


To: Councillor Stevens (Chairman)
Councillors Davies, Edwards, Emberson,
Gittings, McKenna, Warman and J Williams

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NOTICE OF MEETING - AUDIT AND GOVERNANCE COMMITTEE 19 SEPTEMBER 2019

A meeting of the Audit and Governance Committee will be held on Thursday, 19 September 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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1. DECLARATIONS OF INTEREST		
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This report provides an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report.		
5. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER	BOROUGH WIDE	57 - 74
This report sets out a summary of those high and medium risk Internal Audit recommendations which remain outstanding together with an updated management response.		
6. TREASURY MANAGEMENT HALF YEARLY REPORT	BOROUGH WIDE	75 - 86

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The purpose of this report is to update the Committee on the activity of the Treasury Management function for 2019/20 as at the end of August 2019.

7. CLOSURE OF ACCOUNTS UPDATE

**BOROUGH 87 - 90
WIDE**

This report updates the Committee on progress with the completion of the Council's Accounts for 2017/18 and 2018/19.

8. EXTERNAL AUDITOR UPDATE

To receive a verbal update from the Council's external auditor EY.

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Present: Councillors Stevens (Chairman), Davies, Emberson, Gittings, McKenna & J Williams.

Apologies: Councillors Edwards and Warman;

In attendance: Councillor Brock (Leader of the Council).

1. DECLARATIONS OF INTEREST

Councillor Gittings declared a non-pecuniary personal interest in Agenda item 4/Minute 4, 'Audit Arrangements for Brighter Futures for Children'.

2. MINUTES

The Minutes of the meeting of 16 April 2019 were confirmed as a correct record and signed by the Chair.

3. QUESTIONS

Questions on the following matters were submitted, in accordance with Standing Order 36(2):

	Questioner	Subject	Answer
1.	Colin Lee	Accounts 2016/17	Cllr Stevens
2.	Colin Lee	Accuracy of Statutory Accounts	Cllr Stevens
3.	Colin Lee	Revisions to 2016/17 Accounts	Cllr Stevens
4.	Peter Burt	Public Access to Information	Cllr Stevens
5.	Peter Burt	Chief Auditor's Review of FOI Procedures	Cllr Stevens
6.	Cllr J Williams	Previous Auditors, KPMG	Cllr Stevens

(The full text of the questions and replies was made available on the Reading Borough Council website).

4. AUDIT ARRANGEMENTS FOR BRIGHTER FUTURES FOR CHILDREN

Further to Minute 32 of the previous meeting, Kate Graefe, Assistant Director of Procurements and Contracts, submitted a report setting out the audit arrangements for Brighter Futures for Children (BFfC), providing assurance that children and education service related risks that had previously been reported to the Committee were now being appropriately monitored and acted upon by the Company.

The report explained that BFfC operated an audit regime that was similar to the Council's, with the BFfC Audit & Risk (A&R) Committee being a key component in the Company's Corporate Governance arrangements. The A&R Committee met quarterly to review and discuss the effectiveness of the Company's internal control, governance and risk management arrangements. The A&R Committee was composed of two BFfC non-executive directors, one of whom chaired the meeting, the Director of Finance & Resources and the Managing Director. As part of Company's assurance

AUDIT AND GOVERNANCE COMMITTEE MINUTES - 23 JULY 2019

process the A&R Committee reported on its activity to the Company Board, which would include an annual report. The Council's Internal Audit Team provided the internal audit service to the Company under a Service Level Agreement, details of which were set out in the report.

Paul Harrington, Chief Auditor, advised the Committee that the A&R Committee had now appointed a third non-executive director member. The Committee commented that BFfC may wish to review the appointments of the Director of Finance & Resources and the Managing Director to the A&R Committee, as their positions in the Company may present a conflict of interest when carrying out the role of the A&R Committee. Similarly, the Council had reviewed the membership of the Audit & Governance Committee and no longer appointed the Leader and Deputy Leader.

Resolved: That Brighter Futures for Children's Internal Audit arrangements and governance in place to ensure that children and education service related risks were appropriately monitored and acted upon by the Company be noted.

(Councillor Gittings declared a non-pecuniary personal interest in this item).

5. INTERNAL AUDIT ANNUAL ASSURANCE REPORT

Paul Harrington, Chief Auditor, submitted a report setting out at Appendix 1 the Internal Audit Annual Assurance Report of the Chief Auditor, as required by the Accounts and Audit regulations and the Public Sector Internal Audit Standards. The report gave the Chief Auditor's opinion on the overall adequacy and effectiveness of the organisation's governance arrangements, risk management and internal control environment, drawing attention to any issues particularly relevant to the preparation of the Annual Governance Statement. It also set out key themes arising from the work of the Audit Team during the 2018/2019 financial year, and compared the audit work undertaken with that planned, summarising the performance of the Internal Audit function against its performance measures and targets.

The report explained that, on the basis of work completed during the course of the year, the Chief Auditor had concluded that whilst no assurance could never be absolute, reasonable assurance could now be placed on the adequacy and effectiveness of the Council's internal control framework within those areas audited in 2018/19. The Assurance Report noted in section 4, that some key areas for improvement had been identified within some of the Council's systems. In these cases, it had only been possible to give limited assurance. The Chief Auditor emphasised that, whilst improvements had been made and the direction of travel was positive, there was still considerable work to be done.

The Committee noted the key performance indicators (KPIs) for internal audit, which were set out at paragraph 7.2.2 of the Assurance Report and included a target for management responses to audit reports to be received within three weeks. The KPIs expected this to be met on 90% of occasions but in 2018/19 it had only been achieved 30% of the time. It was proposed that a list should be kept of the services that missed the three week target for a response to ensure that the information was available for the Committee to review if there was no improvement in performance.

Resolved:

- (1) That the assurance opinion given by the Chief Auditor be noted;
- (2) That a record be kept by the Chief Auditor of the services that had not met the Key Performance Indicator to respond within three weeks of issue of a draft audit report.

6. 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 April 2019.

The report set out a summary of the audit reports in respect of Payroll; Non Domestic Rates; Section 106 (follow-up); Corporate Buildings Health & Safety Statutory Compliance Regimes; and Journal Testing.

The report also listed the audits that were currently in progress, or were planned for 2019/20, and gave a summary of investigations work between April and June 2019.

Resolved: That the report be noted.

7. STRATEGIC RISK REGISTER 2018/19 Q1

Paul Harrington, Chief Auditor, submitted a report presenting the updated Corporate Strategic Risk Register, which was attached to the report at Appendix 1. The Register was presented to the Committee at least once every six months and included an assessment of the risk appetite for each individual risk, which gave an indication of the level of risk that the Council was willing to accept to meet its long-term objectives. In order to focus attention on the areas of greatest risk, it was recommended that the Register should only include the key current risks that had not been mitigated to an acceptable risk appetite level.

The report stated that, although guidance was provided in relation to the scoring of risks, with a view to providing as much consistency as possible, it still remained very much a subjective process. The primary aim of the Strategic Risk Register was to identify those key vulnerabilities that the Corporate Management Team (CMT) considered should be closely monitored. The Committee discussed the relative merits of including the Climate Emergency as a key strategic risk and whether the extensive mitigation work to reduce the risk of injury and death in the Council's residential accommodation should be reflected in a lowering of the RAG score for this risk. In order to keep these issues under review, CMT would continue to consider regular reports on the Strategic Risk Register and discuss the most appropriate risks to monitor through this process.

Resolved: That the report be noted.

8. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER

Further to Minute 32 of the meeting held on 16 April 2019, Jackie Yates, Executive 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, 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 87 high and medium risk recommendations from Internal Audit, of which 37 (43%) were currently green, 29 (33%) were amber and 21 (24%) were red. Sixteen recommendations had now been completed and would be removed from the next report. The 'red' rated risks had increased from 16 to 21 since the last report, mainly as a result of action to address 28 'new' audit recommendations, which were not yet due for completion.

The Committee requested an update on recommendation 38, 'Section 106', to determine the reason there had not been a report from the Finance Service to enable reconciliation between Finance and Planning records since January 2019.

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.

9. FINAL ACCOUNTS UPDATE

Further to Minute 33 of the meeting held on 16 April 2019, Matt Davis, Assistant Director of Finance, submitted a report providing an update on progress with the completion of the Council's Final Accounts for 2016/17, 2017/18 and 2018/19. The Committee was advised that the 2016/17 Accounts had now been signed off and published on the Council's website. The draft 2017/18 Accounts were in the final stages of being completed and would shortly be handed over to the Council's external auditors. It was anticipated that the formal period of public inspection would begin in the week beginning 29 July 2019. Once the 2017/18 Accounts had been completed, officers would turn their attention to the 2018/19 Accounts. At this stage, it was anticipated the draft 2018/19 Accounts would be presented to EY in time to commence the public inspection by early September 2019.

Resolved:

- (1) That the 2016/17 accounts had now been signed off by the Council's external auditors be noted;**
- (2) That the expectation that the accounts for 2017/18 would be available for the statutory 30-day public inspection period in the week beginning 29 July 2019 be noted;**
- (3) That the progress being made towards closing the 2018/19 accounts be noted.**

10. EXTERNAL AUDITOR UPDATE

Adrian Balmer, EY, presented the Audit Results report on the 2016/17 accounts. The External Auditor's opinion was that the financial statements:

- gave a true and fair view of the financial position of Reading Borough Council and Group as at 31 March 2017 and of its expenditure and income for the year then ended, except for the following areas: short-term creditors; short-term debtors; comprehensive income and expenditure statement; and IAS 19 scheme assets; and
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

The report explained that EY's opinion was qualified because of a number of significant control deficiencies which included: no journal controls; no control account or bank and cash reconciliations; and no clear control over the year-end financial closedown processes. In addition, EY had not been able to obtain sufficient appropriate compensating audit evidence in relation to the following areas: short-term creditors; short-term debtors; IAS 19 scheme assets and the following lines that made up the cost of services' part of the comprehensive income and expenditure statement: Adult Care and Health Services; Corporate Support Services; Children, Education and Early Help Services; Environment and Neighbourhood Services and Housing Revenue Account. Given the material uncertainty in these areas and the fact that EY had been unable to obtain the required level of assurance, EY could not form an opinion on the material correctness of these accounts.

Resolved: That the position be noted.

(The meeting commenced at 6.30pm and closed at 8.40pm).

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READING BOROUGH COUNCIL

AUDIT & GOVERNANCE COMMITTEE

19 SEPTEMBER 2019

QUESTION NO. 1

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

Internal Audit Investigations

How do the internal auditors decide on which areas of Reading Borough Council's finances and practices they scrutinise, examine and audit over a financial year, indicating how the process is initiated and progressed i.e.

- 1) Who is able to instruct them to consider an investigation;
- 2) The process used to determine whether an investigation will be undertaken, and
- 3) The officers or Councillors who are as a matter of course informed and kept apprised of the examination?

REPLY by Councillor Stevens (Chair of the Audit & Governance Committee):

In accordance with the Public Sector Internal Audit Standards, a risk-based approach to audit planning is followed. Although there is no statutory maximum or minimum internal audit exposure, the annual audit plan needs to have appropriate coverage, to enable the Chief Auditor to provide his Annual Assurance opinion at the end of the financial year.

The internal audit team cannot audit all of the Council's risks and therefore each potential auditable activity is risk assessed and prioritised, whilst giving due consideration to available resources and the skills of the team.

The information which is used to prepare the risk assessment and proposed internal audit plan is collected from a number of different sources, including committee reports, risk registers etc. Executive Directors and their management teams are also consulted on areas to be included in the audit plan, along with key finance staff and statutory officers. The objective of this exercise is to gain an understanding of the Council's objectives and risks. This information is then used to inform and design the audit plan.

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

The Council's Audit and Governance Committee is required to approve and monitor progress of the audit plan, with outcomes of internal audit reviews and investigations reported to the Committee throughout the year. The plan is shared with Senior Managers so they are aware of reviews which will be undertaken in their areas.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion on the framework of internal control, risk management and governance in operation and to stimulate improvement. Any key (serious) issues arising during the course of the audit will be promptly brought to management's attention to enable appropriate remedial action to be taken prior to being formally published in the audit report. As already mentioned, a summary of all audits completed is reported to the Audit & Governance Committee and for those audits assigned a negative assurance opinion the full audit report is disclosed. Additionally, all reports are circulated to the relevant Service Manager, Assistant Director and Director.

Any Senior Manager or Councillor can request a review on investigations. Equally, reviews may arise from whistle blowing activity. Any request for additional audits or investigations is assessed by the Chief Auditor in consultation with the Executive Director of Resources. The decision on whether or not to proceed will very much depend on the nature of the request or allegation, available resources and current workload.

The Chief Auditor keeps the Executive Director of Resources, as the Council's statutory section 151 officer, apprised of progress with the plan and issues arising.

READING BOROUGH COUNCIL

AUDIT & GOVERNANCE COMMITTEE

19 SEPTEMBER 2019

QUESTION NO. 2

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

2016/17 Accounts

I am led to believe that the issues with RBC's 2016/17 accounts had not been identified previously; can I please have an explanation as to why the issues were not identified and resolved before external auditing if there is sound internal auditing, investigation and scrutiny?

REPLY by Councillor Stevens (Chair of the Audit & Governance Committee):

The roles of internal and external audit are different. Internal auditors generally examine issues related to internal controls, governance and risk, while external auditors examine the financial records and issue an opinion regarding the financial statements of the Council.

As reported to the committee, significant work has been undertaken by officers and external audit to enable the sign off of the 2016/17 accounts.

EY found that some of the basic financial controls were not working as expected during 2015/16 and 2016/2017, for example, the regular completion of reconciliations and bank reconciliations not being kept up-to-date.

These control weaknesses were also flagged to the Audit & Governance Committee by the Council's internal auditors, culminating in the Chief Auditors limited assurance opinion for 2016/2017. In his annual report for 2016/2017, the Chief Auditor reported that compliance with core systems controls had deteriorated, the journals were not under proper control and supervision and reconciliations were an area of concern.

The responsibility for addressing recommendations sits with management not Internal Audit. Due to concerns regarding the low levels of implementation of agreed audit recommendations, the Executive Director of Resources implemented a reporting tool in July 2018 to update the Committee on the current outstanding audit recommendations, together with their latest agreed implementation date and an update from the responsible officer on progress towards the implementation of agreed recommendations and actions. Where there is a lack of progress with implementation, the Assistant Director and responsible officer are asked to attend a meeting of this Committee to explain the difficulties with implementation and the steps they are taking to address them.

A new finance structure was also put in place early 2018 to increase resilience and capability. This has not only increased capacity, but has also provided some much needed resilience within the Finance Service.

Internal Audit have subsequently reported to this Committee, improvements with recommendations and journal processing and the Chief Internal Auditor's Annual assurance opinion for 2018/2019, as previously reported to this committee, has improved.

READING BOROUGH COUNCIL

AUDIT & GOVERNANCE COMMITTEE

19 SEPTEMBER 2019

QUESTION NO. 3

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

Audit of Partner Enterprises

May I have an overview of the authority of Internal Audit to conduct an evaluation of partner enterprises such as Reading Transport Limited, PFI schemes, Housing Associations and if there is no right in practice and in contract for such investigations what guarantees does the Council hold that such companies are working and delivering 1) in the best interest of the people of Reading, 2) best practice and 3) are delivering value for money?

REPLY by Councillor Stevens (Chair of the Audit & Governance Committee):

The internal audit service has no authority to undertake audits of partners; Council owned companies or contractors, unless provision is made in the relevant contract or service agreement. For example, Brighter Futures for Children, a wholly owned subsidiary Company of the Council, 'buys back' the internal audit service. However, the reporting and assurance is provided to the Company Board not to the Council.

Reading Transport Limited is another wholly owned company and has its own appointed Auditors. Housing Associations are independent organisations and are invariably registered Charities which are subject to scrutiny from the Charity Commission and their own Auditors.

The Council PFIs schemes for Housing and Waste Disposal have been examined by internal audit in the past, with the focus on reviewing governance, contract management and payment mechanisms.

