms are available to staff on the Information Governance Pod on IRIS.	5-Apr-19	Complete	
33	DoR	Information Governance and Data Protection	Information Security and data protection requirements need to be built into all Third Party contracts where setting out access to systems and data transfer safeguards.	16/17	7-Oct-16	9-Apr-18	Chris Brooks - Head of Legal & Democratic Services	For existing contracts there is a standardisation letter of variation in line with GDPR available to staff on IRIS. Appropriate provisions are being added to future contracts that come through Legal Services. It is up to Service Heads to ensure this is followed with assistance from the Legal Services Contracts Team.	27.03.19	Complete	
34	DoR	Information Governance and Data Protection	Regular reviews of compliance with policy and reviews of data accuracy (paper and electronic) should form part of any managed approach to security and data processing. Reviews should also include whether records need to be retained, whether data is actually needed and whether adequate control and consent in place for its usage.	16/17	7-Oct-16	9-Apr-18	Chris Brooks - Head of Legal & Democratic Services	Retention schedules completed and available to services on the staff intranet to apply to data they hold. Retention schedules will be reviewed annually and amended where required. It has now been agreed that the Council will reduce the forensic level of email held on Mailmeter to 7 years and thereafter will be reviewed with an option to reduce to 3 years.	5-Apr-19	Complete	
35	DENS	Leisure (income collection)	Refund controls need to be strengthened to ensure the audit trail validates legitimacy:- * Refunds must not be made unless the initial payment can be substantiated e.g. same debit card and signed for. * The reason and frequency of refunds need be enforced and monitored. * Refunds should not be permitted unless the debit as been confirmed. The regularity of debit and credit transactions should be monitored.	16/17	14-Jun-16		James Sadler - Operations Manager	All refunds are recorded within the Customer Relationship Management system (CRM) which also identifies the initial credit. A refund form is filled out by both the receptionist and Duty Manager and the refund can only be approved by the Duty Manager. Refunds will be included in the new journaling system and reviewed at the of journaling and investigated.	28-Mar-19	Complete	
36	DENS	Leisure (income collection)	Separation of duties between Finance and LEGEND need to be reviewed and put in place.	16/17	14-Jun-16		James Sadler - Operations Manager	New process automating production of journals from the CRM system have been developed and is being audited to ensure appropriate separation of duties, implementation at Meadway imminent.	28-Mar-19	Complete	

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37	DACHS/ DCEEH	Mosaic Fusion Year end reconciliation audit	Increased emphasis needs to be placed on the importance of ensuring that data held within Mosaic is of an appropriate quality. This includes ensuring that placements are reflected in a timely manner (purchase orders created, amended and closed), so that commitments are accurately reflected and discrepancies and missing invoices can be identified and addressed.	16/17	17-Oct-16	01-Nov-17	Seona Douglas - Director of & DMT DACHS/  Nick Penny Strategic Business Partner - DACHS	Acting Head of Service and Principal Social Worker working with mosaic team to build in processes to ensure changes are implemented to improve data quality and consistency of reporting. There has been a progressive improvement in the data recorded for Children's Services, but this needs to be cleansed further. This is a priority action in the move to the new Children's Company where high quality data will be required. LAC profiling has been introduced to improve the robustness of financial modelling and impact of the MTFS. The Business Partner for Children's Services is now having regular meetings to clarify queries and change MOSAIC accordingly to improve the data in MOSAIC. Further MOSAIC reports will need to be written but will be incorporated into the transition to the company's IT work stream. The projections for LAC expenditure was more accurate during 17/18 financial year. Acting Head of Service and Principal Social Worker working with mosaic team to build in processes to ensure changes are implemented to improve data quality and consistency of reporting. NP to review	16-Jul-18	51 to 75	
38	DoR	Mosaic Fusion Year end reconciliation audit	There should be clearly documented policies and procedures for the year end reconciliation and associated accruals process. These should be available to all relevant individuals and reviewed and updated as necessary on a regular basis to reflect current practice.	16/17	17-Oct-16	01-Nov-17	Nick Penny Strategic Business Partner - DACHS	Notes are currently being prepared by the DACHS Finance team and will be signed off by the Strategic Business Partner.	22-Mar-19	26 to 50	
39	DoR	Mosaic Fusion Year end reconciliation audit	A lessons learnt review should be conducted post year end which looks at issues encountered with the year-end reconciliation process and associated accruals and provisions. Outcomes from this should then feed into the following year's year-end process. This is particularly pertinent for Adult Services.	16/17	17-Oct-16	01-Nov-17	Nick Penny Strategic Business Partner - DACHS	The Monthly Mosaic to Fusion reconciliation will be done at year end to ensure accuracy with accruals made when necessary.	22-Mar-19	26 to 50	
40	DoR	Mosaic Fusion Year end reconciliation audit	Clear and regular in year and year end reconciliations should be performed between Mosaic and Fusion and review of the accruals/prepayment process to encompass the full financial year rather than since the last invoice received need to be conducted.	16/17	17-Oct-16	01-Nov-17	Nick Penny Strategic Business Partner - DACHS	Mosaic to Fusion reconciliations are currently undertaken on a monthly basis to ensure that the council are paying for the correct value of placement costs.	22-Mar-19	51 to 75	
41	DoR	Overtime	It is recommended that the monthly payroll return be reviewed and consideration given to including the following: <ul style="list-style-type: none"> <li>Employee contracted hours</li> <li>Completed by field</li> <li>How overtime is being paid for</li> <li>Reason for overtime</li> </ul>	16/17	23-Aug-16	28-Sep-17	Shella Smith - Head of HR and OD	A strategic review of the way iTrent is being used has been completed. A project is underway to roll out self-service forms through iTrent and one of these will be overtime claim forms which will enable information to be input regarding why overtime is being claimed and how it will be paid for which will be delivered on 3rd June which is when Itrent self service for OT is being launched	2-Apr-19	51 to 75	
42	DoR	Overtime	It is recommended that the Head of Payroll reviews the overtime payment process, particularly the rates paid, of staff with multiple part time contracts with the Council. The Authority needs to be assured there is no discrimination or unfairness of the current process.	16/17	23-Aug-16	28-Sep-17	Shella Smith - Head of HR and OD	An additional allowances audit was carried out in 2018 which considered overtime payments. This has shown that overtime payments are being made in accordance with current policy. Furthermore, the Chief Executive and Director review all overtime claims on a monthly basis to further ensure compliance.	28-Mar-19	Complete	

