

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

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2 October 2020

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

NOTICE OF MEETING - AUDIT AND GOVERNANCE COMMITTEE 12 OCTOBER 2020

A meeting of the Audit and Governance Committee will be held on Monday, 12 October 2020 at 6.30 pm as an Online Meeting via Microsoft Teams. The Agenda for the meeting is set out below.

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1. DECLARATIONS OF INTEREST		
2. MINUTES OF THE PREVIOUS MEETING HELD ON 14 JULY 2020		3 - 8
3. QUESTIONS		
4. INTERNAL AUDIT QUARTERLY PROGRESS REPORT	BOROUGH WIDE	9 - 28
This report provides an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report.		
5. DRAFT ANNUAL GOVERNANCE STATEMENT 2019/20	BOROUGH WIDE	29 - 40
To receive a report on the draft Annual Governance Statement for 2019/20 for publication with the Council's accounts.		
6. STRATEGIC RISK REGISTER	BOROUGH WIDE	41 - 64
To receive a report on the Council's Strategic Risk Register for Quarter 2.		

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7.	IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER		65 - 92
	<p>This report sets out a summary of those high and medium risk Internal Audit recommendations which remain outstanding together with an updated management response.</p>		
8.	CLOSING ACCOUNTS UPDATE	BOROUGH WIDE	93 - 96
	<p>This report updates the Committee on progress with the completion of the Council's Final Accounts for 2017/18, 2018/19 and 2019/20.</p>		
9.	FINANCE IMPROVEMENT PROGRAMME UPDATE	BOROUGH WIDE	97 - 102
	<p>This report provides an update on progress by the Finance division to implement the Finance Improvement Programme.</p>		
10.	EXTERNAL AUDITOR UPDATE		103 - 166
	<p>This report summarises EY's preliminary audit conclusion in relation to the audit of Reading Borough Council for 2017/18.</p>		

Present: Councillors Stevens (Chairman), Davies, Edwards, Gittings, McKenna, Robinson, Terry (in place of Councillor Emberson) & J Williams.

Apologies: Councillor Emberson;

In attendance: Councillor Page (Deputy Leader of the Council).

1. MINUTES

The Minutes of the meeting of 30 January 2020 were confirmed as a correct record and would be signed by the Chairman.

Further to Minute 22, the Committee noted that a report would be submitted to the next meeting on the Internal Audit Recommendations 97 and 98, which were set out in the Audit Recommendations Tracker, in relation to the timeliness of financial assessments of Adult Residential and Nursing Care Contributions.

2. 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 January 2020. The report highlighted that there would be a review of Internal Audit work to be undertaken in 2020/2021 and any amendments to the plan would be reported back to the Audit & Governance Committee at its next meeting. The review would be mindful that a proportionate approach to Internal Audit must be taken to allow Reading Borough Council staff and members to focus on the priorities, during these unprecedented times.

The report set out a summary of the audit reports in respect of Sundry Debtors; Bank and Control Account Reconciliations; Accounts Payable; Journal Testing; NNDR; DBS Checks; Web Payments; Housing Rent Accounting; Freedom of Information (follow-up); Blue Badge Scheme; and Residents' Parking (follow-up).

In relation to Sundry Debtors, the report strongly recommended that the corporate debt policy, recovery strategy and control framework for managing and monitoring debt was fully reviewed alongside the project for changing the debt management system as performance and collection levels and control had deteriorated. The deterioration in performance and increasing debt with no effective procedure in place had resulted in internal audit being unable to give any assurance.

In relation to Bank and Control Account Reconciliations, it was reported that despite previous review recommendations, Internal Audit still found no uniform approach in the production of reconciliations, where consistent standards for the recording of information and the retention of audit trails could then be evidenced. There was also an absence of a process to establish the segregation of duties involved in the preparation, review and approval of reconciliations, except for the Council's main bank account reconciliation.

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In relation to Accounts Payable, Internal Audit had noted that a project had commenced to map business processes and provide documented business practices with measurable performance indicators. However, notwithstanding the project that was now in train, this was the fourth consecutive year that the Council's Accounts Payable system had only received limited assurance.

The report also listed the audits that were currently in progress, or were planned for 2020/21, and gave a summary of investigations work between April and August 2019.

Resolved:

That the Internal Audit recommendations set out in the report be endorsed and in particular those that applied to Sundry Debtors, Bank and Control Account Reconciliations and Accounts Payable.

3. 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 2019/2020 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, which was set out in more detail in the attached report, the Chief Auditor had concluded, that whilst no assurance could ever be absolute, he could only give limited assurance that arrangements to secure governance, risk management and internal control within those areas audited in 2019/20, were suitably designed and applied effectively. The basis for the assurance opinion was set out in section 2 of the attached report and the key areas for improvement identified during the audit work were set out in section 4.

The report emphasised that the important issues in determining the limited opinion were the weaknesses identified within some of the Council's financial systems, which had remained unresolved and, in some instances, had deteriorated. Basic financial controls had not worked as expected, for example bank reconciliations had not been kept up-to-date and historic audit recommendations relating to both 'accounts payable' and 'accounts receivable' had not been implemented. Daily bank reconciliations had been undertaken throughout the financial year to check that all receipts in the bank account were processed by the cash system, so it was known that cash had been allocated. However, monthly reconciliations, dating back to September 2019, providing a cumulative oversight had not been performed at the time of the audit in February 2020.