The Council ensures that partnering organisations are delivering value for money and are working in the best interests of the people of Reading through regular performance and financial monitoring to the Council, as Shareholder and through contract management arrangements.

READING BOROUGH COUNCIL
REPORT BY EXECUTIVE DIRECTOR OF RESOURCES

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	19 September 2019		
TITLE:	INTERNAL AUDIT QUARTERLY PROGRESS REPORT		
LEAD COUNCILLOR:	COUNCILLOR EMBERSON	PORTFOLIO:	CORPORATE AND CONSUMER SERVICES
SERVICE:	AUDIT & INVESTIGATIONS	WARDS:	N/A
LEAD OFFICER:	PAUL HARRINGTON	TEL:	9372695
JOB TITLE:	CHIEF AUDITOR	E-MAIL:	Paul.Harrington@reading.gov.uk

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 July 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 documents are appended:

Appendix 1 - Freedom of Information Internal Audit Report

Appendix 2 - Cash payment processes (Cedar Court)

2. RECOMMENDATION

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

3. ASSURANCE FRAMEWORK

3.1 Each Internal Audit report provides a clear audit assurance opinion. The opinion provides an 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 work undertaken in relation to the terms of reference agreed at the start of the audit; it is not a statement of fact. 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. Follow up work is undertaken on audits providing **limited** or '**no**' assurance to ensure that agreed recommendations have been implemented in a timely manner.

4.0 HIGH LEVEL SUMMARY OF AUDIT FINDINGS

	Recs			Assurance	
4.1	Freedom of Information	3	3	1	Limited

- 4.1.1 The purpose of the audit was to provide assurance that the Council's processes for administering and responding to Freedom of Information (FOI) requests were effective and fit for purpose.
- 4.1.2 A framework is in place to identify and log requests received, however in the 2018 calendar year only 73.8% of FOI requests were met within the 20 day timeline, compared to the Information Commissioners Office (ICO) expectation that at least 90% of requests are dealt with on time. The number of requests received during the period was just short of one and a half thousand, which is an increase of 9% on the previous calendar year.
- 4.1.3 Although procedural guidance is available for staff to follow, it has not been proactively publicised and training has not been made available for a number of years. As a consequence officers may be unaware of their responsibilities and do not either properly understand or fully appreciate the legal obligations on the Council in respect of FOI's. We also found anecdotal evidence that staff assigned to respond to FOI requests do not always view FOI requests as a priority and are minded to avoid dealing with them within required timescales.
- 4.1.4 Officers who administer FOI requests both in Legal and the Customer Relations Teams work diligently to allocate responses to the appropriate officer and do their utmost to facilitate responses from a multitude of services. However, this has led to different approaches and an element of double handling.
- 4.1.5 Three email addresses and an on-line web reporting facility on the Council's website offer the public alternative routes for making requests. Whilst the on-line web reporting facility is a positive measure, a technical error with the online form between March and May 2019 meant that twelve FOI's were initially missed during this period.
- 4.1.6 Reporting on FOI statistics has been absent; with no performance related statistics being reported to Directorate Management Team's (DMT), the Corporate Management Team (CMT) and/or public committees for scrutiny. We were informed that monthly reports on outstanding FOI's were produced for CMT, prior to July 2017, but ceased at the request of CMT. This has since been reinstated in July 2019.
- 4.1.7 There are no consistent escalation processes, to ensure information is responded to promptly and no formal reports or reporting mechanism to drive performance and ensure responsibilities are discharged.

4.1.8 We found no clear mechanism to ensure that the Publication Scheme is kept under review to enable as much information as possible to be accessed from the Council’s website. This is compounded by the website’s current layout obscuring information that could/should be easily accessible.

4.1.9 We concluded that there is a need for better tracking and reminders to staff of approaching deadlines, closer monitoring of performance and proactive publication of information known to attract frequent requests.

		Recs			Assurance
4.2	Eligibility, Risk & Review Group	0	2	2	Reasonable

4.2.1 The Eligibility and Risk Group oversees the level and complexity of cases being worked on within the service to ensure that there is consistency of approach for all people who require services and that eligibility is tested within the Care Act (2014) framework.

4.2.2 We were of the opinion that the Eligibility, Risk and Review Group (ERRG) provides a robust challenge process in the consideration of cases presented to it, which was evidenced when observing one of its meetings. The Group members challenged requests and reviewed available information at length and from a variety of perspectives.

4.2.3 Mosaic¹ is used by the ERRG to scrutinise evidence and to seek further case information where necessary. However record keeping could be improved, as testing of Mosaic records identified some gaps in evidence necessary to confirm the recording of decisions made by the Group. Whilst the Group generally takes a robust and considered approach to the decisions it makes (in keeping with its terms of reference) it has not always maintained a strong audit trail to reflect this. For example, whilst reviewing the “Group Decision” field within Mosaic considerable variation was found in the detail recorded. A substantial number of cases within our sample tested, recorded only that a decision had been agreed and did not fully reflect the robust nature of discussion that occurs at the Group.

4.2.4 The constitution of the Group was found to contain an appropriate mix of skills and expertise to support the decision making process. The members of the Group were observed to work well in their review of cases and consideration of the evidence available to them.

¹ Adult social care information management system
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		Recs			Assurance
4.3	Crematorium and Cemeteries	0	1	3	Substantial

- 4.3.1 The aim of the audit was to provide assurance that remains are disposed of legally and safely, income is being received and recorded, expenditure is adequately controlled and service demand is monitored.
- 4.3.2 The RBC Bereavement Service is a member of the Institute of Cemetery and Crematorium Management (ICCM) and follows its policies and best practice guidance. Policies and procedures document the main administrative duties and processes relating to the interment and cremation stages that comply with the Code of Cremation practice, Health and Safety legislation and best practise as set out by the ICCM. The service's own internal policies and procedures were last updated in 2017, but should have been reviewed more recently according to the review target date established.
- 4.3.3 The Institute sets the standards of service for the industry, which is achieved by the development and implementation of the Charter for the Bereaved. In order to become a member of the Charter, the Service must show that it is able to satisfy basic Charter rights connected with funerals. The Charter also contains objectives and targets that help Authorities set priorities for future development and improvement. In its latest assessment the Service achieved the 'Gold' standard.
- 4.3.4 There are robust controls in place from the start of an application to the disposal of the ashes or burial stage which is all recorded on Epilog², with quality checks being carried to ensure the accurate recording of information and payment of fees. Financial procedures are well documented in the Banking Procedure Policy for cash and cheques. All card payments are taken through Civica³ and reconciled on a weekly basis with all income received.
- 4.3.5 Safety procedures are well documented and all memorials are checked every five years in line with the ICCM guidance.
- 4.3.6 In the event of peak or unusual demand, there are contingency arrangements in place with local funeral directors and neighbouring Councils. Additionally three staff members from the grounds and admin team are also trained as Cremation Technicians in case of staff absences or in the event of peak demand.

² Computerised administration systems for the cremations and burials industry

³ Cash receipting system

		Recs			Assurance
4.4	Cash payment processes (Cedar Court)	2	0	1	No Assurance

- 4.4.1 Cedar Court is a new extra care housing facility sited on the Basingstoke Road for purpose of providing high quality accommodation and wider facilities for older people living in the local area. The 40-unit scheme comprises 27 one-bedroom flats and 13 two-bedroom flats, all for social rent. The scheme is jointly funded by the Homes and Communities Agency (HCA) and Reading Borough Council.
- 4.4.2 Following a request from the Assistant Director of Housing & Communities, a visit was made to Cedar Court to carry out an audit of the booking and payment controls for the guest room and amenity shop facilities due to concerns over the lack of accounting records.
- 4.4.3 Administrative and monitoring controls for operating and accounting for the guest room, petty cash and shop activities at Cedar Court were non-existent. We found no controls in place to securely account and confirm guest room occupancies to ensure lettings are fully identified and paid for. VAT was also found not to have been treated correctly.
- 4.4.4 Although no evidence was found to confirm any misappropriation, we are unable to account for approximately £7,000 of funds, due to the absence of supporting records (e.g. Invoices and receipts etc.)
- 4.4.5 Following the review, the Assistant Director has immediately stopped all petty cash expenditure and the use of the guest rooms and amenity shop, and the Accountant for the service will make the necessary accountancy adjustments and VAT disclosure.

4.5 Journal Testing

4.5.1 As part of our ongoing review of Journals, we've undertaken some sample testing of both manual and spreadsheet journals processed in Q1 of the 2019/2020 financial year. Manual journals occur once or infrequently, such as journals to correct errors, to reclassify account balances and/or to accrue balances for unusual transactions. This method requires the most time and is open to errors from human intervention. Spreadsheets are used for entering batch and/or multiple journals. The sample sizes of both manual and spreadsheet journals are shown in the following tables, but it should be noted that journals can consist of a considerable number lines.

Manual Journals in Q1	Total No.	No tested	% Tested
No. Journals	4	2	50%
Journal Lines	64	27	42%
Sum of Journals	£894,485	£882,780	99%

Spreadsheet Journals in Q1	Total No.	No tested	% Tested
No. Journals	120	10	8%
Journal Lines	10678	1103	10%
Sum of Journals	£40,810,110	£687,902	1.68%

4.5.2 All journals examined were appropriately authorised, with an appropriate separation of duties between creation and authorisation. There was one instance where documentation to support a manual journal could not be found, hence we have requested that the evidence to support this particular journal is appropriately filled.

5.0 AUDIT REVIEWS 2019/2020

5.1.1 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 reviews carried over from 2018/2019

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Section 106 Agreements (follow up)	●				Mar-19	Apr-19	May-19	0	0	0	Reasonable
Business Rates	●				Feb-19	Apr-19	May-19	0	0	5	Substantial
Payroll	●				Feb-19	Jun-19	Jun-19	1	1	2	Reasonable
Corporate Buildings H&S Statutory Compliance Regimes	●				Feb-19	May-19	Jul-19	0	6	6	Reasonable

Audit reviews scheduled for 2019/2020

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Car Parks (off street)	●				Postponed due to pending service review						
VAT*	●				Jun-19	Aug-18		0	6	0	Limited
Eligibility, Risk and Review Group	●				Jun-19	Aug-18	Aug-18	0	2	2	Reasonable
Parks*	●				Jun-19	Aug-19		0	2	2	Reasonable
General Ledger (journal testing Debtors/Creditors)*	●				Apr-19	Jun-19	Jun-19	0	0	0	n/a
Food Hygiene Inspections	●				May-19	Sep-19					
Cemeteries & Crematorium	●				May-19	Jun-19		0	1	3	Substantial
Pre-employment verification (DBS)	●				Jun-19						
Freedom of Information*	●				Jun-19	Jul-19	Aug-19	2	3	4	Limited
Client Contributions (Adult Care)	●				May-19	Aug-19		1	1	4	Limited
Cedar Court*	●				Jul-19	Aug-19	Aug-19	2	0	1	No Assurance

*added following in year request

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Rent Accounting		●									
BFFC Fusion Cost Centre Analysis		●			Sep-19						
Cash collection - web payments		●			Sep-19						
Secure communications		●			Sep-19						
Purchasing cards		●			Sep-19						
Travel and Subsistence (inc mileage)		●									
Learning & Development and Mental Health Placements		●			Sep-19						
Local Transport Plan Capital Settlement (Grant Certification)		●			Sep-19						
Bus Subsidy Grant		●			Sep-19						
General Ledger (Journal Testing)		●			Aug-19	Sep-19	Sep-19	0	0	0	Substantial
Contract Management		●			Sep-19						
Residents Parking (follow up)			●								
Bank & Cash Rec inc control account reconciliations			●								
Accounts Payable			●								
Reading Buses			●								
Payment Controls in Children's Social Work			●								
Investment Properties			●								
Continuing Health Care (CHC)- Follow up review			●								
Additional Payments (Follow Up)			●								
Delayed Transfer of Care - Follow up review				●							
CT Support				●							
Data Storage (follow up)				●							
Sundry Debtors				●							
Business Rates				●							
Client Contributions Adult Care & Deferred Income				●							
Commissioning & Contract Management (Adults)				●							
General Ledger (Journal Testing)				●							
Commercialisation				●							

6.1 Housing Benefit and Council Tax Support Investigations

6.1.1 The team have been developing a joint working process for benefit related investigations with central Government investigators at the Department for Work and Pensions (DWP). The process went live in May 2019. To date five joint investigations are in progress, all related to potential Council Tax fraud. No outcomes in the area have been recorded to date.

6.2 Single Person Discount

6.2.1 Following a second data matching exercise, matching over 22,000 address records against tracing and occupier databases, investigations officers are working with Council Tax to review the matches. To date approximately £50,000 has been identified for CTAX recovery.

6.3 Housing Tenancy Investigations

6.3.1 Since 1st April 2019 there has been 29 cases of alleged tenancy fraud investigated, 16 cases are still ongoing. Three properties have been returned to stock to date. The notional saving is £279,000 adopting the notional savings multiplier used by the Cabinet Office in their National Fraud Initiative report.

6.4 Right To Buy (RTB)

6.4.1 Since 1 April 2019 the team have been asked to check 23 RTB applications and as a result of investigations, five applications did not proceed any further. The property transaction in all instances would have been the maximum of £80,900 (x5). We have added to this the income from rent on all 5 properties, which if sold would have been a loss to RBC the joint income was £28,197.00

6.5 Social Care Fraud & Investigations

6.5.1 The team are working with BFFC on a complex referral which was received in May 2019. The investigation is ongoing.

6.6 Disabled Persons Parking Badges (Blue Badges)

6.6.1 Since the 1st April 2019 the team have received 21 referrals, which have been investigated fully, all with regards to the potential misuse of a Blue Badge. Of these, 4 cases are subject to Court hearings, all listed for September 2019, with a further 4 cases currently with RBC criminal lawyers pending charges re the misuse of a Blue Badges.

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

9. LEGAL IMPLICATIONS

- 9.1.1 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.

- 9.1.2 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.

- 9.1.3 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

Classification: UNCLASSIFIED

Internal Audit Report

Freedom of Information

To: Peter Sloman - Chief Executive
Jackie Yates - Executive Director of Resources
Chris Brooks - Assistant Director Legal & Democratic Services



Limited
Assurance

From: Paul Harrington, Chief Auditor

Date: 21 August 2019

1 BACKGROUND

1.1 The Freedom of Information Act 2000 provides public access to information held by public authorities. It does this in two ways:

- by requiring public authorities to publish certain information about their activities; and
- enabling members of the public to request information from public authorities.

1.2 Recorded information includes printed documents, computer files, letters, emails, photographs, and sound or video recordings. The Act does not give people access to their own personal data (information about themselves). If a member of the public wants to see information that the Council holds about them, they should make a data protection subject access request. Anyone has a right to request information from a public authority and the Council has two separate duties when responding to requests:

- to tell the applicant whether the Council holds information falling within the scope of their request; and
- to provide that information, unless specific exemptions apply (see below).

1.3 Authorities must respond to requests promptly, and by the twentieth working day following the date of receipt of the request. The Council can refuse an entire request under the following circumstances:

- It would cost too much or take too much staff time to deal with the request.
- The request is vexatious.
- The request repeats a previous request from the same person.

1.4 The Freedom of Information Act contains a number of exemptions that allows a Council to withhold information from a requester. However, most exemptions are not absolute and require the Council to apply a public interest test. This means the Council must consider the public interest arguments before deciding whether to disclose the information.

1.5 The Council must also have a Publication Scheme¹, which commits it to publish certain classes of information. It should also specify how the information is made available, what is chargeable and what we need to tell members of the public about the scheme.

2. OBJECTIVES & SCOPE OF THE AUDIT

2.1 The purpose of the audit was to provide assurance that controls in place to manage key risks relating to Freedom of Information are effective and the Council's processes, including escalation and oversight are fit for purpose.

2.2 The audit did not include a review of requests made for environmental information under the Environmental Information Regulations 2004.