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43	DACHS	Public Health	All current miscellaneous schemes run internally by RBC should be formally incorporated into a public health framework and subject to a process of challenge (bidding for approval) and subject to a monitoring framework that clearly identifies how successful outcomes are measured and then evidences those successful measurements.	17/18	29-Sep-17		Consultant in Public Health	Memorandum of Understanding are now in place for all departments who have Public Health funding. Public Health Board meetings oversee the PH spend and are monitoring spend and performance. A tracking process has been developed with a dashboard showing outcomes.	3-Apr-19	Complete	
44	DACHS	Public Health	The recharge of central establishment costs to the public health grant should be done in a timely fashion and in such a way as those costs are transparent and commensurate with the resources employed by the authority to administer the grant monies.	17/18	29-Sep-17		Andy Stockle - Business Partner and Nick Penny - Strategic Business Partner	Corporate recharges have historically been treated 'below the line' and not charged to Public Health. Public Health has a credit budget to reflect this practice. Discussions have taken place with Corporate Finance and there is a review of CEC currently ongoing, which is expected to result in budgets for these being put against cost-centres across the Council. This will result in PH no longer having a credit budget. This is being finalised for the start of 2019/20 budget monitoring.	22-Mar-19	51 to 75	
45	DENS	Right to Buy	A copy of the Right to Buy Handbook should be available on the new RBC website. Right to Buy policies should be reviewed on a regular basis to ensure that they are still fit for purpose.	16/17	19-Jul-16		Sam Bainbrigg - RTB Team Leader	Although it was agreed that the Right to Buy Policy would be reviewed and published on the council's website by the end of July 2016, this has yet to be implemented. Although a copy of the draft January 2017 policy has been forwarded as confirmation we have been informed this has yet to be approved or published on the council's website. Reliance is placed upon general referral to central government's RTB policy and referral to this in the RTB Handbook published by the Council on the main website, this is drafted it just needs writing in a different format and can then be put for sign off and published - we hope to get this done by end April 2019.	3-Apr-19	51 to 75	
46	DENS	Right to Buy	Revised date: A number of improvements are required to ensure payments are fully accounted for:-  * A copy of the RTB Offer and any sale revisions that confirm the final sale price should be forwarded to Finance. * In conjunction with the RTB Team and Legal, Finance should complete a certified periodic reconciliation between payments due, those received and the accounts on Fusion. The RTB application number should be recorded on Fusion to support the address of the property.	18/19	11-Jun-18		Jean Stevenson - Chief Accountant/ Sam Bainbrigg - RTB Team Leader	Process in place for RTB offers and sale revisions confirming the sale price to be sent to finance. Since process was introduced there have not been many sales (3 to 4 per quarter). Checks have been performed by Finance on a regular basis as part of the government returns for RTB receipt pooling. (JS)	28-Mar-19	76 or more	
47	DENS	S106	The roles and separations of duties for the Policy Team and Administration Team need to be reviewed to ensure there is inclusion and oversight for the full monitoring of all S106 monies.	16/17	30-Sep-16	14-Jul-17	Mark Worringham - Planning Policy Team Leader	In addition to new written procedures and staff training, the Planning service has now implemented a bespoke recording and monitoring system (Exacom) that coherently addresses the main control requirements for Section 106 processes. A regular or complete reconciliation between the respective record systems in Planning used to identify, track and manage S106 amounts and financial systems that record S106 amounts has not been possible until recently. This is mainly because of resource issues in Finance. A report from Finance was received in January 2019, and reconciliation has been carried out between Planning and Finance records. There remain some inconsistencies, most of which have been accounted for, but outstanding issues being followed up. A finance report to enable reconciliation is now expected on a more regular basis.	4-Apr-19	76 or more	