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The Chief Auditor concluded, whilst a reasonable assurance opinion had been given in 2018/2019, there had been insufficient improvement in the control environment within some of the Council's key financial systems during 2019/2020 and some of the actions previously agreed had not been implemented. The Finance Department's response to the findings would be presented in a separate report on the agenda (see Minute 4 below) for your consideration.

Resolved:

That the assurance opinion given by the Chief Auditor and the issues raised in the annual report be noted.

4. RESPONSE TO THE INTERNAL AUDIT & INVESTIGATIONS ANNUAL ASSURANCE REPORT REVIEWS RELATING TO SERVICES DELIVERED BY THE FINANCE DEPARTMENT

Further to Minutes 2 and 3 above, the Assistant Director of Finance, Peter Robinson, presented a report providing an update on progress by the Finance division to respond to Internal Audit's findings and recommendations in their Annual Assurance Report. The Internal Audit and Investigations Annual Assurance Report had delivered Limited Assurance Reviews in relation to four areas; Accounts Receivable, Accounts Payable, VAT and Bank & Control Account Reconciliations. The Annual Assurance Report had been thoroughly reviewed and actions to address all the audit findings and areas for improvement identified had been included in the Finance Improvement Programme, which was scheduled to be concluded by 30 September 2020. The action that the Finance Department had put in motion to address the findings of the Internal Audit and Investigations Annual Assurance Report were summarised in Section 3 of the report.

Resolved:

- (1) That the importance placed by the Finance department upon the findings of the Internal Audit and Investigations Annual Assurance Report, be noted;**
- (2) That the actions that the Finance department had put in motion to address the findings of the Internal Audit and Investigations Annual Assurance Report, be noted;**
- (3) That a report on the Financial Improvement Programme be submitted to the next meeting to provide assurance that appropriate action was being taken to address all audit findings and areas for improvement identified within the Finance Department.**

5. FINAL ACCOUNTS UPDATE

Peter Robinson, interim Assistant Director of Finance, submitted a report providing an update on the completion of the Council's Final Accounts for 2017/18, 2018/19 and 2019/20. The report stated that the Audit of the 2017/18 Accounts was nearing completion, with RBC Officers now having responded to all aside from a handful of

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the current Ernst and Young (EY) queries. EY was currently reviewing RBC responses and some follow-on queries may subsequently arise given the volume of work undertaken. In addition, the draft 2018/19 Accounts had been completed and handed over to the Auditors in mid-February 2020. The audit of this set of Accounts was expected to begin in August 2020. Officers were also fully engaged in completing the 2019/20 accounts. At this stage, it was anticipated that the draft 2019/20 accounts would be completed and handed over to EY in August 2020 and available for public inspection shortly thereafter.

Resolved:

- (1) That the progress made in relation to the Audit of the 2017/18 Accounts, be noted;
- (2) That the progress being made in closing the 2019/20 Accounts, be noted;
- (3) That the indicative commencement date of the Audits of both the 2018/19 and 2019/20 Accounts would be August 2020, be noted.

6. CIPFA FINANCIAL MANAGEMENT CODE

Stuart Donnelly, Financial Planning & Strategy Manager, submitted a report on the The Financial Management Code 2019 (FM Code), which had been introduced by the Chartered Institute of Public Finance & Accountancy (CIPFA), which set out for the first time, the standards of financial management for local authorities. Local authorities would be expected to comply fully with the FM Code from 1 April 2021, with 2020/21 effectively being a shadow year. An initial self-assessment of the Council's current standing against each of the Financial Management Standards was carried out in March 2020 by the Financial Planning & Strategy Manager in conjunction with the Council's Section 151 Officer using a RAG Rating approach. The findings of the initial self-assessment against the seventeen Financial Management Standards were summarised in the report and indicated the overall rating was 'amber'. This was consistent with the results of the CIPFA Financial Management Model Staff Survey which had been issued to all staff within the Finance Department.

The report had appended the CIPFA Financial Management Code 2019 and the accompanying guidance notes, which were intended to provide practical guidance to implement the Code. The guidance notes stated that, "it is for the individual authority to determine whether it meets the standards and to make any changes that may be required to ensure compliance. Authorities should be able to provide evidence that they have reviewed their financial management arrangements against the standards and that they have taken such action as may be necessary to comply with them". Therefore, regular self-assessment exercises would be required in order to demonstrate compliance with the Code going forward. In order to assist, CIPFA would be running training events in September 2020 to introduce the Code and provide practical implementation tips. Consequently, a follow-up self-assessment exercise would be undertaken in January 2021 once the guidance notes had been fully considered, and relevant officers had been able attend one of the CIPFA training events and further work had been completed.

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Resolved:

- (1) That the requirement to implement the Financial Management Code from 1st April 2021, be noted;
- (2) That the findings of the initial FM Code Self-Assessment, which rated the Council as 'amber', be noted;
- (3) That a further self-assessment exercise would be undertaken in January 2021 and reported back to this Committee in advance of full implementation of the FM Code from 2021/22, be noted.

7. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER

Further to Minute 22 of the meeting held on 30 January 2020, Jackie Yates, Executive Director of Resources, presented 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 104 high and medium risk recommendations from Internal Audit, of which 34 (33%) were currently green, 50 (48%) were amber and 19 (20%) were red. Thirteen recommendations had now been completed and would be removed from the next report.

In relation to the Internal Audit Recommendation 20, which was about ensuring reviewed there was inclusion and oversight for the full monitoring of all S106 monies, the Committee requested an explanation of why the complete reconciliation between the respective record systems in Planning used to identify, track and manage S106 amounts and financial systems that record S106 amounts had not been possible, mainly due to resource issues in the Finance Department.

Resolved:

- (1) 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;
- (2) That in respect of Internal Audit Recommendations 97 and 98, Adult Residential and Nursing Care Contributions, a report be submitted to a future meeting on the timeliness of financial assessments;
- (3) That in respect of Internal Audit Recommendation 20, an explanation be provided of why it had not been possible to implement a complete reconciliation between the respective record systems in Planning used to identify, track and manage S106 amounts and financial systems that recorded S106 amounts.

8. EXTERNAL AUDITOR UPDATE

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Maria Grindley, EY, presented EY's draft Audit Results report, which summarised the preliminary audit conclusion in relation to the audit of Reading Borough Council for 2017/18. The final report would be presented at the conclusion of the audit.

Resolved:

That the draft Audit Results report, which provided a summary of the preliminary audit conclusion, be noted.

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

EXECUTIVE DIRECTOR OF RESOURCES

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	12 October 2020		
TITLE:	INTERNAL AUDIT QUARTERLY UPDATE 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 REPORT

- 1.1 This report summarises internal audit activity in respect of internal audit and investigations for the period 1 July to the 30 September 2020.
- 1.2 The following document is appended:

Appendix 1 - Internal Audit & Investigations Update Report

2. RECOMMENDATIONS

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

3. SUMMARY

- 3.1 The primary objective of each audit is to arrive at an assurance opinion regarding the robustness of the internal controls within the financial or operational system under review. Where weaknesses are found internal audit will propose solutions to improve controls, thus reducing opportunities for error or fraud. In this respect, an audit is only effective if management agree audit recommendations and implement changes in a timely manner.
- 3.2 A total of eight audit reviews were completed in the period between July and September 2020.
- 3.3 Five audit reviews received a positive assurance opinion and three received a negative assurance opinion.

3.4 Substantial Assurance Opinion Reviews

3.4.1 We have reported that the conditions attached to the **Local Transport Capital Funding (incorporating Live Labs Project) and Bus Subsidy Specific Grant Determinations** have been complied with.

3.5 Reasonable Assurance Opinion Reviews

3.5.1 Whilst our audit of the **Rent Guarantee Scheme** confirmed that there were satisfactory controls in place, we did highlight that several manual processes are used making reconciliation difficult between manual records (spreadsheets) and the Rents system (Ohms). We also reported that void periods are not routinely recorded for rent guarantee properties

3.5.2 The audit of **External Stores** concluded that there were satisfactory contract management controls in place for monitoring service delivery and performance and the client management has a good oversight of the operational risks.

3.5.3 Although we conclude proactive action is being taken to strengthen the procedures to secure the **ESFA grant**, our audit concluded that there was a lack of evidence to support the verification of learner eligibilities.

3.6 Limited Assurance Opinion Reviews

3.6.1 Our audit of **intercompany transfers** between Brighter Futures for Children (BFFC) and the Council reported that in practice the process has not operated as it was intended and there appears to have been some confusion over roles and responsibilities between RBC and BFFC. At the time of our audit we identified approximately £2m of accounting entries, needing further investigation and correction.

3.6.2 The audit of **Staff Vehicle Documentation (Grey Fleet)** flagged a number of areas of concern that need considering, to ensure that the Council is adequately responding to and addressing the various potential risks in this area.

3.6.3 A review of compliance with the **Governments Transparency Code** highlighted that the Council is not complying with the publication and statutory requirements of the Transparency Code in all instances.

3.7 No Assurance Opinion Reviews

3.7.1 N/A

4. CONTRIBUTION TO STRATEGIC AIMS

4.1 The Internal Audit Team aims to assist in the achievement of the strategic aims of the Council set out in the Corporate Plan by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. In particular audit work is likely to contribute to the priority of remaining financially sustainable to deliver our service priorities.

5. COMMUNITY ENGAGEMENT AND INFORMATION

5.1 N/A

6. LEGAL IMPLICATIONS

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

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

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

7. FINANCIAL IMPLICATIONS

7.1 N/A

8. BACKGROUND PAPERS

8.1 N/A

APPENDIX 1

Internal Audit & Investigations Quarterly Update Report

1.0 OVERVIEW

1.1 Purpose & Scope of Report

1.1.1 This report provides details of audits finalised, the assurance opinions given, and the number and type of recommendations made. Due to the COVID-19 pandemic and the subsequent cancellation of the Audit & Governance Meeting in April 2020, this report predominately provides the committee with an update on those audits completed and finalised in quarter 4 of the 2019/2020 financial year in addition to those completed in quarter 1 of 2020/2021.

1.2 Assurance Framework

1.2.1 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	"Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited."
Limited	"Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited."
Reasonable	"There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited."
Substantial	"A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited."

1.2.2 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. 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.