¹ <https://ico.org.uk/for-organisations/guide-to-freedom-of-information/publication-scheme/>

3. CONCLUSIONS

- 3.1 We have concluded that Reading Borough Council (RBC) complies with the basic principles of the Freedom of Information Act (FOIA), although processes followed do not necessarily facilitate timely responses. A framework is in place to identify and log requests received, however in the 2018 calendar year only 73.8%² of FOI requests were met within the 20 day timeline, compared to the Information Commissioners Office (ICO) expectation that at least 90% of requests are dealt with on time. The number of requests received during the period was just short of one and a half thousand, which is an increase of 9% on the previous calendar year.
- 3.2 It could be argued that turnaround time performance is due to conflicting priorities / workloads and/or lack of resources and to a certain extent we would agree. However we are of the opinion that it is also in-part, down to a lack of awareness of or compliance with the corporate process and staff not either properly understanding or fully appreciating the legal obligations on the Council in respect of FOI's. There is also anecdotal evidence that staff assigned to respond to FOI requests do not always view FOI requests as a priority and are minded to avoid dealing with.
- 3.3 Guidance has not been publicised for staff to follow and training has not been made available and as a consequence officers maybe unaware of their responsibilities in the process.
- 3.4 Three email addresses and an on-line web reporting facility on the Council's website offer the public alternative routes for making requests. Whilst the on-line web reporting facility is a positive measure, a technical error with the online form between Mar and May 2019 meant that twelve FOI's were missed during this period.
- 3.5 Officers who administer FOI requests both in Legal and the Customer Relations Teams work diligently to allocate responses to the appropriate officer and do their utmost to facilitate responses from a multitude of services. However, this has led to different approaches and an element of double handling.
- 3.6 Spreadsheets are used to log and monitor FOI requests, but are constrained in their capability and only offer a limited reporting facility. Reporting on FOI statistics has been absent; with no performance related statistics being reported to Directorate Management Team's (DMT), the Corporate Management Team (CMT) and/or public committees for scrutiny. We were informed that monthly reports on outstanding FOI's were produced for CMT, prior to July 2017, but ceased at the request of CMT. This has since been reinstated in July 2019.
- 3.7 There are no consistent escalation processes, to ensure information is responded to promptly and no formal reports or reporting mechanism to drive performance and ensure responsibilities are discharged.
- 3.8 Reliance is placed on Assistant Directors to ensure that the response to FOI requests are accurate and complete, however, no allowance for quality assurance checking is built into the timeframe.

² The Information Commissioner (IC), who enforces the FOI Act, expects authorities to answer at least 90% of requests on time

- 3.9 Whilst every effort is made to engage with the relevant Assistant Director and service contact on complaints which have been referred to the ICO, we believe escalation should incorporate notifying the Executive Director and/or Chief Executive, given the importance. ICO appeals should also be seen as an opportunity to learn and improve and to avoid future complaints.
- 3.10 We found no clear mechanism to ensure that the Publication Scheme is kept under review to enable as much information as possible to be accessed from the Council's website. This is compounded by the websites current layout obscuring information that could/should be easily accessible.
- 3.11 Finally we conclude that there is a need for better tracking and reminders to staff of approaching deadlines, closer monitoring of performance and proactive publication of information known to attract frequent requests. Many authorities have made use of commercial case management systems which track requests, provide alerts as deadlines approach, generate performance reports and publish released material to a disclosure log at the push of a button. This we believe would be a beneficial investment, which could provide value for money in the longer term and should be explored further.
- 3.12 A total of 13 recommendations have been made in respect of this review, of which 3 are considered high priority. The recommendations and corresponding management action plan are attached at Appendix 1.

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
POLICIES AND PROCEDURES:					
<i>RISK: Poor awareness of due process to be followed and lack of consistency when responding to FOI requests.</i>					
1	The existing guidance should be communicated effectively, but before doing so the guidance should be reviewed, updated and approved.	Priority 1	Revised guidance will be published on the Council's intranet and when available a link will be forwarded to all regular contacts reminding them of the need to comply with the Council's procedures.	AD Legal & Democratic Services	1 Sept 2019
			In future when we forward an FOI request, we will include a link to the guidance on the intranet.		
2	Procedures should sufficiently document all steps and processes to be followed and include service standards and performance targets based on statutory requirements. Sufficient time should be built into the process to quality assure the adequacy/completeness of responses. Procedures should also detail the escalation process, both for no response to information by services and for internal reviews and ICO appeals.	Priority 1	All staff will be reminded of the importance of responding to FOI requests and their role in the process, including the Council's legal responsibility. This will be undertaken through team talk, message of the day email, Chief Executive's weekly update and via the Council's new intranet.	AD Legal & Democratic Services	1 Sep 2019
			The procedure is to be revised to include service standards, performance targets and escalation processes sufficient time built in to allow for QA. A chaser email to be sent to the Assistant Director 10 working days before the deadline for a response, reminding them of the need to sign off the response with a second chaser sent 5 working days before the response is due, with the Executive Director copied in. We have introduced a process with immediate effect so that the Executive Director is sent a list of outstanding FOI's every week. CMT also now receives a list of outstanding FOIs each month. A record of Internal Reviews and ICO appeals and decisions will be sent to the Corporate Management Team on a monthly basis.		

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Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
<i>RISK: Poor awareness of due process to be followed and lack of consistency when responding to FOI requests.</i>					
STAFF TRAINING:					
3	All staff should have access to procedures and be trained to comply with them. New and existing staff should be required to complete training and periodic refresher courses on all aspects of Freedom of Information, approved procedures etc.	Priority 1	<p>We will work with Learning & Development and explore different training options, such as online modules.</p> <p>Training will be provided to those staff that regularly deal with FOI requests and then be extended to other officers who are involved in providing the relevant information.</p>	AD Legal & Democratic Services and AD of HR & Org Dev.	We will commence this work in Sep 2019 and it will be a rolling programme going forward
ESCALATION PROCESS:					
<i>RISK: Lack of senior management awareness of complaint and/or appeals to ICO</i>					
Page 31	A defined escalation process should be adopted and followed. This should incorporate when escalation occurs and to whom, complaints which have been referred for an internal review and appeals made to the Information Commissioner's Office.	Priority 2	See response to recommendation 2 above	AD Legal & Democratic Services	1 Sep 2019

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
INFORMATION REQUEST TRACKING SYSTEM:					
<i>RISK: Weak recording and monitoring processes increase probability of things going wrong.</i>					
5	Ideally there should be one central administrative team for FOI requests with one agreed process followed. This should include one email address and one logging and tracking process.	Priority 2	<p>This function will remain with the Legal Section, with the support of the Customer Relations Team, however one standard process will be followed going forward.</p> <p>The Legal spreadsheet will be amended so that it fully captures tracking information and new escalation procedures.</p> <p>FOI requests can come into the organisation in numerous ways, but we will ensure that one email address is published on the Council's website and is used to receive and respond to FOI requests.</p>	AD Legal & Democratic Services	1 Sep 2019
Page 32	Consideration should be given to using commercial software which tracks requests and warns of approaching deadlines, monitors performance and makes previously disclosed information available on our website, so that the wider public not just the requester can use it.	Priority 2	<p>An options appraisal is currently being developed to review systems to assist in managing the FOI process. Most systems also enable automatically publishing data.</p> <p>Implementation of a system will have revenue implications will be presented to the Digital Futures Board for approval in the next 2 months, with a likely implementation date of March 2020.</p>	Assistant Director for Corporate Improvement and Customer Services	March 2020.
7	We should ensure that online request forms, including emails, automatically send the requester an acknowledgement that includes the text of the request and its date of submission.	Priority 3	We introduced this measure immediately following the audit review. All FOI requests are now being acknowledged.	AD Legal & Democratic Services	1 Aug 2019

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
PERFORMANCE MONITORING:					
<i>RISK: Performance is unknown and the Council fails to comply with statutory legislation. and monitoring of caseload(s)</i>					
8	Performance standards (e.g. target set for 95% of responses to be completed within 20 days) on FOI response times should be detailed in the Corporate and Service Plans, with performance reported on a quarterly basis to CMT.	Priority 2	We propose a performance target of 90%. Agreed that performance should be reported monthly to the Corporate Management Team with performance targets set in service plans.	Executive Director of Resources	Jan 2010 Sep 2019
9	Monthly reports should be produced for DMT's detailing activities and statistics on the number of requests etc. Targets not met are identified and the reasons investigated and appropriate remedial action taken on a timely basis.	Priority 2	Agreed. This has now been implemented The revised procedures will clearly reflect the responsibilities of the Assistant Director(s) and Executive Director(s) in the process.	AD Legal & Democratic Services	Sep 19
Page 33 10	Annual performance reporting should include, but not be limited to: <ul style="list-style-type: none"> • Number of requests each year • Percentage of requests responded to on time • Number received during the quarter • Timelessness of issuing a substantive response • The rates of disclosure of requested information • The numbers of exemptions applied when withholding information • The outcome of internal reviews and external appeals. 	Priority 2	Agreed. An annual report detailing performance in the areas recommended, will be taken to June Policy Committee each year	AD Legal & Democratic Services	June 2020
11	The Council's Monitoring Officer (or nominated officer) should monitor the progress of all requests to verify that they are processed in accordance with specified timescales (performance indicators).	Priority 3	Agreed, this will be achieved through preparation of monitoring and escalation reports to Assistant Directors, Executive Directors and the Corporate Management Team.	AD Legal & Democratic Services	Sep 2019

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
PUBLICATION SCHEME:					
<i>RISK: Relevant information is not available</i>					
12	The existing Publication Scheme should be reviewed to ensure it complies with the ICO's model publication scheme. The scheme should also ensure that the contents of all publications comply with statutory regulations and guidelines in relation to the information published, advice on accessing additional information etc. The Publication Scheme should be reviewed on an annual basis and include as much information as possible.	Priority 2	Publication of data will be streamlined and automated through the use of a system (as outlined at 6 above) The publication scheme will be reviewed in line with the implementation of a new FOI management system, and therefore 2019/20 data will be published using the standard model. The web page and data repository will be reviewed as part of the project, to ensure that information can be accessed through dynamic searches, rather than static documents.	Assistant Director for Corporate Improvement and Customer Services	May 2020
1	The Council should (a) explain the FOI complaints process on the website, making it clear that the right of appeal to the ICO is normally only available once internal review has been completed (unless the complaint is about a significant delay) and (b) state their target time for completing internal review.	Priority 3	Agreed, the guidance on the Council's website will be updated.	AD Legal & Democratic Services	1 Sep 2019

4. Findings

4.1 AUTHORITY: THE COUNCIL HAS ESTABLISHED A FREEDOM OF INFORMATION (FOI) ACCESS TO INFORMATION POLICY AND RESPONSIBILITY FOR FOI HAS BEEN FORMALLY ASSIGNED.

4.1.1 Information relating to FOI and how to make an FOI request is available on the Council's website <http://www.reading.gov.uk/FOI>. This guidance is available in a PDF document; titled '*Procedure for dealing with requests for information*' and is aimed at providing information to the public. However, it's not something that can be readily found, other than through the search facility on the website. The design of the webpage could be improved so that it's more intuitive and simpler to navigate.

4.1.2 The policy itself is easy to understand, but needs to be updated to reflect the Council's current structure (e.g. still refers to Cabinet).

4.1.3 Information for staff, is available in a user guide, titled '*Lemon Squeezy Guide to Freedom of Information*', which is very succinct and easy to understand, however no-one interviewed actually appeared aware of it. Prior to the audit, the guide was very difficult to locate, as it was hidden within the old intranet (IRIS) and wasn't being actively made available to staff who respond to FOI requests. This guide was moved to the new intranet at the time of our audit and has been converted into an online web-based guide, which is much easier to navigate. The next step should now be to publicise the fact that this guidance is available.

4.1.4 The guidance explains to members of staff what Freedom of Information is, the summary process to be followed, timelines, and provides information on the types of exemptions which can be applied and when. The guidance also includes a flowchart documenting the process. The guidance is silent on the review, authorisation and escalation process.

4.1.5 FOI training or access to training materials is non-existent and has been for some time. Both new and existing senior managers confirmed to us that no training had been received and for officers new to the Council, any induction about FOI came on receipt of the first request. Some managers, who are new to Local Government, have no previous experience of FOI requests and the legislation underpinning the process.

4.1.6 Responsibilities for FOI have been assigned. The Assistant Director of Legal & Democratic Services has been identified as the responsible officer for compliance with FOI across the authority. The Assistant Information Officer and Legal Administrator/Secretary (referred to as the Assistant Information Officer throughout the report), has been assigned responsibility for the co-ordination and administration of FOI requests. The Assistant Information Officer will also act as the conduit for FOI requests which cover multiple service areas.

- 4.1.7 The Assistant Information Officer is supported by both the Information Officer and Data Protection Officer. However, administering FOI's is only approximately 50% of the Assistant Information Officer's workload and in addition the Information Officer is employed part-time.
- 4.1.8 These officers were found to be competent and knowledgeable about the law governing the FOI process. They also have a good understanding of the Council and its services and do their utmost to ensure that requests for information are designated to the right service area, which can sometimes be a challenge
- 4.1.9 No service specific contacts for FOI enquiries have been identified to co-ordinate responses, although current guidelines refer to Directorate DPA Officers. However, in the case of FOI requests for Adults, Housing and BFFC, the Customer Relations Team are used to facilitate and coordinate these. This, as we understand, is because the team used to be situated within the Adult Services Directorate and therefore has a good working knowledge of these service areas and where best to direct FOI requests. Although this has its advantages, it has resulted in two slightly different processes being followed, which we explain later in the report.

4.2 **OCCURRENCE: FILING AND RECORDING SYSTEMS (INCLUDING ELECTRONIC RECORDS) ENABLE INFORMATION TO BE EASILY LOCATED I.E. MAXIMISING USE OF THE COUNCIL'S PUBLICATION SCHEME AND WEBSITE.**

- 4.2.1 As well as responding to requests for information, the Council must publish information proactively. The Freedom of Information Act requires every public authority to have a Publication Scheme³, which must set out the Council's commitment to make certain classes of information routinely available, such as policies and procedures, minutes of meetings, annual reports and financial information etc. To help Councils do this the ICO has created a model publication scheme that all public authorities should use.
- 4.2.2 Although on the whole the Council meets the minimum requirements of the ICO's model publication with respect to what is published, RBC's model doesn't promote easy access to data on the Council's website. We undertook some quick research and found that although other local authorities operate a similar publication scheme to ours, some websites are better designed and more intuitive to use. For example Bracknell Forest Council (BFC)⁴ operates a DataShare site and their publication scheme provides links to all published information and datasets.