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48	DENS	S106	<p>The methodology for recording, collecting and monitoring the payment status of S106 monies need to improved urgently. In particular:</p> <p>a. It is strongly recommended the corporate debtor system should be used for the monitoring and collection of all S106 monies. Each sales requisition should be authorised by the PSM. In particular there is a need to establish clear separation of duties between the instigation, recovery and the monitoring of monies.</p> <p>b. The obligation index increases and revised amounts should always be recorded on Acumen.</p> <p>c. Provisional target dates should be established to monitor the status of payment triggers and for prompting the sales requisition.</p> <p>d. A monitoring procedure needs to be produced for reviewing the status of triggers and payments (who, how, when etc.).</p> <p>e. Oracle Fusion codes should be recorded on Acumen, and a record of receipts should also be recorded. Obligations, finance receipts and balances on Oracle Fusion balances should be regularly reconciled and reviewed by management. Evidence of reconciliations should be retained for an audit trail.</p>	16/17	30-Sep-16	14-Jul-17	Mark Worringham - Planning Policy Team Leader	The Exacom System and updated procedures are now in place and are used in operations. This provides an appropriate methodology for recording, collecting and monitoring the payment status of S106 monies. After discussions with Finance it was agreed by the Head of Finance that the corporate Academy system for raising invoices was not appropriate for the purposes of raising and monitoring S106 invoices' It offers no advantages over the use of the facilities and reporting functions of the Exacom system . Indexation and revised amounts area recorded in Exacom. Trigger dates are a function of Exacom. Monitoring of triggers and payments is being undertaken by the Planning Policy Team Leader. Oracle Fusion codes are recorded on Exacom and receipts/ transaction numbers are also recorded on the system. Attempts have been made to reconcile planning records with Fusion, but there have been challenges in obtaining data in a timely manner because of resource issues in Finance. A Finance report was received in January 2019, and reconciliation is being carried out, and a report now anticipated on a regular basis to enable reconciliation.	4-Apr-19	76 or more	
49	DACHS	Safeguarding (supervision)	<p>The 'Grandparent' should have overview of supervision records to ensure the expected process is being complied with and is performed in a consistent manner for all staff.</p> <p>A sample of records should be reviewed at least quarterly to identify any supervision that is not at the appropriate standard. Where supervision is not of the appropriate standard the Team Manager/Service Manager should address the issue.</p>	17/18	18-Sep-17	13-Nov-17	Karen Glaister -Locality Manager	An audit was completed. Feedback was about having a tool for consistency, Principal Social Worker developing an audit tool with RiPFA for best practice. Another audit will be completed as soon as the tool is finalised. Agreed with Team managers and Assistant Team managers that a supervision audit is completed in the month of December. Audit completed	20-Mar-19	Complete	
50	DOR	Subject Access Requests	There should be a standard policy for all Subject Access/Access to Records Requests. The draft policy should be reviewed to ensure it still is relevant, legal review and formal approval obtained and then implemented and made available to all relevant parties as a priority. It also needs to contain more specific information relating to subject access requests. Going forward, it should also be reviewed on a regular basis to ensure it continues to meet all relevant legal and other requirements.	16/17	23-Jan-17	15-Mar-18	Chris Brooks - Head of Legal & Democratic Services	Subject Access Request policy was updated in line with GDPR and available for staff on the Information Governance Pod on IRIS. SAR request forms also updated and on website for public to submit. Forms and process to be reviewed annually.	27.03.19	Complete	
51	DOR	Use of Cash Vouchers & Cash Accounts	<p>Documented procedures should be produced to:-</p> <p>a) stipulate the purpose of petty cash accounts e.g. what is considered to be appropriate expenditure, and what is not</p> <p>b) specify the recording, reconciliation and reporting requirements including the transfer of details on to Oracle Fusion</p> <p>c) define the control requirements for the safeguarding of cash and vouchers.</p>	16/17	2-Nov-16	14-Jul-17	Matt Davis - Head of Finance Christopher Beauchamp - Accounts Payable Manager	12 petty cash/voucher floats now closed. Remaining petty cash/voucher schemes to be closed - completion 31/05/19	29-Mar-19	51 to 75	