2.0 HIGH LEVEL SUMMARY OF AUDIT FINDINGS

	Recs			Assurance	
2.1	Intercompany Transfers	2	3	1	Limited

2.1.1 With the establishment of Brighter Futures for Children (BfFC), the Council implemented the intercompany accounting module on Oracle Fusion, to account for activity and transactions between the two parties.

2.1.2 As RBC and BFFC are completely separate organisations with their own bank accounts and VAT registrations, there has to be a physical transfer of cash between the two entities. Transactions should be entered into the intercompany module on Fusion, where the accounting entries for the provider (the organisation who is raising the debtors' invoice, having provided a service) and the receiver (the organisation who will be paying the bill for a service) are specified, along with the VAT rate for the transaction(s) and description of the service. This then links through to Accounts Receivable (AR), Accounts Payable (AP) and the General Ledger (GL) on Oracle Fusion.

2.1.3 Processes should run once a day to transfer intercompany transactions over to AR, thus creating a proper VAT invoice for the provider organisation, and all the necessary accounting on that side of the transaction. After the AR process has run, a second process should run to transfer the transactions over to AP, creating the matching payables invoice for the receiver organisation, and all of its accounting entries. The AP invoice should then be picked up and processed by the AP team, to then be included on a BACS run.

2.1.4 However, in practice the process has not operated as it was intended and there appears to have been some confusion over roles and responsibilities between RBC and BfFC. At the time of our audit we identified approximately £2m of accounting entries, needing further investigation and correction.

2.1.5 We found it difficult to confirm the completeness and accuracy of payments, as there were delays in payment and poor reconciliation controls, to understand what had been paid and when. This in itself had likely contributed to duplicate payments being processed.

2.1.6 Controls need to be improved to ensure all transactions are evidenced, checked and formally approved on Fusion. Descriptions and audit trails for each intercompany transfer transaction should be improved, so that the specific charge from the contract for each service can be more readily cross referenced and identified, instead of using the current generic reference to the contract.

2.1.7 Clear and regular reconciliations should be undertaken to ensure payments are processed on a timely basis, are complete and accurate. This will help identify issues for immediate resolution and improve contractual confidence.

		Recs			Assurance
2.2	Staff Vehicle Documentation	4	6	1	Limited

- 2.2.1 Under health and safety law, employers have a duty for on-the-road work activities. The Health and Safety at Work Act 1974 details that, as far as reasonably practicable, employers must ensure the health and safety of employees whilst they are at work and that others are not put at risk by work-related driving activities.
- 2.2.2 The Management of Health and Safety at Work Regulations 1999 also detail that health and safety should be managed effectively, including carrying out a risk assessment of employees' health and safety whilst at work, including driving. There are also duties under road traffic laws.
- 2.2.3 The Department for Transport has a work-related road safety checklist which includes checking the validity of staff's licences on recruitment and at regular intervals afterwards and ensuring that staff are sufficiently fit and healthy to drive safely. In addition, employers have a duty of care to ensure vehicle safety, which can include checking a vehicle has a valid MOT certificate and appropriate motor insurance that covers business usage for the amount and type of mileage undertaken.
- 2.2.4 The purpose of the audit was to provide assurance that there were appropriate controls in place to manage key risks relating to checks made on staff using their own vehicles for Council business (this is known as the grey fleet). The main objectives were to review key controls relating to the process for documentation checking for staff using their own vehicles on Council business and to assess whether grey fleet usage was appropriate.
- 2.2.5 The audit has flagged a number of areas of concern that need considering, to ensure that the Council is adequately responding to and addressing the various potential risks in this area. Failure to address these could have significant legal implications for senior officers and the Council corporately, if it cannot demonstrate that it has paid due regard to its statutory responsibilities and taken appropriate action to ensure the safety of grey fleet vehicles, and consequently protection of its own staff, as well as others.
- 2.2.6 There is no up-to-date and agreed Grey Fleet policy in place and consequently it was found that there is a lack of a common understanding of roles and responsibilities. Currently information on grey fleet use and individual driving licences is stored on two different systems: iTrent, the Council's HR and Payroll

system and Fleetwave, the proprietary system used by the Fleet and Transport Team to help support the issues around storage in iTrent. It is apparent that there is confusion about what information should be stored on which system, as well as duplication in cases of information being held on both systems.

- 2.2.7 The existing checking and monitoring process(es) are also very administratively intensive and therefore extremely time consuming for managers, particularly where managers have a number of direct reports and could be considered unnecessarily bureaucratic. We recommended that consideration should be given to the potential cost benefits and advantages of an alternative IT solution provided by a third party, potentially linked to the Council’s HR system, to ensure staffing information is valid and up to date.
- 2.2.8 Another issue highlighted was the use and retention of documentation involved in grey fleet checks. Currently this could be located and stored on either or both system (s) as well as possibly also on personal devices or shared drives.
- 2.2.9 The lack of management information also makes it difficult to provide any assurance that current operations and systems provide value for money, as well as demonstrating compliance with statutory requirements.