³ <https://ico.org.uk/for-organisations/guide-to-freedom-of-information/publication-scheme/>

⁴ <http://data.bracknell-forest.gov.uk/View/council-information/publication-scheme.>

- 4.2.3 Information included within the scheme is not subject to the provisions of the Freedom of Information Act. Consequently, as much information as possible that is routinely available to the public should be included within it and the Publication Scheme should be reviewed on a regular basis in order to achieve that objective. However, large aspects of the Council's scheme have not been kept up-to-date. For example, senior management structure & pay revealed no up to date details of senior management pay. The Children's Social Care annual complaints report related to 2014-15 and the Adults' equivalent covered only 2015-2016. Likewise there was some out of date information for other categories published under the scheme. The financial data for spend over £500, was brought up-to-date during the audit review, but prior to this it was also not being kept up-to-date.
- 4.2.4 There are a few exceptions where we were unable to find the information as recommended by the ICO, such as:
- Location and opening times of all council properties
 - Allowances and expenses for paid to senior staff
 - Election expenses
 - Details of contracts and tenders to businesses
- 4.2.5 A constant theme arising from our interviews with officers was that more information should be published on the Council's website and the design of the website should promote easy identification of information and improved navigation.
- 4.2.6 The Council should review the Publications Scheme on an annual basis and include as much information as possible in the scheme so that it is available to the public. All Directorates and services should keep their entries on the Scheme under regular review and notify the AD Legal & Democratic Services of additions, deletions or amendments at the earliest opportunity. At the moment, in places, this clearly isn't happening. In addition, services need to know how best to coordinate and perform this task.
-

- 4.3 **COMPLETENESS: REQUESTS ARE PROMPTLY TRANSFERRED TO THE APPROPRIATE SERVICE FOR ACTION AND PROCEDURES ENSURE THAT REQUESTS ARE ACTIONED, REVIEWED AND SIGNED OFF.**

- 4.3.1 The request for information must be in writing; this includes e-mail and can come in via a number of routes. There is an online reporting form (<http://www.reading.gov.uk/FOI>) as well as a dedicated email address (FOI@reading.gov.uk) for FOI requests and a link to this is available on the Council's website. It was found that the 'inbox' for this email address is checked on a regular basis and on the whole, it was found that requests were being forwarded to Service contacts in a timely manner. The Assistant Information Officer aims to forward all FOI requests to the relevant officer(s) within one working day.
- 4.3.2 During the audit it came to light that there had been a technical error with the online form earlier in 2019, which meant that FOI requests had not been reported through to the Assistant Information Officer. Although FOI requests had been received securely, no notification was received that the request had been made via the online form. This was due to some changes that had been made to the online form, which meant that the corporate FOI email address could not be recognised, in turn causing the email notifications to fail for those requests made via the web page. The dedicated email address continued to operate as normal during this period. Unfortunately this fault wasn't picked up immediately as there had not been a significant reduction in FOIs being received. As a consequence twelve FOI's were missed between the 17 March and 7 May 2019.
- 4.3.3 Any requests for information which cover Housing, Brighter Future for Children (BFFC) and Adults are forwarded to the Customer Services Team in the Resources directorate (CRT.FOI@reading.gov.uk) for distribution to services and coordination of responses. These requests are logged onto a separate spreadsheet before being passed to the relevant services for a response, thus a degree of duplication occurs, which could in turn cause some delay.
- 4.3.4 A further email address FOI.enquiries@brighterfuturesforchildren.org is used for requests for receiving and forwarding information relating to Children Services (BFFC). These are again picked up by officers in Legal for logging and then forwarded to the Customer Relations team and then onto BFFC.
- 4.3.5 Requests for information can also be received directly by any officer throughout the organisation and on receipt of the request the recipient is supposed to forward a copy to Legal Services (FOI@reading.gov.uk) as detailed in the guidance notes. However, as already highlighted in the report, guidance has not actively been promoted to staff. Hence, there may be some which are received and responded to directly by services, which might not therefore feature on the corporate system.
- 4.3.6 All known FOI requests are logged onto a master spreadsheet held by the Assistant Information Officer and allocated a reference number. The date the request was

received, name of requestor, organisation, date of acknowledgement, deadline and nature of request is recorded. The date, nature of response, name of officer responding and directorate is also recorded. A final column is added to record if the request for information was responded to within 20 days.

- 4.3.7 Those FOI requests for Housing, Adults & BFFC managed by the Customer Relations Team are also logged onto a spreadsheet, which holds far more information, including date forwarded to service, name of Assistant Director, date copied into Assistant Director, draft response due date (15 days), date 1st reminder sent, date 2nd reminder sent etc. There are 44 columns on this spreadsheet for each FOI request, recording each stage of the process; however this appears to be a little excessive and unwieldy to manage. The main advantage with the Customer Relations Process is they have agreed points of escalation and when to engage with the Assistant Director and/or Executive Director.
- 4.3.8 Information relating to the request is stored in individual folders on a networked drive, by both the Legal and Customer Relations Teams.
- 4.3.9 Weekly meetings are held with representatives from Legal and Communications, to identify those requests that could be sensitive and to pin-point which ones need to go to a Director and/or Lead Councillor for information (see paragraph 4.5.5).
- 4.3.10 For the FOI requests filtered and then distributed by the Legal Team, all requests are forwarded to the service, with an appeal that they seek approval from their Assistant Director before a response is given. Depending on the service the Assistant Information Officer is copied into approval emails, but in many instances no evidence is kept to confirm approval had been given, hence we were not able to retrospectively confirm this in some instances. The approach followed by the Customer Relations Team is slightly different in that they require confirmation that authorisation has been obtained.
- 4.3.11 Discussions with a selection of Assistant Directors, confirmed that whilst most would check and authorise replies, some (especially new Assistant Directors) had not. In fact one Assistant Director had not seen an FOI during the first few months they had been employed by the Council.
- 4.3.12 With both approaches reliance is placed on the Assistant Director to ensure the response is correct, adequate and complete. Neither the Legal team nor the Customer Relations Team independently checks the completed response before it is released to the person(s) who made the original request.
- 4.3.13 Replies to FOIs are sent directly to the individual making the request using a formal letter template or email in the case of the Customer Relations Team, both of which provide information explaining the process to be followed should the

person be unhappy with the Council’s response. The Assistant Information Officer is copied into all replies and then files an electronic copy in the relevant case folder.

4.4 **MEASUREMENT: PROCEDURES ENSURE INFORMATION IS REGULARLY REVIEWED FOR ACCURACY AND THAT IT IS UP TO DATE. PROCEDURES ARE IN PLACE TO RECORD PERFORMANCE**

4.4.1 With respect to summary performance information, 73.8% of FOI’s are responded to within 20 days, with 1,451 requests received in 2018. Details are provided below:

	2014	2015	2016	2017	2018
Total Number of Requests Received	1308	1286	1319	1332	1451
Total Number of Requests Responded to within 20 Days	1029	1006	1022	1008	1071
Percentage Responded to within 20 Days	78.7%	78.2%	77.5%	75.7%	73.8%

4.4.2 Although the master control spreadsheet provides basic summary information, it is limited in its ability to provide meaningful performance information, other than statistics and (as with any manual process) it is prone to human error, e.g. accidental deletion of entries, formulas etc. Although statistics are now being provided to Assistant Directors on the number and details of new FOI requests, there is no performance data being escalated to either the Directorate Management Teams (DMT’s) and/or the Corporate Management Team (CMT). We would also expect performance reporting to include, but not be limited to:

- Number of requests each year
- Percentage of requests responded to on time
- Number received during the quarter
- Timelessness of issuing a substantive response
- The rates of disclosure of requested information
- The numbers of exemptions applied when withholding information
- The outcome of internal reviews and external appeals.

4.4.3 Whilst some Local Authorities operate a similar process to RBC, using spreadsheets, a quick search on Google shows that many public organisations, including Local Authorities, use dedicated software, where all service contacts have access. Such tracking systems are then used to monitor performance against timescales through a variety of reporting tools. We have also seen some examples

where local Authorities will set response targets, such as 95% of requests will be dealt with in 20 days. Also check points being built in, for example where responses must be supplied within 15 days, leaving a 5 day period for quality assurance, review and authorisation.

4.4.4 An alternative bespoke system using Firmstep⁵ was explored in January 2019, with costs of £7.5k quoted in addition to an annual licence fee of £3.5k. This maybe something which is worth exploring further, providing it can achieve what is required and produce timely and relevant performance information.

4.4.5 The spreadsheets are compiled in quarterly periods per calendar year (not financial year) and although when an exemption is applied it is documented on the spreadsheet, the numbers of exemptions applied when withholding information is not routinely reported. Therefore we devised a pivot table to extract the data over the period Apr 18 - Jun 19 and identified that exemptions had been applied on 57 occasions. Details are provided below:

Exemption	Description of Exemption	No.
Info refused under S12	Exemption where cost of compliance exceeds appropriate limit	3
Info withheld under S30	Investigations and proceedings conducted by public authorities	1
Info withheld under S12	Exemption where cost of compliance exceeds appropriate limit	11
Info withheld under S12 and S40	Exemption where cost of compliance exceeds appropriate limit + Personal information	1
Info withheld under S21 and S41	Information accessible to applicant by other means + Information provided in confidence	8
Info withheld under S31(1)(a)	the prevention or detection of crime	25
Info withheld under S40(2)and S40(3)(a)(i)	Any information to which a request for information relates is also exempt information if it constitutes as personal data + would contravene any of the data protection principles	3
Info withheld under S41	Information provided in confidence	1
Info withheld under S40(2) and S40(3)	Any information to which a request for information relates is also exempt information if it constitutes as personal data + personal information	2
Info withheld under S31 and S40	Law enforcement	2
	Total:	57

4.4.6 The outcome of internal reviews and external appeals are not reported, however records show that the total number of internal reviews requested during 2018 was 14. In the last year there have been 4 appeals to the ICO including the one for Arthur Hill Pool. The ICO ruled in the favour of the Council for three of the

⁵ Software platform which , developed specifically to accelerate channel shift and improve the customer experience

appeals and one was upheld in favour of the complainant. We were informed that the ICO has never before found against RBC.

- 4.4.7 A search of the ICO website found a further 2 appeals since 2012, both of which were ruled in the Council's favour.
-

4.5 TIMELINESS: PROCEDURES ENSURE THAT REQUESTS ARE DEALT WITH WITHIN THE STATUTORY TIMESCALES.

4.5.1 The main obligation under the Act is to respond to requests fully and promptly. Under the Act, the Council may take up to 20 working days to respond, counting the first working day after the request is received in the Council as the first day.

4.5.2 Our own internal procedures also state that all requests should be acknowledged, when in practice very few actually are. In fact only those which are managed by the Customer Relations Team are acknowledged.

4.5.3 FOI requests managed by the Assistant Information Officer quite often have numerous questions relating to multiple services and we've seen examples where the request for information gets passed 'from pillar to post' before the correct person to respond is identified. It can sometimes take days or even weeks, before anyone might take ownership and this in turn will cause an inevitable delay. This is a point where escalation action needs to happen and quickly. To meet the 20 day target any request, which isn't being owned or actioned upon should be escalated immediately to both the AD Law and Governance and relevant Assistant Director or even the Executive Director to delegate to the appropriate person.

4.5.4 We noted that whilst replying is geared to complying with the 20 working day timeframe, there is no escalation process within the legal team to Assistant Director level and/or to Executive Directors if a response has not been received in the run up to the 20 day target. Instead the Assistant Information Officer will chase the individual assigned to respond. However, the process followed by the Customer Relations Team is slightly different, in that they will send out a reminder after 5 days (i.e. fifteen days to go) and then copy in the Assistant Director at 10 days and again at 15 days (five days to go).

4.5.5 The role of Councillors needs clarifying, as it appears that their role in the process is causing some confusion with officers and it is also being reported that this is leading to delays in the turnaround time for responses. The revised procedures will make it clear that Lead Cllrs are to be made aware of FOI requests where appropriate. In addition responses which might be deemed sensitive will be copied to Lead Cllrs when they are sent to the requester.

4.5.6 On occasions staff leave it too long before they start to respond to an FOI request, which increases the likelihood of not meeting the 20 day turnaround target. It was also highlighted to us that there is sometimes a lack of engagement from services when requests are forwarded on to them and that some staff do not either

properly understand or fully appreciate the legal foundation / obligation behind FOI's and the consequences for the Council (and potentially the individual) for not replying fully or on time. This was cited by both officers in the Legal Team and Assistant Directors and is in turn supported by the volume of chasing emails.

4.5.7 For the purposes of the FOI Act, a Company that is wholly owned by the Council, such as BFFC, counts as a public authority in its own right and needs to respond to requests for information. The Customer Relations Team manages FOI requests on behalf of BFFC under a Service Level Agreement, but is dependent on BFFC for information. We were informed that quite often its staff do not respond or respond late. The percentage response rate for BFFC meeting its obligations to ensure FOI requests are managed and responded in accordance with the SLA was at 45% for the period March 2019 to May 2019. However, the records indicate that only eight requests for information had been received in this time.

4.6 **REGULARITY: PROCESSES COMPLY WITH THE BASIC PRINCIPLES OF THE FREEDOM OF INFORMATION ACT AND ARRANGEMENTS ARE IN PLACE FOR CHARGING WHERE APPROPRIATE.**

4.6.1 There are some exemptions to the right for information - things like criminal investigations or law enforcement and personal data covered under the Data Protection Act - but even if the information does fall into one of these exceptions, the information will still have to be given out unless it can be shown that it is more in the public interest not to give the information than it is to give it. Before an exemption is currently applied the officer should check with their service manager or their Assistant Director and if they agree, they should then speak with the AD Legal and Democratic Services about the application of the public interest test. Whether this happens in reality in each instance is not known, as evidence of this is not always retained.

4.6.2 Some exemptions are "absolute", i.e. the public interest test does not apply. Others are "qualified" and it is necessary to consider whether it is more in the public interest not to disclose the information, than it is to disclose it.

4.6.3 If the decision is not to disclose the information requested, and it is in the public interest not to disclose, the Council must tell the applicant which exemption(s) it is relying on, and why it is not in the public interest to disclose the information. The Council must also inform the applicant of their right to complain, if they are not satisfied. This is, firstly by means of a request for an Internal Review and then to the Information Commissioner.

4.6.4 An internal review will be conducted by either the Information Officer or Data Protection Officer, as neither of whom would have been involved with the original request, which will allow them to make an impartial and fresh decision based on all available evidence. The Information Officer and Data Protection Officer are

RBC's experts in the application of exemptions and in particular S43 (commercial interests).

- 4.6.5 Any appeals which then go onto the ICO to rule over should be dealt with by the Council's Data Protection Officer. In some cases they may uphold our overall decision, but make some findings about delays and other aspects of our request handling. This should be seen as an opportunity to learn and improve, and perhaps avoid future complaints.
- 4.6.6 If the decision notice requires steps to be taken, such as disclosing some information, this must be done within 35 calendar days of the date of the notice, unless the intention is to appeal. If an appeal against the decision is made, the appeal must be lodged with the First Tier Tribunal (Information Rights) within 28 calendar days. The requester also has a right of appeal. Failure to comply with a decision notice is contempt of court, punishable by a fine.
- 4.6.7 The escalation process for appeals made to the ICO is not documented, but the Council's Data Protection Officer informed us that he will escalate the enquiry to the originator of the FOI response, the relevant Assistant Director and the Assistant Director of Legal & Democratic Services. What appears to be missing in the process is notification to the Executive Director that a complaint/appeal has been made to the ICO.

Charging

- 4.6.8 The FOIA states that public authorities do not need to comply with a request for information if the cost of doing so will exceed an appropriate limit. The Government has issued Regulations prescribing the appropriate limit, which for local authorities is £450, and also setting out the circumstances where fees and charges may be made towards the cost of providing information. The policy on the Council's website states, that where these apply, the Council will require the fee to be paid before the information is provided. However, we have found no cases where charges have been made and the unofficial position is that where requests exceed the time limit, information will not be provided.

Classification: UNCLASSIFIED

Internal Audit Report

Payment Controls - Cedar Court

To: Frances Martin - - Executive Director for Economic Growth & Neighbourhood Services
 Zelda Wolfle - Assistant Director of Housing & Neighbourhoods

From: Robert Dunford, Senior Auditor

Date: 20 August 2019



1 Purpose and Scope of Review

- 1.1 Cedar Court is a new extra care housing facility sited on the Basingstoke Road for purpose of providing high quality accommodation and wider facilities for older people living in the local area. The 40-unit scheme comprises 27 one-bedroom flats and 13 two-bedroom flats, all for social rent. The scheme is jointly funded by the Homes and Communities Agency (HCA) and Reading Borough Council.
- 1.2 Following a management request from the Assistant Director of Housing & Communities, a visit was made to Cedar Court to carry out an audit of the booking and payment controls for the guest room and amenity shop facilities due to concerns over the lack of accounting records, with the purpose of establishing whether all funds could be accounted for.
- 1.3 Cedar Court administers 10 guest rooms across 9 sheltered housing units in the borough: Bristow Court, Christchurch Court, Corwen Road, St Stephens Court, Trinity Place, Tyrrell Court, Weirside Court and Woodlands Court.

2 Summary of Findings

- 2.1 Although it is understood that the issues in this report are now being addressed, the administrative and monitoring controls for operating and accounting for the guest room, petty cash and shop activities at Cedar Court are weak and do not comply with the Council's Financial Procedures. Although no evidence was found to confirm any misappropriation of funds, we are unable to provide any assurance that all funds have been fully accounted for. Moreover the review has highlighted important taxation and health safety risks that require immediate attention:-

- The financial controls that were in operation were originally established to be sensitive to those residents who are cash dependent, and systems operated on a trust basis with staff without there being sufficient separations of duties, managerial oversight or proper accountability in place within the Service.