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52	DOR	Use of Cash Vouchers & Cash Accounts	<p>Controls need to be introduced within the APT to confirm the completeness and accuracy of the floats in circulation and to ensure that petty cash claims are appropriately authorised. This should involve:-</p> <p>a) Conducting an annual review to ensure the records are correct and up to date.</p> <p>b) Introducing a system for recording the issue, transfer and return of floats. Where floats are transferred between officers a copy of the transfer note must be forwarded to the APT.</p> <p>c) Introducing a check control whereby the APT confirms the accuracy of the float balance and of the authorisation details each</p>	16/17	2-Nov-16	14-Jul-17	Matt Davis - Head of Finance Christopher Beauchamp Accounts Payable Manager	12 petty cash/voucher floats now closed. Write off will be required as the floats starting balances not recorded on all floats, all floats have also been processed on the post office account with no details and the account is also used to paid post office invoices. New accounts to be set up in Fusion for any remaining floats and a balance agreed with teams.	29-Mar-18	51 to 75	
53	DOR	Use of Cash Vouchers & Cash Accounts	Finance should consider whether prepaid cards could be better used to control petty cash expenditure. Or alternatively departments / services could be encouraged to use Visa purchase cards instead of petty cash	16/17	2-Nov-16	14-Jul-17	Matt Davis - Head of Finance Christopher Beauchamp Accounts Payable Manager	Prepaid cards now being used throughout the council instead of petty cash, a review of expenditure still required	29-Mar-19	76 or more	
54	DENS	Waste Operations	Trade waste contracts should contain accurate details of the number of bins and frequency of collection. This should agree with records in Flare. Care needs to be taken to ensure that charges made for trade waste as a minimum cover the costs of providing the service.	16/17	12-Dec-16	24-May-17	Michelle Crick - Waste Services Manager/ David Moore - Neighbourhood Services Manager	A waste management software system has been purchased and a soft roll out for green waste has been completed. Roll out to all crews to take place at end April and then the Trade Waste module will be implemented.	3-Apr-19	76 or more	
55	DENS	Right to Buy	A copy of CIT's findings should be scanned onto I@W and their findings should be analysed to ascertain what preventative (information) and detective (monitoring) controls are required to deter fraudulent applications in the future.	18/19	10-Jul-18		Sam Bainbrigge - RTB Team Leader	This is reviewed each quarter to make sure we are dealing with any controls that are required but if something comes up sooner then this will be amended sooner.	3-Apr-19	Complete	
56	DENS	Right to Buy	The reasons why applications are withdrawn by the applicant or cancelled/denied by the council should be analysed by the RTB Team to help ascertain the common occurrences / problems. This will help ensure council resources and the applicant's time are not wasted.	18/19	10-Jul-18		Sam Bainbrigge - RTB Team Leader	This is reviewed each quarter to make sure we are dealing with any controls that are required but if something comes up sooner then this will be amended sooner.	3-Apr-19	Complete	
57	DoR	Additional Payments	<p>There should be a clear policy for each type of allowance and additional payment. These should be reviewed on a regular basis and updated as necessary.</p> <p>All additional payments should be made in accordance with the relevant policy and be consistent across teams, departments and directorates and adhered to in every instance.</p> <p>Policies and procedures should be publicised and promoted to relevant staff and managers and be available on Iris.</p>	18/19	31-Mar-19		Shella Smith - Head of HR and Organisational Development for all new payments HR Partners for existing payments Roger Morris Annette Paterson Kirsty Bennett Denise Burston	A review of all employment policies is already underway. The revised policies will need to be consulted on or negotiated with the recognised trade unions (as appropriate) and approved by Personnel Committee. The review is due for completion by December 2019. The policies covered in this audit will be prioritised.	28-Mar-19	26 to 50	

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58	DoR / DENS	Network Security (ICT)	Full visibility of the transport sections ICT needs to be established to ensure that a consistent corporate standard for network security is applied	18/19	18-Oct-18		Andrew Withey - Acting Head of Customer Care and Transformation Cris Butler - Strategic Transport Programme Manager	Officers are in the process of engaging with the Council's IT teams in order to progress a programme of actions to apply the corporate network requirements to the existing externally supported Transport systems. The next step is to include the transport network in scheduled penetration testing exercise to identify any potential vulnerabilities with follow on mitigation plan. (The transport network is completely separate from the main corporate network so any issues are limited to transport systems). Advice, support and supplier engagement has been provided to Transport who will commission this. The ICT delivery model for the Council will be reviewed following implementation of the senior management reorganisation and transport IT will be included within the scope of this to determine ownership, management and oversight arrangements for the future.	4-Apr-19	51 to 75	
59	DoR	Network Security (ICT)	Council make Cyber Security and Cyber awareness training mandatory for staff	18/19	18-Oct-18		Russell Gabbini - Organisational and Workforce Development Manager	Work is currently underway to strengthen and expand cyber security and cyber awareness training as an integral part of the ICT Information Security training that has been made mandatory for all new staff. Cyber Security and Cyber Awareness modules have been made available for all staff. Whilst these remain optional reminders and prompts have been issued stressing importance of the training and encouraging staff to complete it.	4-Apr-19	51 to 75	
60	DoR	Network Security (ICT)	The council's disciplinary procedures are amended to reflect the seriousness of not ensuring that laptops are properly patched.	18/19	18-Oct-18		John Barnfield - ICT Technology and Services Manager	The ICT Policy Statement and ICT Use and Information Policy make clear that failure to adhere to policy may result in disciplinary action. The ICT Policy and Golden Rules have been amended to reinforce need to reload desktops and will be published on the new intranet. Policies will be reissued to all staff via net consent upon completion of further unrelated updates relating to secure e-mail.	4-Apr-19	51 to 75	
61	DoR	Network Security (ICT)	There should be regular threat monitoring reports produced by Northgate that include potential hacking incidents and virus software activation to contain threats to enable RBC to take preventative action on staff activity if appropriate.	18/19	19-Sep-18		John Barnfield - ICT Technology and Services Manager	External e-mail and web URL scanning, external firewall protection, server anti-virus and desktop anti-virus software is in place and provides continuous automated threat protection. To implement dashboard style Proactive Event Monitoring and Alerting will require investment in additional products. A joint bid for LGA funding is to provide a shared solution is being actively pursued. At the same time the National Cyber Security Centre have acknowledged this is a common gap for local authorities and are investigating the possibility of providing a shared solution. If these avenues turn out to be unproductive a local business case and bid for funding will be progressed.	4-Apr-19	25 or less	