		Recs			Assurance
2.3	Bus Subsidy Grant	0	0	0	Substantial

- 2.3.1 The Local Authority Bus Subsidy (revenue) grant is a payment made by the Department of Transport to local authorities which is broadly equivalent to money previously paid directly to bus operators for running services to local authorities. The grant also includes an element for running Section 19 community transport services in-house.
- 2.3.2 It is a condition of the grant that the Chief Executive and Chief Auditor sign a declaration that, in all significant respects, the conditions attached to Local Authority Bus Subsidy Revenue Grant have been complied with.
- 2.3.3 In normal circumstances the Authority is required to complete a report on how they have made use of the devolved funds and any decision-making processes that followed. This is normally required by way of completing a short survey. However, the Department made the decision to suspend the need for a survey this year, due to the Covid 19 pandemic.
- 2.3.4 Reading Borough Council’s payment for 2019-20 was £74,192 and was received in April 2019. A commitment of £30,350 had been made in the accounts relating to 2018-19 grant, which was also settled during 2019-20 financial year, there was no carry forward remaining.

2.3.5 Having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to Local Authority bus subsidy ring-fenced (Revenue) Grant Determination 2019/20 have been complied with.

		Recs			Assurance
2.4	Local Transport Capital Funding 2019/2020	0	0	0	Substantial

2.4.1 The Government provides capital funding towards local transport from several different grants. For Reading, the 2019-20 LTP grant allocation was:

- Integrated Transport Block £1,580,000
- Highways Maintenance Block - needs element £1,185,000
- Highways Maintenance Block - incentive element £123,000

2.4.2 For 2019-20 all of the highway’s grants (£1,308,000) had been utilised against capital projects, however only £416,242 has been spent from this year’s allocation of the integrated transport block, leaving a brought forward of £1,163,758 to be carried forward to 2020-21. This is in addition to the brought forward of £1,1942,14 from 2018-19 giving a total rolling carry forward of £2,357,973.

2.4.3 In addition to these three elements, the Government, through ADEPT (the Association of Directors of Environment, Economy, Planning and Transport) made available £23m for research into trials of new road surfaces and repair technologies known as Live Labs Project. Reading Borough Council was one of seven winning bids to receive £4,750,000 from this funding. Reading’s proposal was to utilise existing infrastructure and smart communication technology. Existing sources of data from traffic signal detectors used with mobile phone data in order to provide a multi-model view of real time movement across the Thames Valley. This will link with air quality data to produce a public health exposure model. The data is expected to inform transport, environment and planning projects throughout the Thames Valley region.

2.4.4 The Live Labs Project is also funded by other grants, therefore the net expense from this funding is £1,521,812 with £3,228,187 left remaining. It is a condition of the grant(s) that the Chief Executive and Chief Auditor sign a declaration to confirm grant conditions have been complied with. Having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to the Local Transport Capital Block Funding (Integrated Transport and Highways Maintenance Grants and Live Labs Projects) have been complied with.

		Recs			Assurance
2.5	Rent Guarantee Scheme	0	5	1	Reasonable

2.5.1 The Rent Guarantee Scheme is a way of helping people who can’t afford a deposit access private rented accommodation. This is achieved where landlords offer their property to the Council, who then match the property to

an eligible applicant. In return the landlord receives a monthly rental payment, paid in advance, a guaranteed deposit equivalent to six weeks rent should the landlord require compensation once the tenant has vacated, and other administrative benefits.

- 2.5.2 Tenants make rental payments to the Council which may be paid from housing benefit and/or privately funded in full or in part. Tenants are also required to pay an agreed monthly payment towards saving for the deposit.
- 2.5.3 Documented procedure notes and supporting documentation are in place outlining the responsibilities of the Council, the tenant and the landlord or their representing agent.
- 2.5.4 Several excel spreadsheets and standalone workbooks are used to record and monitor tenancies and payments of both rent and deposit savings. This made reconciliation difficult between manual records (spreadsheets) and the Rents system (Ohms). Some account anomalies were identified, which have now been remedied.
- 2.5.5 Testing found relevant agreements and contracts had been signed in a timely manner. One exception was found where only two of the three landlords' signatures were present, which is key, as the agreements and contracts outline each party's responsibilities and expectations.
- 2.5.6 We were not able to ascertain the complete financial cost of providing the service, as void periods are not routinely recorded for rent guarantee properties. The Council pays the landlord up to the first seven days of a void period, but as an example, should all 621 properties have been eligible for one week's void payment during a single year, the cost to the Council would have been in the region of £118,800¹. Similarly, because rental payments are made to landlords in advance, there is a risk of overpayment being made; for example, a tenant abandoning the property and not informing the Council or leaving a property mid-month without prior notification. We were advised there is no central record of overpayments to landlords. However, evidence was provided to show how overpayments are recovered, but there remains a risk that without regular monitoring, overpayments could go undetected for an extended period and thus become that much more difficult to recover.
- 2.5.7 At the time of our review (May 2020) 20.5% of all RGS accounts were more than 2 months in arrears, totalling £431,384 - almost half of the total debt (£865,846). Six accounts with the greatest level of debt totalled £56,067, of which three tenants had made no payments from commencement of the agreement to date.