- There are no controls in place to securely account and confirm guest room occupancies to ensure lettings are fully identified and paid for, but moreover that visitors can be fully accounted for with regards to health and safety.
- Although management are carrying out a benchmarking exercise to confirm the fee charged for the guest rooms is appropriate, we have advised the Service to also put into place letting arrangements to legally protect all parties and to ensure that letting operations are compliant with all appropriate legal requirements associated with letting a room i.e. health and safety and VAT regulations.
- Due to insufficient accounting and monitoring controls and the absence of key financial records we are unable to account for approximately £7,000 of funds. There is an unexplained difference of £2431 between opening and closing petty cash balances as well as a further deficit of more than £4800 between receipt book totals and the petty cash ledger. It was also noteworthy that controls around the safe storage of cash and access to the safe were weak.
- Instead of banking and ensuring guest room income is accounted for on Fusion for budget monitoring and VAT declaration purposes, this income was used to top up the petty cash float to avoid having to complete a monthly claim. Although not material in context of the Council's account, petty cash expenditure and lettings income have consequently been omitted from the Council's accounts. The Interim Strategic Partner has advised these accounting omissions and shortfall in the guest room fee have a cost impact upon the Housing Revenue Account.
- There is a VAT treatment liability risk because sales tax has not been correctly applied and accounted for on Fusion and therefore not yet declared to HMRC. Income had previously been considered to be exempt from VAT, however the VAT and Tax Accountant has recently confirmed the income from the guest room is a standard taxable supply because it is a commercial activity.
- Following the review, Sheltered Housing has immediately stopped all petty cash expenditure and the use of the guest rooms and amenity shop, and Accountancy will make the necessary accountancy adjustments and VAT disclosure.

2.2 A total of 3 recommendations have been raised in respect of this review, of which 2 have been considered high priority. The full detail of these recommendations and the corresponding management action plan are attached to this report as Appendix 1.

3. Findings

3.1 Bookings and Admissions

The transparency and audit trails of records for confirming guest room bookings are poor. There are 10 guest rooms across 9 sheltered housing units which are used to help family and friends visit residents. Management recognise the following improvements are required:-

- a) Although a costing and benchmarking exercise to ascertain the reasonableness of the £15 per night charge is being carried, the Interim Business Partner has advised the breakeven charge is approximately £100 (plus VAT) and that the cost for this being subsidised by all other housing tenants within the HRA.
- b) Based upon income received, it is estimated the total occupancy rate for the guest rooms was 9% (see foot note 2).
- c) A bookings application form or similar is required to securely record and administer guest room reservations. Diaries were used previously to record reservations prior the current excel spreadsheet method. These excel spreadsheets were not secured to prevent the risk of loss or unauthorised alterations, and there are unsubstantiated concerns that items have been deleted¹ allegedly by an ex-member of staff. Manual records have also been destroyed allegedly due to flood damage.
- d) Terms and conditions for the use of guest rooms need to be introduced to confirm the legal positions regarding occupancy, payment, cancellations and refund of payments, loss of property, health and safety, insurance and damage etc.
- e) Booking in and key issue controls need to be strengthened. This information is essential to clarifying what bookings have taken place and that the room key has been given to the person hiring the room and then returned; visitors are not required to sign in and out and at reception as keys are delivered to the unit when payment is received and which are then brought back to Cedar Court, where staff then inform Forestcare² of the occupation. Following our findings, further investigations by the Sheltered Housing and Tenant Support Manager has found these records to be severely lacking and immediate improvements are being put into place to control and record room occupancy :-
 - i. A new format for handovers to Forestcare has been immediately revised to ensure guest room are included in future.
 - ii. Procedures were established to ensure all visitors using the guest room were recorded in the 'daily report book' but this procedure has not been monitored to ensure compliance and locating the daily report books has proved problematic.

See Recommendation 1

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¹ The ICT Technologies and Services Manager has advised Northgate's back-up procedures do not permit file recoveries old than 4 weeks.

² Forestcare provide a response service through lifeline and telecare system.

3.2 Payment for Guest Rooms

3.2.1 There are no secure accounting controls to confirm the completeness and accuracy of payments, however management are examining the options to receive payments electronically in advance of any letting. Interim arrangements to receive cheque payments have been put into place immediately until the new system can be implemented.

3.2.2 Petty cash records report the total income received for all the guest rooms between January 2017 and April 2019 was £11,983. Management recognise the following improvements are required:-

- a) The total occupancy rate for the period was approximately 8.9%³. On average of £387⁴ was received each month out of maximum potential income of £4,408⁵.
- b) £9,748 was received from general guests in the period and £2,235 was received from the contractor who had used the room whilst carrying out works on the premises, which has now ceased.
- c) Sales invoices should be produced to confirm the service supplied and the correct treatment of V.A.T. The VAT and Tax Accountant confirmed the guest room is liable for standard rate of VAT.
- d) Although numerically sequenced receipts are issued to record the receipt of payment, there are no records to account or reconcile for the handling of these funds. An examination of the receipt books found staff had used the receipt book to record the handling of non-council funds. The Sheltered Housing & Tenant Support Manager has confirmed that this practice is contrary to the staff Code of Conduct and to the purpose of Sheltered Housing.
- e) A fixed point of payment, clear separations of duties between bookings and the account of receipts are required. Moreover, current controls are weak because administrative staff are not always available to receive payments at the weekend. Audit witnessed two instances where funds were received without there being reference of what payment was for:
 - 1) an amount of cash was found in an unmarked envelope
 - 2) a pre-signed cheque with blank payee details.

The Sheltered Housing and Tenant Support Manager have advised us that this is a regular occurrence despite them raising this with staff before

- f) Management have immediately introduced a no cash policy for the guest rooms and the petty cash balance will banked. Future guest room payments will have to be made by cheque on an interim basis until electronic payment facilities (on-line payment, payment device etc.) can be established to ensure payment is always received in advance of hire. Payment cards will replace petty cash to facilitate low level expenditure.

³ Occupancy Calculation: $810 \text{ days}[1] / 9,110 \text{ days}[2] = 8.9\%$: [1] Number of days booked as per receipt book / [2] 911 days available over period per room / x 10 rooms.

⁴ Average Monthly Income Calculation: $£11,983 / 31 \text{ months} = £386.54$

⁵ Total Income Available Calculation: $9,110 \text{ days} \times £15 = £136,650 / 31 \text{ months} = £4,408.06$

- g) Instead of banking and accounting for guest room income on Fusion for budget monitoring purposes, funds were being credited (and reallocated) to petty cash to assist cash flow for making low valued purchases. The purpose of this was to minimise the administration in banking and the submission of petty cash claims. However, management have raised concerns regarding the completeness of these petty cash records because information is missing. Finance are conducting a reconciliation between the remaining booking records and petty cash receipts to ascertain the integrity of the funds held in the petty cash:-
- i. Cedar Court has operated an unofficial petty cash account from income received from the guest rooms. Finance has confirmed neither a petty cash float or imprest account was established nor no expenditure claims have ever been received.
 - ii. Guest room bookings used to be recorded in the unit diaries before being recorded centrally on a spreadsheet on the services shared drive. Because this spreadsheet is missing, the Sheltered Housing & Tenant Support Manager is concerned that it had been deleted.
 - iii. Petty cash ledger records are incomplete between the period 21/12/18 and the 9/7/19. It is unknown if the transactions for the period were deleted or ever recorded. An examination of the accounting records between the period 1/1/17 to 9/7/19 highlights an accounting anomaly of £7,291:-
 - There is a reconciliation deficit variance of £2,431.81⁶ between the opening and closing balances in the petty cash records. We note that none of the petty cash reconciliations had been certified and dated.
 - There is a further deficit between the receipt books and the income recorded in the petty cash ledger totalling £4,860.00.
 - iv. Although a safe is used to secure funds, there are poor controls around access restrictions and a lack of safe contents handover procedures.
 - v. An examination of the types of expenditure recorded in the petty cash ledger between 9/4/15 to the 9/7/19, found that monies spent were associated to the running of an establishment, however we note the petty cash funds had been used to fund low levels of entertainment, only some which was recuperated from participants.

See Recommendation 2

⁶ Opening balance from petty cash 4/1/17 £256.63 plus lettings income from receipt book (Jan 17 to July 19) of £11,718.00, less petty Cash expenditure (Jan 17 to July 19) (£ 9,202.20) equals a balance of £2,772.43. Less actual balance 5/8/19 £340.62 equals a variance of £2,431.81.

3.3 Amenity Shop

Monitoring controls are required to account for the shop operating float. An amenity shop is maintained at Cedar Court with the assistance of a volunteer resident to help its residents to purchase essential items. Although a cash till is used to record income the following should be noted:-

- a) Sales income is used to replenish stock levels; however no stock take is produced to reconcile stock and cash holdings back to the operating investment (outlay). The Sheltered Housing & Tenant Support Manager was unable to advise what the investment balance should be but has agreed to ensure this is carried out.
- b) Due to limited opening hours, out of hours sales are supervised by a volunteer.
- c) Management are reviewing the operational options for replenishing stock in the shop as this has fallen to council staff even though this is not part of their job description(s).
- d) An annual reconciliation will need to be produced to account for shop activities.

See Recommendation 3

DRAFT

Appendix A - Report Distribution

Staff Interviewed

Gill Rimmer - Sheltered Housing & Tenant Support Manager

Draft Report Distribution

Zelda Wolfle - Assistant Director Housing & Communities

Gill Rimmer - Sheltered Housing & Tenant Support Manager

Nick Haverly - Interim Business Partner - Housing and Neighbourhood Services

Final Report Distribution

Frances Martin - Executive Director for Economic Growth & Neighbourhood Services

Zelda Wolfle - Assistant Director Housing & Communities

Matt Davies - Head of Finance

Nick Haverly - Interim Business Partner - Housing and Neighbourhood Services

Gill Rimmer - Sheltered Housing & Tenant Support Manager

Auditor Contact Details

Robert Dunford. Senior Auditor - (0118) 937 2849

Kevin Parker. Principal Auditor - (0118) 937 2694

Paul Harrington. Chief Auditor - (0118) 937 2695

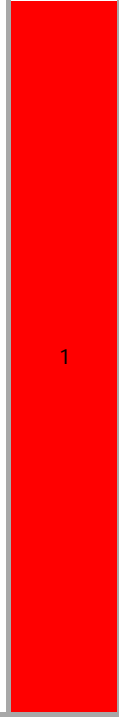
For further details on our assurance opinions please [click this link](#)

There is risk of financial loss due to possible fraud and taxation penalties due to the incorrect treatment of VAT:-

- * receipts are not reconciled back to admissions
- * incomplete records and audit trails
- * VAT liabilities because services have treated as exempt even though these have been confirmed as standard rate.

Although Cedar Court is proactively developing procedures to effectively account for all income in future, the following improvements are needed:-

- * the petty cash float should be banked and procurement cards will be obtained for low level expenditure
- * a sales invoice / receipt of payment system will be needed and sales invoices should record the treatment of VAT.
- * payment in respect of room hire should be made by bank transfer and payment card in future (short term interim cheque oayments arrangements have been put into place until electronic systems are available)
- * bills should be paid in advance of service and all arrears are identified
- * there should be a separation of duties between bookings and payments
- * staff should receive training on the new systems and the importance of compliance emphasised
- * occupancy, payments and compliance to procedures should be actively monitored and evidenced
- * income codes established on Fusion should be



Liaise with other HA's or local authorities via the information sharing group within EROSH, (Emerging Role of Sheltered housing), for their procedures and use of guest rooms.

Set out clear procedures for recording and management of any remaining guest rooms.

Training on the SOP to be given with sheltered officer sign off.

Set a realistic fee including VAT; inform all tenants in writing the booking procedure, payment terms and conditions.

Income codes have been set per sheltered scheme should the use of guest rooms be reinstated.

Petty Cash

Recognised the operational issues and risk.

Use of cash transactions stopped immediately.

There will be no further cash or cheques received.

Remaining cash amounts to £220.00, agreement has been given to use this for small purchases until used up.

Procurement cards have been applied for.

G Rimmer

Closure of Petty Cash - Immediate

3	There is a risk that if the operational float is unable support the facility.	Accounts for the amenity shop should be reconciled back to the operational float and should include stock as well as funds.	3	<p>Recognised the risk and direct impact and immediately closed the shop. Perishable goods have been listed and disposed off. Tenants have been informed in writing of the closure and pending review of the facility. Creative Support (on site care agency) have also been informed.</p> <p>Closure of the Amenity Shop will have the greatest impact on Cedar Court tenants, Including the elderly who come on Wednesday's to attend the Age UK lunch club.</p> <p>The purpose and need of the amenity shop to be considered as a priority.</p> <p>Review how and where goods are ordered, have a clear understanding on selling and VAT.</p> <p>Set out clear procedures for recording and management of the shop.</p> <p>Training on the SOP to be given with sheltered officer sign off.</p> <p>A stock take will undertaken along with the 'till float and the shop "takings" which will give a base</p>	G Rimmer	<p>Shop Closure - Immediate</p> <p>Moving Forward - 31/10/19</p> <p>Stock Take -</p>
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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.

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READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR OF RESOURCES

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	19 th September 2019		
TITLE:	IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER		
LEAD COUNCILLOR:	COUNCILLOR EMBERSON	PORTFOLIO:	CORPORATE & CONSUMER SERVICES
SERVICE:	AUDIT	WARDS:	BOROUGHWIDE
LEAD OFFICER:	JACQUELINE YATES	TEL:	x74710
JOB TITLE:	EXECUTIVE DIRECTOR OF RESOURCES	E-MAIL:	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 At the April 2018 Audit and Governance Committee it was agreed 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 sixth report on the tracker.
- 1.4 Appendix 1 attached sets out all of the current high and medium risk internal audit recommendations 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 - September 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 3 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 72 high and medium risk Internal Audit recommendations on the tracker attached at Appendix 1, of those
 - 32 (44%) are currently green;
 - 23 (32%) amber and
 - 17 (24%) red

Compared to the previously reported position recommendations which are rated green have increased from 41% to 44%. Amber recommendations are unchanged and those rated red have decreased marginally (by 2%).

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

The table below provides a comparison of progress against reports in the past year.

RAG Status	Audit & Governance meetings				
	Sept 18	Jan 19	April 19	July 2019	Sept 19
Green	42%	49%	53%	41%	44%
Amber	18%	34%	29%	32%	32%
Red	41%	16%	18%	26%	24%

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 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.