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62	DENS	South Reading Leisure Centre (Income)	a) For compliance purposes, the standards and operational requirements for the booking, payment and monitoring of all income streams should be documented. SRLC should then ensure its procedures are fully complied with by vigilantly monitoring the status of this. This should include: b) All administrative templates should be reviewed annually to ensure these comply with legal and service requirements e.g. booking forms, reconciliations and write off/discount authorisations etc. c) Separations of duties and access controls to Legend between the front of house team and the back office team should be reviewed. d) Check and cross-referencing controls need to be established to evidence the completeness and accuracy of information. This may include a register to confirm the review of all bookings, certification of reconciliations, use of management reports to investigate variances etc. e) Management should provide staff with feedback on the monitoring outcomes.	18/19	01-Nov-18		Ben Stanesby - Leisure & Recreation Manager	a)Processes are documented. b)initial review undertaken, further review of templates is required. c) Separation of duties was introduced immediately prior to the audit. The audit however examined a period prior to changes being made. d) booking review is still to be undertaken, e) is provided on an adhoc basis. March 19 processes implemented	28-Mar-19	Complete	
63	ALL	PCI DSS	Although partly mitigated by the Lloyds Cardnet annual certification, the Council's ICT policies should be reviewed on an annual basis and before Learning and Development update and review its PCI DSS training course.	18/19	7-Nov-18		Andrew Withey - Acting Head of Customer Services & Transformation	Payment Card Industry Data Security Standard (PCI DSS) policy created and enforcement schedule in place ICT policies have been updated and need to be issued. The LWD team has produced the relevant e-learning and relevant staff are required to undertake the training annually (on induction and annual refresher). The responsibility for ensuring staff are compliant and monitoring completion of training now sits with the Accounts Payable Team	2-Apr-19	Complete	
64	DENS	Bus Subsidy Grant 17/18	Corporate Finance in conjunction with Services should ensure the accounts for funds received under the auspice of a grant determination are produced for certification on a timely basis.	18/19	7-Nov-18		Richard Johnson Strategic Business Partner	The Finance team will review all DENS revenue Grant claims within the Grants register and work with relevant individuals within the service to ensure that where they require an audit that the process is monitored closely and managed	28-Mar-19	51 to 75	
65	DENS	Integrated Transport Grant 17/18	Corporate Finance in conjunction with Services should ensure the accounts for funds received under the auspice of a grant determination are produced for certification on a timely basis.	18/19	7-Nov-18		Anna Barefoot [Capital Accountant] & Strategic Business Partner	Initial meetings between finance and service have taken place to discuss IA requirements. Further meetings have been booked for May to review progress. A deadline of 31/07/19 has been agreed with IA for all paperwork to be provided.	20-Mar-19	25 or less	
66	DoR	Use of Hyperion Revenue Budget Setting	Policies, procedures and timetables should be reviewed on a regular basis and updated as necessary to ensure they reflect current processes and timeframes.	18/19	26-Nov-18		Karen Ind, Financial Planning and Analysis Lead	The Budget Report was delivered to the deadlines and Hyperion has been updated to match the 19/20 Budget proposals. There has also been a post-MTFS review with the S151 Officer to agree what improvements are needed for the 2020-21 Budget process and these actions are currently being followed up.	28-Mar-19	Complete	
67	DoR	Use of Hyperion Revenue Budget Setting	Consideration should be given to reviewing access rights and consolidating/clarifying what each role/level can do.	18/19	26-Nov-18		Jenny Bruce, Financial Systems Manager	These processes have been included in the Standard Operating Procedure. Named individuals in the Systems Team and Analyst Team have admin rights to the system and all other users have read-only access as all forms have been locked.	28-Mar-19	Complete	
68	DoR	Use of Hyperion Revenue Budget Setting	Consideration should be given as to whether another individual other than the inputter should review/authorise data uploaded into Hyperion and Fusion to ensure it has been completed correctly.	18/19	26-Nov-18		Jenny Bruce, Financial Systems Manager Karen Ind, Financial Planning & Analysis Lead	The actions identified previously were followed through and Hyperion reconciles to the 19-20 Budget Report: All data forms are locked so that changes can only be made by spreadsheet upload. Spreadsheet data can only be uploaded by named individuals in the Systems Team or the Analyst Team and those individuals reconcile the spreadsheet before upload.	28-Mar-19	Complete	