¹ Calculated as one-week equivalent using total rental payments made in May 20

- 2.5.8 Evidence was found of regular chasing for a payment and indeed offers of advice on debt and available benefits. It is possible that the duty of care is understandably prioritised over the chasing of debts and regular payments and although we didn't look at these potentially conflicting priorities, it was recommended that this should be done as a routine task.
- 2.5.9 Whilst monitoring of tenant contributions towards deposits is undertaken, only 24.5% of tenants were on target with saving for their deposit and at the time of our audit there was a potential liability of £443,265²

		Recs			Assurance
2.6	External Stores Contract	0	4	1	Reasonable

- 2.6.1 Travis Perkins were awarded the stores contract in 2017, valued at approximately £1.3m per annum, to secure the supply chain of materials and plant for the repair of the council's housing stock. Although there had been a positive intent to develop economies of scale under the previous contract to secure financial benefit across the council, the corporate uptake of this was unsuccessful.
- 2.6.2 Travis Perkins is one of the UK's largest distributors of building materials to the building, construction and home improvement markets and operate a 'managed store service' from their Reading Acre Road branch.
- 2.6.3 The purpose of this audit was to ensure the contract was being suitably managed, and service delivery, contractual performance and financial risks were being monitored.
- 2.6.4 The audit concluded that there were satisfactory contract management controls in place for monitoring service delivery and performance and the client management has a good oversight of the operational risks, which is largely due to the experience and expertise of the officers responsible.
- 2.6.5 It was our opinion that the accounting controls for substantiating materials charged for in the monthly invoice are satisfactory, however further monitoring needs to be undertaken to ensure unit prices being charged under the contract represent value for money, although we are satisfied that Housing have commenced a review to market test the product prices.

		Recs			Assurance
2.7	ESFA Funded Budget	0	5	1	Reasonable

- 2.7.1 The Education and Skills Funding Agency provides funding via the adult education budget for the purposes of providing adults access to the skills and learning needed to progress in work or equip them for an apprenticeship.

² Calculation: the sum of the individual maximum guaranteed deposit, less deposit saved. Some saved deposits are higher than required.

- 2.7.2 The funding rules for using and accounting for the adult education budget are set out by the ESFA in their 'funding and performance management rules 2019 to 2020' document. These rules define the eligibility standards and monitoring requirements, together with the terms and conditions for recuperating funds from the provider. Any clawback of funds by the ESFA due to non-compliance could have financial funding risks for New Directions.
- 2.7.3 The data returns submitted to the ESFA for monitoring purposes of 'individual learning' and 'sub-contractors' records are audited by New Directions beforehand. However, their risk analysis highlights that learner entitlement, eligibility and learner support remain the most likely areas of non-compliance as the Adult Education Board rules for this are complex.
- 2.7.4 The 2019/2020 ESFA AEB Provision Learner Eligibility Guidance Notes states "Learners can be fully funded or co-funded for provision funded by the ESFA. Fully funded means we can draw down 100% of the funding for the learner and they do not have to pay a course fee. Co-funded means we can only draw down 50% of the funding and so the learner should typically pay a fee which equates to 50% of the full course fee. Identifying whether a learner is fully funded or co-funded is very important and must be recorded at enrolment and on the individualised learner record (ILR). To establish a learner's funding eligibility, you must assess their employment status."
- 2.7.5 Although we conclude proactive action is being taken to strengthen the procedures to secure the ESFA grant, the 2019/20 claim could be at risk due to a lack of evidence to support the verification of learner eligibilities. Our findings support the concerns highlighted by New Directions College and is one of reasons that has led to the purchase of a new integrated education and financial system, changes to the operating procedures and the creation of a new post to improve monitoring, better managing enrolment and associated staffing controls.
- 2.7.6 Although we were able to independently substantiate the residency of those learners who reside within Reading Borough Council using Council Tax records, we were only able to confirm that learners were over 18 rather than over the 19 years of age threshold specified by the ESFA. New Directions College recognise that the processes for evidencing eligibilities require review as these records are not currently held.
- 2.7.7 There was a lack of attention to detail during 2019/20 to ensure the applications were completed correctly and that this information was then correctly transferred to the Education Management System to ensure the integrity of data for the ESFA grant. Although 88% of applications had been signed by the learner, we share the concerns that a high proportion of these had been witnessed retrospectively.

2.7.8 There is no auditable reconciliation between financial and education records to confirm the payment and/or funding status for each learner.

		Recs			Assurance
2.8	Transparency Code	1	1	0	Limited

2.8.1 The Department for Communities and Local Government published the 'Local Government Transparency Code 2015³' to allow greater and easier access to data. The Code sets out the various data and summary requirements for each area of information.

2.8.2 The purpose of the audit was to benchmark the Council's compliance with the Code and to assess the extent to which the data requirements specified by the Transparency Code were being complied with and whether data was being published on a timely basis as per the timeframes specified in the Transparency Code.

2.8.3 The audit highlighted that the Council is not complying with the publication and statutory requirements of the Transparency Code in all instances. All relevant data is not being published, and for some data that was published, this was not published according to the timescales required. Audit testing indicated that in respect of the data required to be published by the Council, only 2 of the 14 relevant sections of the Code had related information published correctly, and as per the required timelines. A further 4 sections had data uploaded, but it was out of date and thus not compliant with the timescales specified in the Code or didn't comply fully with the requirements of the Code. For the remaining 8 sections, no evidence could be found that the information had been published at all.

2.8.4 There is a lack of clarity on individual responsibilities, with no overarching corporate oversight and a lack of guidance over the whole process. No reminders are sent before the data is published, and no follow up reminders sent to asset owners or operational employees if any data hasn't been uploaded within the required timeframes. The structure of the Council's website also makes it difficult to find the information required.