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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	Matt Davis - Assistant Director of Finance	All these recommendations have been implemented with the exception of inclusion in the monthly monitoring (recommendation 6) which is currently being reviewed and this recommendation and this recommendation will be included as part of that review	22-Aug-19	76 or more	
2	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"> • Purpose of the procedure (impact on council) • Clearly define the outcome of the process • Name the process in accordance with naming conventions • Define the start and end of the process • Outline who does what and responsibilities – not person specific but role specific • Tools to complete the process, Systems, printing, marking etc. • Exceptions – if process goes wrong, system down etc. • Individual steps to get from start to finish • Reports used etc. • What to do when completed – balanced and unbalanced, actions, financial levels, responsibilities and authority • Review and sign off by the Assistant Director of Finance • Reporting framework • Evidence • Storage & protection 	16/17	9-Feb-17	4-Oct-17	Matt Davis - Assistant Director of Finance / Wai Lok Technical Lead	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. No further progress has been made on these recommendations due to other work taking precedence. A minor restructure within finance has created greater capacity for and focus on reconciliation processes	22-Aug-19	76 or more	
3	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 - Assistant Director of Finance/ Christopher Beauchamp - Exchequer Manager Jennifer Bruce - Financial Systems Manager	All purchase orders over 18months old have now been closed by the Systems Team. Accounts Payable as from the 02/09/19 has stopped accepting invoices with the older style 5 numbered purchase orders, system to closed the remaining 350 on the system.	2-Sep-19	Complete	
4	DoR	Creditors/AP	Operational issues identified should be addressed in new procedure manual to avoid reoccurrence.	18/19	1-May-18		Matt Davis - Assistant Director of Finance/ Christopher Beauchamp - Exchequer Manager Jennifer Bruce - Financial Systems Manager	Operation issues regarding Fusion are being address with the Fusion Team to avoid the development of a work around manual. Procedure for all of the correct Account Payable process still being produced, Completion 31/10/19. Oracle have been commissioned to undertake a full health check on fusion implementation and processes operating around it that report is due imminently which will guide improvements and /or reimplementation or reprocurement of a finance system	22-Aug-19	51 to 75	

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5	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	Matt Davis Assistant Director, Chris Beauchamp - Exchequer Manager	SLA set up for Brighter Futures for Children (BFFC). For RBC our Fusion system is under review, this review is looking into our current setting and interfaces between Fusion and Mosaic/Planet FM. These will need to be reviewed in light of the Oracle health check	22-Aug-19	76 or more	
6	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 - Assistant Director of Finance Chris Beauchamp - Exchequer 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 delayed due to issues around the Fusion open purchase order report that has prevented a clean up of open purchase information, clean up is happening now. The 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. Suppliers currently being added to the supplier portal on an add hoc basis (if requested) and all the purchase orders are up to date, mass roll out to begin in September 2019	2-Sep-19	51 to 75	
7	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 - Exchequer Manager	Cull of inactive suppliers all done. The role of supplier set up and maintenance is moving to procurement who are currently recruiting to the position, they are also undertaking a project to create a preferred supplier list. This is no longer an AP responsibility. All old 5 purchase orders are in the process of being reviewed and closed. The supplier portal roll out to begin 10/09/19	2-Sep-19	51 to 75	
8	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 - Exchequer Manager	Debtors team was joined to the Accounts Payable 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 part of the project migration plan. Project complete	2-Sep-19	Complete	
9	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 - Exchequer Manager	Web forms are now operational and working well with the exception of invoice request from BFFC, these web forms are still not operational, they are expected to be in use from November	2-Sep-19	76 or more	

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10	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 - Exchequer Manager	A Service Level Agreement (SLA) with legal is still being developed to clarify the role of legal in the recovery of unpaid debt. Regular monthly meetings between legal services and income and assessment are underway until the SLA is being is fully developed and agreed	02-Sep-19	51 to 75	
11	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		Stephen Saunders, Principal Personal Budget Support Officer	Since January 2019 pre-paid cards have been the default offer for all new and reviewed cases. Over 80% of all direct payment recipients are now operating that payment via a pre-paid card.	28-Aug-19	76 or more	
12	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	Finance are undertaking further modelling work to assess the number of service users that would need to be charged to enable a break even position to be achieved	23-Aug-19	76 or more	
13	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 - Assistant Director of Finance	Daily reports produced and sent to owners of feeder systems for 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. This will also be considered in line findings of the Oracle Healthcheck.	22-Aug-19	51 to 75	
14	DoR	General Ledger	All journals need proper designation as to the type of journal and its purpose.	18/19	4-Jun-18		Wai Lok, Technical Lead	An initial review has been conducted by the Technical Accountant which has not identified any significant issues with current practice. A further review will be conducted once the Statement of Accounts issues are resolved.	30-Aug-19	76 or more	
15	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		Wai Lok, Technical Lead	The Financial Systems Team have been working with Oracle as part of the overall review of the Financial System and codes, including the implementation of inter company accounting. Further advice on this issue is expected to be provided by Oracle following their review of the Fusion System.	30-Aug-19	51 to 75	
16	DoR	HB Subsidy	It is recommended that: a) backfill for seconded 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 as well as continued use of a subsidy expert. Achieved zero subsidy loss in audit of 17/18 claims, external audit of 18/19 has commenced this month, EY aim to be on-site this month to test the initial sampling.	15-Aug-19	76 or more	

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17	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. Although data cleanse has now taken place, the H&S Manager is concerned that data re level of staff responsibilities is incorrect. Assistant Director of HR and OD, H&S Manager and OD Manager to develop an action plan to resolve this issue. Where it is clear that staff have a confirmed level of responsibility, staff are being targeted to undertake the correct level of responsibility. When we are confident that the data is correct, a programme of refresher training will be delivered commensurate to appropriate levels of responsibility.	4-Aug-19	51 to 75	
18	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. Although data cleanse has now taken place, the H&S Manager is concerned that data re level of staff responsibilities is incorrect. Assistant Director of HR and OD, H&S Manager and OD Manager to develop an action plan to resolve this issue. Where it is clear that staff have a confirmed level of responsibility, staff are being targeted to undertake the correct level of responsibility. When we are confident that the data is correct, a programme of refresher training will be delivered commensurate to appropriate levels of responsibility.	4-Aug-19	51 to 75	
19	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.	22.08.19	Complete	
20	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 be added to Job Descriptions. Chris to meet with Shella Smith to discuss.	No change 22.08.19	25 or less	
21	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 drafted and taken to CMT on 30.04.2019. The report set out who the role of IOA sits with Heads of Service and Assistant Directors unless delegated. Chris emailed all Head of Service and Assistant Directors for nominations. Update report will be going to CMT members. Training will be arranged with the training provider in due course.	22.08.19	25 or less	
22	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	Jon Dickinson - Deputy Director of DACHS	Data quality work continues and we are now down to 272 cases to be cleared from the system from 1800. Weekly reports are distributed to managers for data accuracy and ongoing work takes place through our monthly Performance Board.	4-Sep-19	51 to 75	

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23	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.	15-Aug-19	76 or more	
24	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		David Munday Consultant in Public Health	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. As part of a review of corporate recharges for 19/20 these will be budgeted	15-Aug-19	76 or more	
25	DEGNS	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 has been requested on a more regular basis, but at August 2019, the most recent report received was January 2019.	28-Aug-19	76 or more	
26	DEGNS	S106	The methodology for recording, collecting and monitoring the payment status of S106 monies need to improved urgently. In particular: 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. b. The obligation index increases and revised amounts should always be recorded on Acumen. c. Provisional target dates should be established to monitor the status of payment triggers and for prompting the sales requisition. d. A monitoring procedure needs to be produced for reviewing the status of triggers and payments (who, how, when etc.). 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.	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 Assistant Director 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 has been carried out, and reports are requested on a regular basis to enable reconciliation. However, none has been received from Finance since January 19. A review to the procedure is being carried out, and is currently with management to be signed off.	28-Aug-19	76 or more	

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27	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 - Assistant Director of Finance Christopher Beauchamp - Exchequer Manager	12 petty cash/voucher floats now closed. Remaining petty cash/voucher schemes to be closed in the coming months.	2-Sep-19	51 to 75	
28	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 time a claim is made.</p>	16/17	2-Nov-16	14-Jul-17	Matt Davis - Assistant Director of Finance Christopher Beauchamp - Exchequer Manager	12 petty cash/voucher floats now closed. Write off will be required as starting balances not recorded on all floats, all floats have also been processed on the post office account with limited information. New accounts to be set up in Fusion for any remaining floats and a balance agreed with teams.	2-Sep-19	51 to 75	
29	DEGNS	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. The Whitespace system is in place and has been successfully tested for Green Waste and for Domestic waste with real time data being gathered. The system will go live at the call centre on 22nd July subject to the missed bins coordination with the Firmstep system being completed by the web team. A demonstration of the trade waste element of the system has been received and work is beginning to populate this system with a view to going live in September. Missed bin reporting forms for Firmstep are not yet complete and it is unlikely that the system for missed bins will be operational before the end of September. Trade waste roll out will then follow after that, but resource in the web team is preventing completion of this project.	19-Aug-19	76 or more	
30	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	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 March 2020. The policies covered in this audit will be prioritised.	30-Aug-19	26 to 50	

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31	DoR / DEGNS	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		Jo Barker - Interim Assistant Director of Digital and Transformation Cris Butler - Strategic Transport Programme Manager	It has been ascertained that the transport network is isolated from the corporate network, with contracts in place with external system providers who cover penetration testing of that network separately. Audit have now confirmed the transport systems do not pose a risk to the corporate network. However, as a part of the corporate restructure and future new ICT Operating Model, officers are tasked with reviewing how transport systems are currently managed and supported, with a view to transferring them onto the corporate network / new operating model as soon as practicable. A Transition Manager has now been recruited and starts 19.08.19 as a dedicated resource that can now research and define the systems that will be in scope for transfer to corporate control.	16-Aug-19	51 to 75	
32	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	Costs of Cyber Security Training Modules have been obtained from Knowbe4 @ circa £9K a year. CICTS have been requested to own this on-going, and to apply for corporate funding. If funding cannot be allocated, then the use of training materials becoming available through the National Cyber Security Pathfinders conferences are to be investigated as an alternative.	16-Aug-19	51 to 75	
33	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 Council's existing ICT Policies already clearly link to the Council's HR Disciplinary Procedures / Code of Conduct and Member Code of Conduct processes. 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. All Policies have been reviewed and updated where necessary for 2019/20. CMT have now approved the policies, and Policy Committee will now provide political approval in September to allow issue. A delegation to the Chief Executive to approve future ICT Policy changes is being requested to allow the faster publication of policy revisions in the future. Communications Planning has started with the Corporate Communications Team. Meanwhile, based on the recommendations being issued by the National Cyber Security Pathfinder conferences, reminder emails are being issued to Staff to remind them of the increasing Cyber security threats and the actions they need to be taking to manage risks in this area including reloading laptops regularly.	16-Aug-19	76 or more	

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34	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 with St Albans, Assuria (Supplier), Reading University, Cabinet Office, Information Age, E-mpirical, MSG Limited, for the delivery of a scalable SOC/SIEM solution for 10-15 Local Authorities on a Franchise style model, is being presented to the LGA for potential Phase 2 Security funding. This would bring additional an benefit of a rotation of security skills into the market. Further interest of joining the Pilot has now been expressed with some of the other Berkshire Unitaries. Further exploration of funding sources if the LGA bid is unsuccessful continues. Microsoft have also presented a SIEM Solution which comes to market in September, however pricing has not yet been released. We are hopeful of interest as this is an area of need across many Local Authorities that is recognised by the LGA and National Cyber Security Centre.	16-Aug-19	26 to 50	
35	DEGNS	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 DEGNS revenue grants and work with relevant individuals within the service to ensure that where they require an audit that the process is monitored closely and managed. The 18/19 relevant grants are currently with internal audit for review, 17/18 have been signed off	4-Sep-19	76 or more	
36	DEGNS	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		Richard Johnson Strategic Business Partner	Initial meetings between finance and service have taken place to discuss IA requirements. Relevant grant papers are with IA to review for 2018/19. The grant claim for 2017/18 has been signed off	4-Sep-19	76 or more	
37	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. This work is ongoing along with other partnership working regarding discharge to assess for CHC. Arrangement for a Health and Social Care away day to improve partnership working regarding CHC.	14-Aug-19	51 to 75	
38	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, AD of Legal and Democratic Services Shella Smith, AD of HR and Organisational Development	A revised Gifts and Hospitality Policy has been drafted and will be presented to CMT for approval in September 2019	30-Aug-19	26 to 50	

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
39	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 i-Trent.	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.	30-Aug-19	51 to 75	
40	CRO	Employee Gifts, Hospitality and Declarations of Interest	It is recommended that all offers of gifts and hospitality and declarations of interests are recorded on a corporate system (potentially on i-Trent when the facility becomes available) and for a summary report on reported activity to be reported by the Head of HR and Organisational Development to CMT each year.	18/19	18-Dec-18		Shella Smith, AD of HR and Organisational Development	Agreed. This will be explored after phase 1 and 2 of the project to improve iTrent functionality and roll out self-service has been completed. This is likely to be early in 2020.	30-Aug-19	51 to 75	
41	CRO	Employee Gifts, Hospitality and Declarations of Interest	It is recommended that the option potentially being considered to use i-Trent to record all declarations of interests, gifts and hospitality is supported by Audit and should be progressed as soon as is practicable.	18/19	18-Dec-18		Shella Smith, AD of HR and Organisational Development	Agreed. This will be considered once the iTrent self service roll-out is complete, in March 2020	30-Aug-19	25 or less	
42	DEGNS	Commercial leases	Consideration should be given to bringing together (centralising) the management and administration of (non-housing) properties under one team. This could include acquisition, disposal as well as lease and income management. Any such proposal would have to be financially variable and appropriately resourced.	18/19	05-Dec-18		Deputy Director, Regeneration & Assets	This recommendation is scheduled for consideration and discussion with the Director of DEGNS, with feedback on the way forward anticipated in the autumn	2-Sep-19	25 or less	
43	DEGNS	Commercial leases	There is a need for a corporate integrated property asset system that is fully compliant with accounting requirements. This is something we would encourage, in order to reduce staff time spent managing the spreadsheet and ensure greater accuracy in (financial) reporting.	18/19	05-Dec-18		Deputy Director, Regeneration & Assets Matthew Davies, Assistant Director of Finance	A software solution has been purchased from CIPFA, being the only fully International Financial Reporting Systems (IFRS) compliant product found available. Implementation is scheduled to be completed as part of 2018/19 accounts closure process and will be used as the council's holistic financial asset register from that point onwards	2-Sep-19	51 to 75	
44	DoR	Debtors - follow up review	<i>New recommendation</i> 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:- * distribution of aged debtors report should be specific to the service. * all services should promote payment at the point of supply of service etc. * arrears should be analysed to identify services and reasons for arrears so that a targeted approach can be instigated. * 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.	18/19	29/01/2019		Chris Beauchamp Exchequer Manager	New processes and procedures for managing the sundry to be introduced when Accounts Receivable move to Oracle Fusion this will specific reports to services and report to enable the collection teams to be more efficient - Project delay until the September 2019	2-Sep-19	25 or less	

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
45	DoR	Business Rates	The Property Inspector should update the Local Taxation Inspector and Inspections procedure documents.	18/19	16/05/2019		Samantha Wills, Recovery & Control Team Leader	The current local taxation inspector has commenced creating procedure documents to ensure we have no single point of failure and ensures we have succession planning should there be changes to existing staff (ongoing).	15-Aug-19	76 or more	
46	DoR	Business Rates	The Control Team should set out as policy a requirement to retain evidence of authorisation and review in a location that will be accessible in the event of staff change.	18/19	16/05/2019		Samantha Wills, Recovery & Control Team Leader	Procedures will be reviewed to ensure they are up to date and contain the elements highlighted in the audit report.	15-Aug-19	25 or less	
47	DoR	Business Rates	The Control Team should consider the feasibility of obtaining the data underlying the RBC Academy Balance Report and the VOA Schedule of Alterations Report in order to periodically review the data for potential errors and/or inconsistency.	18/19	16/05/2019		Samantha Wills, Recovery & Control Team Leader	We are reviewing the feasibility of full Valuation Office Agency (VOA) /RBC reconciliation	15-Aug-19	25 or less	
48	DoR	Business Rates	The Property Inspector should consider the feasibility of obtaining the data underlying the RBC Band Analysis Report and the VOA Banding Totals Report in order to periodically review the data for potential errors and/or inconsistency.	18/19	16/05/2019		Samantha Wills, Recovery & Control Team Leader	We are reviewing the feasibility of full VOA/RBC reconciliation	15-Aug-19	25 or less	
49	DoR	Business Rates	The Control Team should update the procedure documents for the performance of daily and monthly reconciliations in order to set out how the reconciliations will be verified and the requirement to retain evidence of review in a location that will be accessible in the event of staff change.	18/19	16/05/2019		Samantha Wills, Recovery & Control Team Leader	Procedures will be reviewed to ensure they are up to date and contain the elements highlighted in the audit report.	15-Aug-19	25 or less	
50	DoR	AP Creditors	Sign off and complete recommendations from previous audit report concerning ensuring Supplier database reflects best procurement policy.	18/19	05/04/2019		Matt Davis, Assistant Director of Finance Christopher Beauchamp, Exchequer Manager	Minor finance restructure has split the supplier set up between accounts payable and procurement role. Recruitment for the role in procurement to allow this segregation has commenced - still in progress	2-Sep-19	51 to 75	
51	DoR	AP Creditors	Issues around the supplier portal need to be resolved and the audit trail to supporting documentation reinstated .	18/19	05/04/2019		Matt Davis, Assistant Director of Finance Christopher Beauchamp, Exchequer Manager	Older style purchase order now closed, roll out of supplier portal happening September 2019, a solution to the problem with link/documents being available in Fusion for Mosaic invoices to be identified	2-Sep-19	51 to 75	
52	DoR	AP Creditors	Consideration should be given to bringing the supplier set up function in house and subject to documented processes.	18/19	05/04/2019		Matt Davis, Assistant Director of Finance Christopher Beauchamp, Exchequer Manager	Job specification completed and procurement are currently recruiting for this roles interviews happening in September	2-Sep-19	51 to 75	
53	DoR	Data Storage	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.	18/19	05/04/2019		Chris Brooks, SIRO Assistant Director for Legal & Democratic Services Jo Barker Interim Assistant Director - Digital & Transformation	Papers have been taken to CMT setting out the assignment of Information Asset Owners. The Council has just undertaken an ISO27001 Information Gap Analysis and those findings and recommendations will further inform remedial work following presentation of the report in September. An officer action group has been assembled involving Legal, Audit, HR, Corporate Improvement, Digital Transformation & Digital to take this forwards.	16-Aug-19	25 or less	