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69	DoR	Use of Hyperion Revenue Budget Setting	Clear evidence should be retained of what is loaded into Hyperion after the budget has been agreed and that it matches what has been agreed by Policy Committee/Council.	18/19	26-Nov-18		Karen Ind, Financial Planning and Analysis Lead	There is a full audit trail of uploads made to Hyperion and it has been reconciled to 19-20 Budget Report. No changes will be made to Hyperion between the Full Council agreement and 31st March.	28-Mar-19	Complete	
70	DACHS	Continuing Healthcare	It is recommended that the Head of Service works with CCG partners to establish and agree a locally set of documented specifications and standards that detail what the joint arrangements for the procedures and timescales for the application, assessment and recording of CHC cases should be. Once agreed these should be signed off by both parties and all relevant staff advised accordingly.	18/19	27-Nov-18		Jo Purser- Locality Manager	Following the implementation of the revised CHC Framework in October 2018, the Locality Manager will work with the CCG and partners to review the current Berkshire wide joint policy for CHC. Meetings held to progress this, proposed new policy June 2019	20-Mar-19	51 to 75	
71	DACHS	Continuing Healthcare	Ongoing efforts to further research and understand the disparity rates in local CHC funding should be fully and consistently backed by senior management in order that the reasons can be properly understood, and any changes made. Resources to do this may have to be found from existing budgets but the work should have senior officer support and the outcomes should be shared with other parties if necessary. Any system changes made as a consequence should be regularly monitored to establish their future effect.	18/19	27-Nov-18		Jo Purser- Locality Manager	NHS England are responsible for auditing the application of the CHC framework. The Local Authority can refer to NHS England if there are specific concerns around the implementation of the framework locally but not research how the framework is being implemented across other areas. Senior management are focusing on ensuring that applications have robust evidence to support individuals to achieve CHC funding. Whilst we accept that the current level of success in this area remains low there are required actions for Reading to implement before highlighting this with NHS England. There has been an increase in the number of individuals agreed at MDT's and panel for CHC funding, through increased staff knowledge and confidence	20-Mar-19	51 to 75	
72	DENS	Residents Parking	Parking Services should develop a formal policy document that sets out the governance, management and administrative arrangements for maintaining the PermitSmarti and 3Sixty applications.	18/19	5-Dec-18		Elizabeth Robertson – Civil Enforcement Manager, Emma Bengier – Civil Enforcement Supervisor, Halima Khan – Civil Enforcement Supervisor, Pritam Surdhar – Civil Enforcement Supervisor, Gurpreet Vig - Civil Enforcement Supervisor	Draft policy document produced covering governance, management and administrative arrangements for Permit Smarti and 3sixty.	28-Mar-19	76 or more	
73	DENS	Residents Parking	Parking Services should develop a training log to demonstrate, provide oversight of and assurance as to the training undertaken by the users of the PermitSmarti and 3Sixty application.	18/19	5-Dec-18		Elizabeth Robertson – Civil Enforcement Manager, Emma Bengier – Civil Enforcement Supervisor, Halima Khan – Civil Enforcement Supervisor, Pritam Surdhar – Civil Enforcement Supervisor, Gurpreet Vig - Civil Enforcement Supervisor	Training logs updated for each team member demonstrating the use of Permit Smarti and 3sixty systems	28-Mar-19	76 or more	

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74	DENS	Residents Parking	Parking Services should perform periodic identity management reviews of the user accounts for the PermitSmarti and 3Sixty applications and will document that these have occurred and the changes that have occurred as a result.	18/19	5-Dec-18		Elizabeth Robertson – Civil Enforcement Manager, John Evans – NSL Client Account Manager	Review of user accounts completed for 3sixty and permit smarti. These have been documented	28-Mar-19	Complete	
75	DENS	Residents Parking	Parking Services should set out a Separation of Duties (SoD) table for the PermitSmarti and 3Sixty applications demonstrating how users have been assigned permissions in a manner that demonstrates appropriate segregation of duties.	18/19	5-Dec-18		Elizabeth Robertson – Civil Enforcement Manager, Emma Bengel – Civil Enforcement Supervisor, Halima Khan – Civil Enforcement Supervisor, Pritam Surdhar – Civil Enforcement Supervisor, Gurpreet Vig - Civil Enforcement Supervisor	Separation of Duties table for both systems created and users assigned the relevant permissions	28-Mar-19	76 or more	
76	DENS	Residents Parking	Parking Services should, periodically, liaise with the NSL Contract Manager in order to ensure that non-RBC personnel that have system access have received adequate training and meet the requirements of the RBC "ICT Standards Expected of Third Parties Policy." Evidence of this action will be retained.	18/19	5-Dec-18		Elizabeth Robertson – Civil Enforcement Manager, John Evans – NSL Client Account Manager	Reading ICT have provided information on the ICT standards expected of third parties. This has to be discussed with NSL at next monthly meeting in April 2019	28-Mar-19	26 to 50	
77	DENS	Residents Parking	Parking Services should seek guidance from the RBC Corporate ICT Services as to whether Imperial Civil Enforcement Solutions Limited observing ISO 27001 but not being certified is sufficient for meeting RBC requirements. Parking Services should ensure that it advises RBC Corporate ICT Services of the Cyber Essentials certification and membership of CiSC that Imperial has referenced.	18/19	5-Dec-18		Elizabeth Robertson – Civil Enforcement Manager	Reading ICT have advised the following: Reading accepted Northgate working to compliance with ISO27001 but not certified to. Certification is a high cost activity likely to push your costs up significantly.	28-Mar-19	Complete	
78	DENS	Residents Parking	Parking Services should formally define the requirements for the review of user activity, who is to perform the review and with what frequency.	18/19	5-Dec-18		Elizabeth Robertson – Civil Enforcement Manager, Emma Bengel – Civil Enforcement Supervisor, Halima Khan – Civil Enforcement Supervisor, Pritam Surdhar – Civil Enforcement Supervisor, Gurpreet Vig - Civil Enforcement Supervisor	Access settings have been completed and documented	28-Mar-19	Complete	