2.8.5 An analysis of Freedom of Information (FOI) requests revealed that 66 Freedom of Information requests (FOI's) were responded to, which could have otherwise been averted by the publication of this information.

VIEWS 2020/20213.0 OTHER ASSURANCE WORK

3.1 Finance Transformation

³ the Local Government (Transparency Requirements) (England) Regulations 2015.
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3.1.1 Internal audit is part of the Finance Transformation Board, to provide advice and challenge on internal control. As part of our involvement with the Board, we are reviewing draft operational procedures for various business processes and providing comments for improvement and advice on internal control.

4.0 AUDIT REVIEWS 2020/2021

4.1 A review of what needs to be achieved in 2020/2021 with regards to Internal Audit work during these unprecedented times, has taken place and the following risks, have been identified. We are mindful that a proportionate approach to Internal Audit must be taken to allow Reading Borough Council staff to focus on the priorities. Some will be higher risk than others and some were already included as part of the original audit plan. These were identified as part of an early exercise carried out when the Authority went into 'lock-down'. Although some will link in with the assurance frameworks, they're (some) more likely to require an element of detailed testing. We will need to ascertain when best to look at these and seek to take more assurance from the work of others in some areas.

COVID-19 Audit Risk Considerations

Audit Area	Description
Governance - decision making, delegated powers, risk management.	Assurances over interim arrangement put in place to ensure appropriate governance and decision-making arrangements in the event of deferred, suspended, or cancelled Council meetings
Health & Safety (homeworking/PPE/workspace social distancing).	Assurance over responsibilities to staff whilst home working, effective allocation of PPE, social distancing in the workplace, preparedness for staff returning to the workplace, HSE assessments.
Staff Welfare / Wellbeing / Performance Management:	Arrangements over duty of care for staff welfare during extended period of isolation including consideration of wellbeing and mental health. Also, to consider the effectiveness of performance management during extended periods of homeworking.
Furlough Scheme - Administration	Assurance over arrangements for administering the scheme, including effective communication to managers and staff, identification of qualifying employees, submission of accurate grant claims to central government and sending notifications to the staff affected.
IT / Cyber Security (including homeworking) -	Review of cyber security arrangements, security controls (including remote access). Focus on vulnerabilities of home working and interim arrangements enforced through response to COVID 19

Audit Area	Description
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Procurement	Robustness of procurement and decision-making process, emergency procurements / purchases, compliance with Contract Standing Orders, use of Purchase Cards. Due diligence of new suppliers.
Payments to (Social Care) external providers	Process, due diligence, and impact of payments to providers despite reduced or ceased services.
Expense claims	Although we would expect to see a decline in travel and subsistence, the audit will review additional expenditure claimed as a result of Covid-19 and for working from home. We will review what has been claimed, whether it is appropriate, authorisation obtained, and process followed
Contract Management (Supply Chain)	Considerations of protecting supply chain from fraud - mandate fraud / conflicts of interest / duplicate invoices / inflated claims / product substitution
Market Underwriting	Process, due diligence, and impact of payments to providers despite reduced or ceased services.
Central Government Grants (allocation)	Small Business Rate, relief Retail Hospitality Grants Discretionary Business Grants. Covid-19 Assurance Support - High Prepayment assurance and verification checks with Revs & Bens team
Financial Resilience	Impact of COVID, reassessment of financial risks and impact of assumptions in the MTFS (income, reserves, investments). Implications on future saving programmes / work streams.
Recovery	Assurance over the governance and recovery actions in place to return to business as usual. To consider the potential of increased and sustained demand on services i.e. social care etc.
Enforced alternative operating models / processes for service delivery	To review process(es) that have been adapted to address the priorities driven by COVID to ensure they remain sufficiently robust (governance and control) and full risk considerations have been undertaken. To include consideration of fraud risk - emerging internal / external opportunities (driven by financial hardship)
Emergency Planning/Business Continuity	Establish lessons learnt from response to the first lockdown to ensure preparedness for future events. Service resilience - single points of contact Linked to above - ensure full awareness of service resilience to avoid single points of failure. Assurance over the completeness and effectiveness of internal policies and procures to enable continuity of service. Particular consideration required in areas where staff have been re-designated.

Audit reviews carried over from 2019/2020

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Car Parks (off street)	X				May-20						
Contract Management	X				Jan-20	Feb-20		0	4	0	Limited
Deferred Income			X								
Additional Payments (Follow up)		X			Sep-20						
Commercialisation				X							
Investment Properties	X				Jun-20						
Continuing Health Care - Follow up	X				May-20						

Audit reviews scheduled for 2020/2021

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Intercompany accounting	X				Mar-20	Jun-20	Jul-20	2	3	1	Limited
LTF - Blue Badge Scheme - (Grant Certification)	X				Mar-20	May-20	May-20	0	0	0	Substantial
Rent Guarantee Scheme	X				May-20	Jun-20	Aug-20	0	5	1	Reasonable
Staff Vehicle Documentation (Grey Fleet)	X				May-20	Aug-20	Oct-20	4	6	1	Limited
New Directions (ESFA funded adult education budget)	X				May-20	Aug-20	Aug-20	0	5	1	Reasonable
Records Management & Document Retention Policy	X				Jul-20						
Transparency Code Compliance	X				Jun-20	Aug-20	Oct-20	0	4	1	Limited
ADEPT's Live Lab trials Capital Funding		X			Sep-20	Sep-20	Sep-20	0	0	0	Substantial
Local Transport Plan Capital Settlement (Grant Certification)		X			Sep-20	Sep-20	Sep-20	0	0	0	Substantial
Bus Subsidy Grant		X			Aug-20	Sep-20	Sep-20	0	0	0	Substantial