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
54	DoR	Data Storage	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.	18/19	05/04/2019		Chris Brooks, SIRO Assistant Director for Legal & Democratic Services Jo Barker, Interim Assistant Director - Digital & Transformation	A Formal ISO27001 Information Governance Gap Analysis has been run with IT Governance and those findings and recommendations will help inform further remedial action. Report is due to be presented in September. An officer action group has been assembled involving Legal, Audit, HR, Corporate Improvement, Digital Transformation & Digital to take this forwards. The Microsoft Office 365 project is looking at the implications of data migration to the cloud, and will seek to put in place controls that manage data migrated on-going.	16-Aug-19	25 or less	
55	DoR	Data Storage	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.	18/19	05/04/2019		Chris Brooks - Assistant Director of Legal & Democratic Services Jo Barker, Interim Assistant Director - Digital & Transformation	A formal Office 365 Project has been commissioned with Northgate and their Gold Partner Risual. Workshops have been held which will now go forwards to inform the data migration strategy/. Advice has also been sought from other Berkshire Unitary Authorities to learn from their migration experiences and recommendations.	04-Jul-19	25 or less	
56	DoR	Data Storage	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.	18/19	05/04/2019		Chris Brooks - Assistant Director of Legal & Democratic Services	A corporate instruction has been given to cull Mailmeter data to 3 years. In order to do this an additional Waterford's Product has been purchase (ComplyKey) and installed on an upgraded server needed to execute the cull. This server has now processed the backlog of email which built up through the upgrade process. Once outstanding Data Protection Subject Access Requests have been processed, the cull to 3 years can be instigated. This will manage the GDPR Data Protection Risk associated with held email, and then its future can be determined as part of the O365 Microsoft Strategy. The project for O365 is being taken forward with Northgate and their Microsoft gold Partner Risual, with their recommendations feeding into a further decision process.	16-Aug-19	26 to 50	
57	DEGNS	Homes for Reading	The HfR Board should consider whether the current system used to document / record EMT meetings is adequate and provides a sufficient trail or whether any improvements need to be made.	18/19	12/04/2019		Zelda Wolffe Assistant Director Housing & Communities	In view of the new operating model for HfR, the Board has agreed a new governance structure. This will consist of a Shareholder Advisory Group of senior officers which will report in to the Board. meetings to be set up from September 2019	29-Aug-19	Complete	

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
58	DEGNS	Homes for Reading	The HfR Managing Director's recommendation to establish a Shareholder Advisory Group or equivalent is supported and it is recommended that this is established as soon as practicable.	18/19	12/04/2019		Zelda Wolffe Assistant Director Housing & Communities	the HfR Board has agreed a new governance structure. This will consist of a Shareholder Advisory Group of senior officers which will report in to the Board. Membership has been agreed and meetings to be set up from September 2019	29-Aug-19	Complete	
59	DEGNS	Homes for Reading	It is recommended that Homes for Reading establishes a standard proforma for the documentation of its systems and procedures, including: a) ensuring these are reviewed and where necessary, updated at regular intervals; b) ensuring that the date of review / update is clearly identified; and c) that these procedures are reviewed, agreed and approved by an appropriate person.	18/19	12/04/2019		Zelda Wolffe Assistant Director Housing & Communities	HfR has implemented a standard format for procedures, including version control and review processes for key company policy including Health and Safety, Complaints and Fair Wear and Tear, Financial authorisation, Signatories etc. HfR has also implemented key process procedures to aid the flow of activity and to control decision making via gateway authorisations. This processes are available to all service providers. Whilst version control is in place, it is agreed by HFR to implement timescales governing the frequency of review to ensure its processes remain current. SAG to review systems and procedures required in view of the new operating model.	29-Aug-19	51 to 75	
60	DEGNS	Homes for Reading	Although recently agreed by the Board, the outcomes of the recent review of governance need to be reviewed and agreed between Homes for Reading and the Council, if necessary.	18/19	12/04/2019		Zelda Wolffe Assistant Director Housing & Communities	Governance arrangements agreed	29-Aug-19	Complete	
61	DEGNS	Homes for Reading	Housing and Homes for Reading need to resolve the issue of the reporting of rent accounts for HfR properties and without it being an intensive manual exercise.	18/19	12/04/2019		Zelda Wolffe Assistant Director Housing & Communities	3 reports set up in OHms to manage this process. OHMs is not ideal for HFR due to the way the debit is raised, adjustments made and the way payments/housing benefit is received. Changes to OHMS now give a separate financial statement, which has all the information required except how this is broken down by property and so some manual adjustments still required. HFR has completed a reconciliation of finance as part of the year end process for 18/19.	29-Aug-19	Complete	
62	DEGNS	Homes for Reading	Housing should consider repeating the local market testing exercise for the supply of goods and services to ensure that RBC procurement guidelines are being met and best value is achieved.	18/19	12/04/2019		Zelda Wolffe Assistant Director Housing & Communities	HfR has raised this issue with all its Service Providers. HFR spend with suppliers is likely to reduce in 19/20 as a result of its revised operating approach. HFR is seeking to monitor the spend on white goods and cleaning etc., and will agree at Board whether to procure suppliers directly or ask service providers to update existing contract arrangements. Issue to be discussed at next SAG meeting in September.	29-Aug-19	51 to 75	

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
63	DEGNS	Homes for Reading	In line with the Homes for Reading MD's plan, it is recommended that existing service level agreements with Finance and other in-house suppliers are reviewed, negotiated where necessary and then agreed between the relevant parties. Thereafter a process of monitoring of the agreement(s) needs to be implemented. Where the levels of performance and service are not adequate there should be an established process for these to be resolved.	18/19	12/04/2019		Zelda Wolfe Assistant Director Housing & Communities	A revised SLA was drafted by the departing Managing Director including a new set of KPI's to manage performance under the contract for 19/20. KPI's to be monitored by SAG and then reported to the Board	29-Aug-19	Complete	
64	DACHS	Direct Payments - follow up	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.	18/19	02/04/2019		Stephen Saunders, Principal Personal Budget Support Officer	Agreement with BfC that DBS checks are required for all Personal Assistants working with children.	28-Aug-19	Complete	
65	DACHS	Direct Payments - follow up	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.	18/19	02/04/2019		Stephen Saunders, Principal Personal Budget Support Officer	Not complete. Finance colleagues are currently producing a list of verified suppliers and their account numbers.	28-Aug-19	26 to 50	
66	DACHS	Direct Payments - follow up	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.	18/19	02/04/2019		Stephen Saunders, Principal Personal Budget Support Officer	Successful transactions report and inactivity report run monthly. Failed transactions report run weekly. All are analysed and exceptions investigated. A reports log has been created to track completion of this task.	28-Aug-19	Complete	
67	DACHS	Direct Payments - follow up	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.	18/19	02/04/2019		Stephen Saunders, Principal Personal Budget Support Officer	A Proportional Monitoring Scorecard has been developed with input from Audit and is currently being implemented. Recruitment has been successful to all vacant posts and the team is now fully staffed. Significant progress has been made on the backlog with the aim to have this completed by the end of 2019. Performance statistics for the team have now been developed and are discussed each month at the DACHS performance surgery which is chaired by the Director / and or Deputy Director. This has broadened the knowledge of this target across all managers.	28-Aug-19	51 to 75	
68	DACHS	Direct Payments - follow up	Greater care should be taken by the PBST to ensure necessary receipts, records and documents are sought to support service users' direct payment expenditure.	18/19	02/04/2019		Stephen Saunders, Principal Personal Budget Support Officer	The guidance and literature issued to all recipients has been reviewed in order to make that expectation clearer. It is already stated in the Personal Budget Agreement that this is a requirement.	28-Aug-19	Complete	

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
69	DACHS	Direct Payments - follow up	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.	18/19	02/04/2019		Stephen Saunders, Principal Personal Budget Support Officer	The Principal Officer in the team (who makes no transactions himself) now reviews the monthly successful transactions report to confirm that all recoup transactions made by team members are to Reading Borough Council's main account. Any exceptions would be investigated. Completion of this task is recorded in the reports log.	28-Aug-19	Complete	
70	DoR	Payroll	The payroll control codes balancing procedure document should be updated to reflect current practice and be stored in a location where it will be available to staff.	18/19	26/06/2019		Sharon Brown, Payroll & Pensions Manager	A review of the payroll control code reconciliation process has been undertaken and the new process has been documented ready to be added into the payroll procedure guide which will be sent to Technical account to review and make amendments prior to finalisation	19-Aug-19	76 or more	
71	DoR	Payroll	The Technical Accountant should set out detailed written guidance notes setting out how the Payroll to GL reconciliation should be produced and agreed. This should include: - Assigning roles, responsibilities and accountability. - Define the scope, purpose and reporting framework for reconciliations. - Approve the accounting approach and the format of the reconciliation templates used e.g. layout, calculations, descriptions, headings, referencing etc. - Define the framework for monitoring the completion status, technical issues, reporting of misbalances and their resolution.	18/19	26/06/2019		Wai Lok, Technical Lead	A procedure document has been drafted by Payroll and will be shared with the Technical Accountant for review. The format of the template used for reconciliation is agreed and being used each month.	29-Aug-19	76 or more	
72	DoR	Payroll	The Technical Accountant should ensure that items outstanding on the monthly Payroll to GL reconciliation are addressed in a timely fashion in order that the reconciliation is complete and a true and fair reflection of activity.	18/19	26/06/2019		Wai Lok, Technical Lead	Review of balances on payroll codes are completed monthly between payroll and the Technical Accountant. On-going work is taking place to ensure reconciliation is complete. This has resulted in the clearance of old balances and reduction in the number of codes used.	29-Aug-19	76 or more	
									Status		
									25 or less	12	
									26 to 50	5	
									51 to 75	23	
									76 or more	20	
									Complete	12	
									100	Total	72

Agenda Item 6

READING BOROUGH COUNCIL REPORT BY EXECUTIVE DIRECTOR OF RESOURCES

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	19 th September 2019		
TITLE:	TREASURY MANAGEMENT HALF YEARLY REPORT		
LEAD COUNCILLOR:	CLLR EMBERSON	PORTFOLIO:	CORPORATE & CONSUMER SERVICES
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
AUTHOR:	MATT DAVIS	TEL:	0118 937 2954
JOB TITLE:	ASSISTANT DIRECTOR OF FINANCE	E-MAIL:	Matt.davis@reading.gov.uk

1. EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to update Members on the activity of the Treasury Management function for 2019/20 as at 31st August 2019.
- 1.2 The report complies with CIPFA's Code of Practice on Treasury Management which requires that the Council receives a report on its Treasury Management activity at least twice a year. Specifically this report includes:
- a review of the Council's financial investment portfolio for 2019/20 as at 31st August 2019;
 - a review of the Council's borrowing strategy for 2019/20;
 - a review of compliance with the Council's Treasury and Prudential Limits for the first five months of 2019/20; and
 - an economic update for the first part of the financial year.
- 1.3 The Council has complied with all elements of its Treasury Management Strategy Statement (TMSS) as agreed by Council in February 2019.

2. RECOMMENDED ACTIONS

That the Audit & Governance Committee:

- 2.1 Note the performance of the Treasury Management function for the five months to 31st August 2019 and the key issues emerging;

APPENDICES

Appendix 1: Commentary on the economic backdrop for 2019/20.
Appendix 2: Approved counterparties and limits

3. BACKGROUND

- 3.1. The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

4. BORROWING

- 4.1. As at 31st August 2019 net borrowing was £337m, a decrease of £10m on the position at 31 March 2019. The decrease reflects the forecast pattern of the Authority's cash-flows.

Table 1: Net borrowing position at 31st August 2019

	31 Mar 2019 £m	31 Aug 2019 £m
Total gross borrowing	399	406
Total cash invested	(52)	(69)
Net borrowing	347	337

- 4.2. As interest rates remain historically low, the Authority's main objective when borrowing is to strike a balance between securing low interest rates and achieving cost certainty over the period for which funds are required. This position provides short term savings with the flexibility to secure longer dated loans as and when financial forecasts indicate that external borrowing rates may increase.
- 4.3. The Base Rate was raised to 0.75% in August 2018 and has been maintained at this level since. The Bank of England's Monetary Policy Committee has expectations of a slow rise in interest rates over the next few years. Appendix 1 provides further commentary on the economic backdrop for 2019/20.
- 4.4. The Council's underlying need to borrow for capital purposes is measured by its Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investment below their underlying levels, sometimes known as internal borrowing. In recent years this strategy has helped minimise the Council's net financing costs. Table 2 below sets out the CFR on the Council's Balance Sheet at 31.03.19, prior to Audit.

Table 2: Capital Financing Requirement at 31.03.19

	General Fund £m	HRA £m	Total 31 Mar 2019 £m
CFR	364	192	556
Less PFI liabilities	(26)		(26)
CFR / Underlying Borrowing Requirement	338	192	530
Less usable reserves and working capital	(158)		(158)
Net borrowing requirement	180	192	372

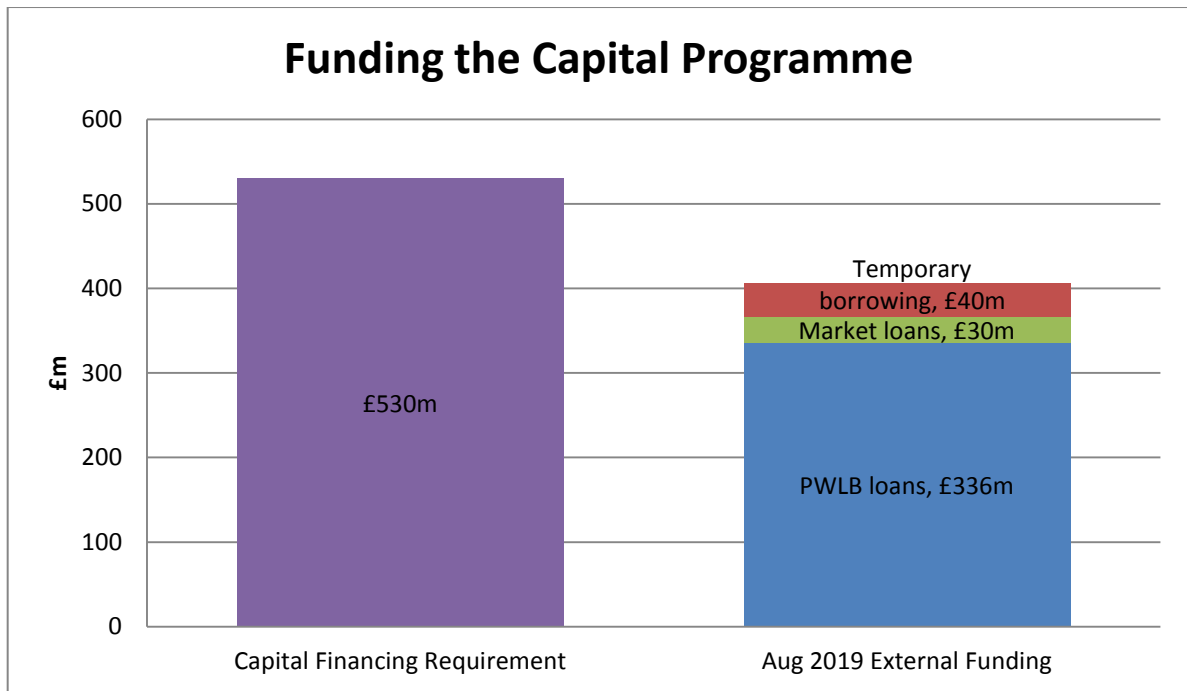
4.5. Table 3 below compares total external borrowing as at 31.08.19 to the position as at the end of the financial year 2018/19 and to the CFR available for borrowing after deducting PFI liabilities.