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79	DENS	Residents Parking	Parking Services should liaise with the NSL Contract Manager to ensure that password access rights are set within the PermitSmarti and 3Sixty applications to meet RBC standards.	18/19	5-Dec-18		Elizabeth Robertson – Civil Enforcement Manager, John Evans – NSL Client Account Manager	3sixty password settings have been updated to comply with RBC requirements. All users for permit smarti have been e-mailed to ensure password complies with RBC standard	28-Mar-19	Complete	
80	DENS	Residents Parking	Parking Services should perform periodic reviews of the physical inventory of permits that it holds and document that it has done so.	18/19	5-Dec-18		Elizabeth Robertson – Civil Enforcement Manager, Pritam Surdhar – Civil Enforcement Supervisor, Gurpreet Vig - Civil Enforcement Supervisor	Inventory of physical permits completed and stock checks updated	28-Mar-19	Complete	
81	CRO	Employee Gifts, Hospitality and Declarations of Interest	It is recommended that the existing guidance for Gifts, Hospitality and Declarations of Interests should be reviewed for consistency, ambiguity and clarity. In particular a single Gifts and Hospitality Policy introduced which is linked to any further detailed advice and standards that employees must adhere to, such as the Code of Conduct. The policy should include examples of Gifts and Hospitality that can be accepted or rejected, as before, as well as guidance about how to treat such offers, how offers should be recorded, when and who to send the information to and who to contact for further advice.	18/19	18-Dec-18		Chris Brooks, Head of Legal and Democratic Services Shella Smith, Head of HR and Organisational Development	Agreed that the policy will be presented to Corporate Management Team for approval by 7 April 2019	28-Mar-19	25 or less	
82	CRO	Employee Gifts, Hospitality and Declarations of Interest	To fully demonstrate commitment to the Nolan Principles it is recommended that an annual declaration of returns is completed by all staff members for individual Gifts, Hospitality or new Declarations of Interest forms. Furthermore, as per CMT's mandate in November 2017, it should be determined whether specific service areas should be targeted to ensure full and complete declarations are completed regularly. The Head of HR and Organisational Development will need how best to achieve this i.e. by using NetConsent or potentially via iTrent.	18/19	18-Dec-18		Chris Brooks, Head of Legal and Democratic Services Shella Smith, Head of HR and Organisational Development	We believe that an annual reminder should be sent to employees to confirm that they should be aware of the policy and that declarations should be made in accordance with it. This should relate to offers of gifts and hospitality that are both accepted and declined and all declarations of interest. Prior to the implementation of an automated system, we will explore alternative means for achieving this requirement. Using iTrent for this purpose can be explored after phase 1 and 2 of the project to improve its functionality has been completed. This is likely to be early in 2020.	28-Mar-19	25 or less	
83	CRO	Employee Gifts, Hospitality and Declarations of Interest	Management should ensure that a suitable retention period is defined within the Council's Retention Schedules for the holding of registers for Gifts, Hospitality and Declarations of Interest and their corresponding forms.	18/19	18-Dec-18		Chris Brooks, Head of Legal and Democratic Services	This will be retained for the financial year of receipt plus 6 years afterwards by way of the Limitation Act 1980.. This has been added to the Retention Schedule	4-Apr-19	Complete	
84	CRO	Employee Gifts, Hospitality and Declarations of Interest	It is recommended that Declarations of Interest forms should be reviewed by a senior officer (potentially by a Director, the Head of HR or the Monitoring Officer) in order to ensure potential conflicts of interest are known and risk assessed and should particularly apply when identifying potential conflicts of interest prior to new contracts works / projects commissioned.	18/19	18-Dec-18		Chris Brooks, Head of Legal and Democratic Services Shella Smith, Head of HR and Organisational Development	Completed - forms are reviewed by a senior Officer	28-Mar-19	Complete	



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# Agenda Item 6

## READING BOROUGH COUNCIL

### DIRECTOR OF RESOURCES

<b>TO:</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b>		
<b>DATE:</b>	<b>16 APRIL 2019</b>		
<b>TITLE:</b>	<b>UPDATE ON 2016/17 AND 2017/18 ACCOUNTS</b>		
<b>LEAD COUNCILLOR:</b>	<b>COUNCILLOR BROCK</b>	<b>PORTFOLIO:</b>	<b>CORPORATE AND CONSUMER SERVICES</b>
<b>SERVICE:</b>	<b>FINANCE</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
<b>LEAD OFFICER:</b>	<b>MATTHEW DAVIS</b>	<b>TEL:</b>	
<b>JOB TITLE:</b>	<b>HEAD OF FINANCE</b>	<b>E-MAIL:</b>	<b>Matthew.Davis@reading.gov.uk</b>

#### 1. EXECUTIVE SUMMARY

- 1.1 Regular reports have been received by the Committee providing updates on progress with completing the 2016/17 audit. This report updates the Committee on progress since its last meeting in January 2019.
- 1.2 Revised accounts containing new valuations were submitted to the External Auditors (EY) in the first week of March. This was later than anticipated due to further issues with property valuations, in particular with the accounting treatment of historic Council Dwellings valuations.
- 1.3 EY have been progressing their audit checks and queries are being dealt with and resolved as quickly as possible.
- 1.4 Whilst significant work has been undertaken to provide suitable evidence to our external auditors so that they can form an opinion on the 2016/17 accounts, it has not been possible to retrospectively provide sufficient evidence to fully prove the debtor and creditor balances carried forward at the end of March 2017. As a consequence, EY have advised that the accounts will be qualified for both these balances (and the Comprehensive Income & Expenditure Statement will correspondingly also be qualified as a result of these). Specific additional work has been undertaken by staff to fully verify the closing 2017/18 debtor and creditor balances to ensure as far as possible this qualification does not continue into 2018/19.
- 1.5 Officers have continued to apply the learning from the 2016/17 process to the completion of the 2017/18 accounts. The accounts for 2017/18 will be

handed to EY as soon as is practical once the 2016/17 accounts are finalised.

- 1.6 The auditors have advised that due to their commitments to other clients they will be unable to complete the audit of the 17/18 accounts until later in the year. It has therefore been agreed that the 2017/18 and 2018/19 audits will be run concurrently in the late summer.

## **2. RECOMMENDED ACTION**

- 2.1 To note the progress made by the External Auditor and officers in finalising the 2016/17 accounts.
- 2.2 To note the expected qualifications to the accounts for 2016/17
- 2.3 To confirm the delegation of authority to the Chair of the Committee to sign the final version of 2016/17 accounts, following consultation with the S151 Officer.
- 2.4 To note the progress made in closing the 2017/18 accounts.

## **3. BACKGROUND AND PROCESS**

- 3.1 The External Auditors (EY) recommenced the audit in August and the audit is ongoing.
- 3.2 At the January meeting of this Committee it was anticipated that revised accounts would be submitted for audit in late January, however there was a further delay due to ongoing discussions with EY about the valuation of the dwellings (Council Houses). This has resulted in further work being required, revisiting the valuations for every year back to the 2007/08 accounts.
- 3.3 A revised set of accounts was prepared, but could not be finalised until the recalculation of the valuation of the dwellings was completed. Once the recalculation was completed, a revised set of accounts was submitted to EY in the first week of March.
- 3.4 Work has intensified since the revised accounts were submitted; they contained a number of amendments to the previous version that changed the prior year figures as well as the 2016/17 year. These included: -
- Revised property valuations;
  - Revised valuation figures for the Council Dwellings;
  - Agreed amendments to the treatment of the PFI schemes;
  - The impact of a review of Infrastructure Assets;



- Clear disclosure of the reclassification of Investment Properties (previously included, but not disclosed as a Prior Year Adjustment); and
- Reclassification of properties incorrectly shown as held for sale.

3.5 EY are nearing completion of their audit of the 2016/17 accounts and have had their work and overall opinion reviewed by their own internal review panel. EY have already indicated that they will qualify the 2016/17 accounts. The qualifications are on the grounds of uncertainty with the Creditor and Debtor figures. This will also lead to a qualification of the Income and Expenditure figures on the same grounds, as they are intrinsically linked to the Creditor and Debtor figures.

3.6 EYs Associate Partner, Maria Grindley, has confirmed that her draft opinion has been subject to review by EY's Professional Standards Panel and feedback on that review will be provided to the Committee by EY.

3.7 The final accounts will need to be formally signed by the Chair of the Audit and Governance Committee, but as there may still be some final changes required following the completion of the auditors review, the accounts cannot be signed at this meeting. It is therefore recommended that the Committee re-confirm their previous delegation of authority to sign the final version of the accounts to the Chair of the Committee in consultation with the Council's S151 Officer.

3.8 EY presented a draft version of their "Audit Results Report" to the Committee at their January meeting. It is expected that a finalised version of this report will be available at the conclusion of the audit.

3.9 Until the 2016/17 Accounts have been signed off by EY it is not possible to finalise the 2017/18 accounts, however work is underway to finalise these accounts over the next two to three weeks.

3.10 Work is also underway to close the 2018/19 accounts

#### **4. EQUALITY IMPACT ASSESSMENT**

4.1 Not applicable.

#### **5. LEGAL IMPLICATIONS**

5.1 Part Five of the Accounts and Audit Regulations 2015 requires authorities to allow the public to inspect the accounts for a single period of 30 working days and stipulates that must include the first 10 working days of June of the financial year immediately following financial year. The Council were unable to comply with this requirement in respect of the 2017/18 Accounts as they were not ready for inspection.

5.2 As soon as the 2017/18 accounts are ready, the Council will publish a formal notice on the website and open the accounts for the 30 working day inspection period.

## **6. FINANCIAL IMPLICATIONS**

6.1 The indicative audit fee notified by EY in April 2016 for the 2016/17 audit was £108,938. This fee was in line with the scale fee set by Public Sector Audit Appointments Ltd. Due to the additional work that EY have undertaken on the audit over the last year, they have advised that the final fee is likely to be at least £300,000 more than the indicative fee.

6.2 The additional valuation work commissioned required to enable the completion of the 2016/17 and 2017/18 accounts has cost £139,000.