Table 3: Gross borrowing position

	31 Mar 2019 £m	31 Aug 2019 £m
PWLB	326	336
LOBO	25	25
Fixed term borrowing	5	5
Temporary borrowing - other LAs	43	40
Total Borrowing	399	406
CFR	530	530
Under borrowing	131	124

4.6. At £406m the Council's gross borrowing is well within the Prudential Indicator for external borrowing; £530m as set out in Table 3 above.

4.7. The graph below compares the Council's actual borrowing to its CFR after deducting PFI liabilities.



4.8. The Council sets both an annual Operational Boundary and Authorised Limit for borrowing. These limits are set above the CFR to accommodate day-to-day treasury operations and manage abnormal cash flows which may result in a temporary need to borrow. The Operational Boundary is the limit beyond which external borrowing is not normally expected to increase at any point during the year other than on a short term basis. The Authorised Limit is the limit beyond which external borrowing is prohibited.

4.9. Table 4 below sets out the level of borrowing held as at 31 Aug 2019 against both the Operational Boundary and Authorised Limit for external borrowing. This demonstrates that the Council is comfortably within these limits.

Table 4: Borrowing vs. boundary/limits

	£m
External Borrowing as at 31 Aug 2019	406
Operational Boundary	642
Authorised Limit	725

4.10. As anticipated in the Treasury Management Strategy for 2019/20, there is a forecast for new borrowing of up to £124m in 2019/20. To date the Council has so far undertaken £10m new borrowing. Officers will monitor market conditions and consult our treasury advisors when reviewing the need to borrow.

5. REPAYING BORROWING - MINIMUM REVENUE PROVISION

- 5.1. Full Council approved the Minimum Revenue Provision (MRP) Statement for 2019/20 as part of its Council Tax and Budget Setting report in February 2020. This will be reviewed by Council in February as part of its consideration of the Council's Treasury Management Strategy alongside consideration of the Medium Term Financial Strategy 2020/21 - 2022/23.
- 5.2. To date one investment property purchases have been made during 2019/20. Any further acquisitions will be in accordance with Counsel opinion and in line with the updated Treasury and Investment strategies being considered by Full Council in February 2020.

6. INVESTMENTS

- 6.1. The Council's Annual Investment Strategy forms part of its annual Treasury Management Strategy Statement (TMSS). The 2019-20 Strategy was approved by the Council on 26 February 2019. The objective of the Strategy is the prudent investment of balances to achieve optimum returns on investments subject to maintaining adequate security of capital and a level of liquidity appropriate to the Council's projected need for funds over time.
- 6.2. Table 5 below provides a breakdown of the Council's investments as at 31.08.19 compared to 31.03.19.

Table 5: Breakdown of investments

	31 Mar 2019 £m	31 Aug 2019 £m
Money Market Funds	18	27
CCLA property fund	15	15
Loan to Homes for Reading Ltd	18	25
Call Account	1	2
Total invested	52	69

- 6.3. Liquid balances are managed through Money Market Funds providing same day liquidity.
- 6.4. Other investments include the CCLA property fund and loans to Homes for Reading Ltd.
- 6.5. CCLA is a specialist investment management firm that acts on behalf of churches, charities and local authorities. The investment has produced quarterly returns ranging between 4% and 5%.
- 6.6. Although not currently classed as treasury management activities and therefore not covered by the CIPFA code, the Council also holds £42m of investments in directly owned investment property and £22m in loans to and shareholdings in its subsidiaries.

7. COMPLIANCE

- 7.1. During the financial year to August 2019, the Council operated within the Treasury Limits and Prudential Indicators set out in the TMSS approved by Council on 26 February 2019 as set out below.

Table 6: Prudential Indicators

PI ref	Indicator	2019/20 indicator	Actual as at 31.08.19	Indicator met
1	Capital Financing Requirement (CFR)	£540m GF £199m HRA	£364m GF £192m HRA	Met
2	Gross debt vs CFR less PFI liabilities	£124m under borrowed	£124m under borrowed	Met
3	Authorised limit for external debt	£725m	£406m	Met
4	Operational boundary	£642m	£406m	Met
5	HRA internal debt limit	£199m	£192m	Met

8. FINANCIAL IMPLICATIONS

- 8.1. Financial implications are contained in the body of this report

9. LEGAL IMPLICATIONS

- 9.1. The Local Government Act 2003 requires the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. This report assists the Council in fulfilling its statutory obligation under the Local Government Act 2003 to monitor its borrowing and investment activities.

BACKGROUND PAPERS

- Treasury Management Strategy Statement for 2019/20 at Full Council 26 February 2019.
- CIPFA Code of Practice for Treasury Management in the Public Services 2017
- CIPFA The Prudential Code 2017

Appendix 1 - Economic background

Economy

- A1 UK output data indicated surprising strength in July, to dampen recession fears. Industrial production unexpectedly rebounded, with a small 0.1% m/m pick up in July. Markets had been looking for another 0.1% contraction. Manufacturing output bounced, with a 0.3% increase, but there was a decline in the mining sector. On the year overall output contracted, but at a slower rate of 0.9%, with manufacturing down 0.6% y/y. Construction output grew by a slower than forecast 0.3% y/y, with all new work expanding but repair/maintenance work continued to fall. The trade gap widened slightly to £1.932bn in July, from a downwardly revised £1.771bn the previous month. The goods and services deficit grew from £0.132bn to £0.219bn.
- A2 Despite the economic pick up in July, the monthly GDP figure was flat in the three months to July. The services sector remained subdued but output in both production and construction sectors declined, with a 1.1% fall in the manufacturing sector the main drag on the former. For July alone, GDP grew by a six month high 0.3%.
- A3 The much awaited ECB policy meeting is expected to see interest rates cut to -0.50% and forward guidance strengthened. QE may not be included in this meeting, but the press conference is likely to signal that as coming in October. EZ industrial production is likely to be little changed, possibly posting a small monthly contraction, indicating that the sector is continuing to struggle into Q3. US core consumer price inflation may push higher, despite a slight easing in the monthly rate. Lower gasoline prices should pull the headline reading lower.
- A4 The recent strength of US retail sales could come to something of a halt in August. Some of this will be down to the unsustainable growth the previous month, but the concerns raised by the trade war and the potential for a recession could be weighing on consumer sentiment.
- A5 The 31st October deadline looms large, with near-term political developments in the UK remaining key over the coming days. Market sentiment will flex as these developments pan out, providing the potential for higher than normal levels of volatility in the near-term for both investment and borrowing rates.

Financial markets

- A6 At 10 September, the better than expected UK data and improved risk appetite saw gilts and other global bonds sold recently. Gilt yields rose by 2-8.5 basis points on the day, but Brexit concerns should limit the extent to which gilts are sold off.
- A7 The FTSE turned 0.64% lower yesterday as major internationally focused stocks fell as Sterling was boosted by the unexpectedly robust data releases and a tempering of "no deal" Brexit worries. Sterling pushed to a six week high as fears of recession were kept in check, hitting a high of 1.2382, though it did lose some ground on the announcement that John Bercow, the Speaker, will be standing down.
- A8 European bourses also closed down on the session, with the STOXX 600 off by 0.3%, despite a surprising rise in German exports, as investors looked ahead to Thursday's ECB meeting, which is expected to add to stimulus. Defensive stocks, such as healthcare, felt the weight of sales. Wall Street was mixed, but little changed, with the Dow up 0.15%, the S&P flat on the day and the NASDAQ down 0.16%, on increased expectations of central bank stimulus around the world were offset by losses in the technology and healthcare sectors. Asia/Pacific markets were generally lower this morning as Chinese factor prices declines weighed on sentiment.

Credit background

- A9 Credit Default Swap (CDS) index prices fell further over the past week. The European index fell by almost 9%, while its US equivalent was down by 5.09%. This general move down was also reflected at the individual level, where only Banco Commercial Portugues edged up...by only 0.31%. On the month, increases were similarly sparse, with this bank joined by four further entities. However, increases in these five entities were capped at just over 1.5%, with four of them below 1%. Underlying prices remain low with only two entities that we monitor with a price above 100bps. These are from either Italy or Portugal.
- A10 Major equity markets registered another week in the black, this time led by shares in Japan. Late news of fresh Chinese policy support helped markets, as did expectations that the ECB may ease monetary policy at this week's meeting. On the domestic front, the FTSE-100 was up just over 1%, while the bank's sub-index rose by 1.56%. Individual gains were dominated by European names, while the fallers on the week were all based in the Middle East.

Interest Rates

A11 Link Asset's central case is for Bank Rate to rise once at Dec 2020. The August MPC meeting delivered the expected no change vote with a unanimous 9-0 vote, with the committee suggesting that the UK economy is likely to have stagnated in Q2. The MPC noted that the economy is operating against a backdrop of weaker global growth and ongoing trade tensions. As a consequence they downgraded growth expectations for 2019 and 2020, based on Brexit with a deal, warning that "no deal", withdrawal would have a greater dampening effect.

Bank Rate	Interest Rate Forecasts							
	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Link	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%
Cap Econ	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	-	-

A12 The ongoing Brexit saga will ensure that any initial interest rate hike is delayed, even though a disorderly Brexit has been avoided for now. Mark Carney had previously suggested that the headwinds facing the UK economy might require the Bank to offer further support. The Inflation Report indicated that, even if a Brexit deal is achieved, the economy will slow in 2019/2020. Q2 GDP showed that the economy contracted, possibly enhancing the chances of a rate cut. Politics and Brexit, though, will set the interest rate agenda.

A13 The new Government's aggression towards Brexit and rising prospect of "no deal", along with growth concerns offered the possibility of a rate cut this year, but Prime Minister's Brexit defeat appears to have eased fears of a disorderly exit. Rate expectations are likely to remain volatile and have eased back, helped also by trade talks news, which have soothed concerns of a global recession and the surprising strength of the July UK output release.

Appendix 2 - Approved counterparties and limits

Counterparty		Cash limit	Time limit
Banks and other organisations and securities whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AAA	£20m each	10 years
	AA+		5 years
	AA		4 years
	AA-		3 years
	A+		2 years
	A		1 year
	A-		
The Council's current account, Lloyds Bank plc should circumstances arise when it does not meet the above criteria		£1m	next day
UK Central Government (irrespective of credit rating)		unlimited	50 years
UK Local Authorities (irrespective of credit rating)		£20m each	50 years
UK Registered Providers of Social Housing whose lowest published long-term credit rating is A- or higher		£5m each	10 years
UK Registered Providers of Social Housing whose lowest published long-term credit rating is BBB- or higher and those without credit ratings		£2m each	5 years
UK Building Societies without credit ratings		£10m each	1 year
Money market funds and other pooled funds (including the CCLA Property Fund)		Up to £20m each	n/a
Any other organisation, subject to an external credit assessment and specific advice from the Council's treasury management adviser		£5m each	3 months
		£1m each	1 year
		£100k each	5 years

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**READING BOROUGH COUNCIL
EXECUTIVE DIRECTOR OF RESOURCES**

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	19 SEPTEMBER 2019		
TITLE:	CLOSURE OF ACCOUNTS UPDATE		
LEAD COUNCILLOR:	COUNCILLOR EMBERSON	PORTFOLIO:	CORPORATE AND CONSUMER SERVICES
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
LEAD OFFICER:	MATTHEW DAVIS	TEL:	0118 937 2954
JOB TITLE:	ASSISTANT DIRECTOR OF FINANCE	E-MAIL:	Matthew.Davis@reading.gov.uk

1. EXECUTIVE SUMMARY

- 1.1 This report updates the Committee on progress with the completion of the Council's Accounts for 2017/18 and 2018/19.
- 1.2 Following the formal certification of the 2016/17 accounts on the 19th of July, the 2017/18 draft accounts have been completed and handed to the Council's external auditors; Ernst & Young (EY), with the formal period of public inspection having commenced on 12th August 2019 and being due to end on 20th September 2019.
- 1.3 A technical review of the 2017/18 accounts has already been undertaken by EY and officers are currently working through providing responses to these initial queries.
- 1.5 Officers are also fully engaged in completing the 2018/19 accounts. At this stage it is anticipated that the draft 2018/19 accounts will be completed and with EY at the end of September 2019 and available for public inspection shortly thereafter.
- 1.5 Auditors are due to arrive on site to commence the substantial work for the formal audit of both the 2017/18 accounts and the 2018/19 accounts on 30th September 2019.

2. RECOMMENDED ACTION

- 2.1 To note that the 2017/18 accounts have now been handed over to the Council's external auditors and that the statutory 30 day public inspection period for the same has commenced;
- 2.2 To note the progress being made in closing the 2018/19 accounts; and
- 2.3 To note that the external auditors will be on-site at the Civic Offices from the 30th September 2019 to audit both the 2017/18 and the 2018/9 accounts.

3. BACKGROUND AND PROCESS

2017/18 Accounts

- 3.1 Work on closing the 2017/18 accounts began in the spring of 2018, with the closure of the management accounts and a draft outturn position being reported to this Committee in August 2018.
- 3.2 As previously reported, it was necessary to commission fresh property valuations for the 2017/18 accounts, the majority of which were received at the end of January 2019. However, it was only possible to process the valuations once EY had confirmed they had completed the audit of the 2016/17 Asset Register and brought forward balances were agreed.
- 3.3 In addition, as a result of issues that have arisen nationally during the audits of both 2017/18 and 2018/19 accounts officers have had to obtain further information and enhance the working papers. In particular, revised reports have been obtained from the Actuary to reflect the actual outturn of the Pension Fund and the potential impact of the recent Court of Appeal judgment regarding age discrimination (Lord Chancellor v McCloud & Others, December 2018).
- 3.4 In compiling the 2017/18 accounts new accounts closure software has been implemented which will ensure supporting working papers are prepared and stored effectively and improve accessibility for external audit.
- 3.5 The draft 2017/18 accounts have now been handed to the council's external auditors and have been made available for public inspection until the 20th September 2019.
- 3.6 The external auditors have sent to officers the initial technical review, and additional queries, in relation to the 2017/18 accounts with officers currently engaged in compiling responses to the same.
- 3.7 The external auditors are due to commence formal audit of the 2017/18 accounts on 30th September 2019.

2018/19 Accounts

- 3.8 The 2018/19 management accounts have been closed and an outturn position reported to the July 2019 Policy Committee. Officers are now engaged on compiling the 2018/19 draft accounts now that the draft 2017/18 accounts have been completed.
- 3.9 The 2018/19 accounts should be available for audit and public inspection by the end of September 2019.
- 3.10 The external auditors are due to commence formal audit of the 2018/19 accounts on 30th September 2019.

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 both the 2017/18 and the 2018/19 Accounts as they were not ready for inspection.
- 5.2 At the time of writing the formal notice to open the 2017/18 draft Accounts for the 30 working day inspection period has been published on the website. The inspection period for the 2018/19 Accounts is expected to commence shortly after the inspection period for 2017/18 closes.

6. FINANCIAL IMPLICATIONS

- 6.1 As contained in the body of the report.

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