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Licensing		X			Jun-20						
Stores Contract		X			May-20	Jul-20	Aug-20	0	4	1	Reasonable
Feeder system interface and reconciliation*		X									
Budgetary Control		X			Sep-20						
MOSAIC payment controls (Finance Module)		X			Jul-20						
Housing Revenue Account			X								
Accounts Payable*			X								
Purchasing cards			X		Aug-20						
Collection Fund			X								
Payroll (inc HR/Itrent processes)			X		Oct-20						
Adults Short Stay Placements & Respite Care			X								
Out of area contracts (placements)			X								
Contract Management (Adults)				X							
Sundry Debtors				X							
General Ledger				X							
Governance Arrangements/ AGS				X							

* Delayed or possibly delayed due to Finance Transformation project

5.0 INVESTIGATIONS (APRIL - SEPTEMBER 2020)

5.1 Small Business Grant Fund - Spotlight Checks

- 5.1.1 In a response to the COVID-19 pandemic, under the Small Business Grant Fund (SBGF), all businesses in England in receipt of either Small Business Rates Relief (SBRR) or Rural Rates Relief (RRR) in the business rates system were eligible for a payment of £10,000 in line with the eligibility criteria. Where the Council has reason to believe that the information that they hold about the ratepayer is inaccurate, they may withhold or recover the grant and take reasonable steps to identify the correct ratepayer.
- 5.1.2 The investigations team used government fraud prevention tools, which interface with other departments and agencies so that data can be validated to substantiate claims or facts.
- 5.1.3 Three cases are currently being investigated as a potential fraud and are being scheduled for interviews under caution. One claimant has repaid the grant monies in full. In all instances the full £10,000 grant was paid.

5.2 Grant Funding Schemes Assurance work

- 5.2.1 The Department for Business, Energy and Industrial Strategy has produced a fraud risk assessment, setting out the inherent risks for each of the business grants currently being delivered, the Small Business Grant Fund (SBGF), the Retail, Hospitality and Leisure Grant Fund (RHLGF) and the Local Authority Discretionary Grants Fund (LADGF).
- 5.2.2 The investigations team will be conducting sample checks to provide post-payment assurance on risk of error and/or fraud and over payment. This work maybe supported by the internal audit team, depending on resource availability.

5.3 Council Tax Support Investigations

- 5.3.1 The investigations team have a record total of £18,346 from Council Tax investigations completed where a discount was removed from the current account.

5.4 Single Person Discount

- 4.3.1 Work on SPD data matching has been commissioned to start in October 2020

5.5 Housing Tenancy Investigations

- 5.5.1 Since 1st April 2020 officers have commenced investigation into a number of referrals of tenancy fraud. There are fifteen cases still ongoing. Four properties have been returned to stock to date. Three of these cases were tenancy related investigations and one was under the Right to Buy (RTB) scheme. In addition to the notional savings, the RTB case secured a 12-month rental income equivalent to £6,103.00 plus a RTB discount of £ 84,200.
- 5.5.2 The notional saving is £372,000.00, adopting the notional savings multiplier used by the Cabinet Office in its National Fraud Initiative report.

5.6 Social Care Fraud & Investigations

- 5.6.1 The team have been working with Brighter Future for Children on two complex investigations. Both are now with BFfC and await legal updates.
- 5.6.2 Also there is one ongoing direct payment investigation which commenced in August which is linked to potential money laundering offences and this case is still ongoing

5.7 Disabled Persons Parking Badges (Blue Badges)

- 5.7.1 Since April 2020 work on civil enforcement was suspended. We currently have a total of 14 cases with Legal awaiting charging decisions, and a further 4 cases awaiting formal PACE interviews. PACE interviews will re commence as from October 2020.

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READING BOROUGH COUNCIL

EXECUTIVE DIRECTOR OF RESOURCES

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	12 OCTOBER 2020		
TITLE:	DRAFT ANNUAL GOVERNANCE STATEMENT 2019/2020		
LEAD COUNCILLOR:	Councillor Ellie Emberson	PORTFOLIO:	Corporate and Consumer Services
SERVICE:	FINANCE/LEGAL	WARDS:	N/A
LEAD OFFICER:	MICHAEL GRAHAM	TEL:	9373470
JOB TITLE:	Assistant Director of Legal & Democratic Services	E-Mail:	Michael.Graham@reading.gov.uk

1. EXECUTIVE SUMMARY

- 1.1 The Council is responsible for ensuring that financial management is adequate and effective, and that the Council has a sound system of internal control, which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.
- 1.2 The Accounts and Audit Regulations require local authorities to prepare and publish an Annual Governance Statement (AGS) each financial year, which accompanies the authority's financial statements.
- 1.3 The Annual Governance Statement is a key record of the overall effectiveness of governance arrangements within the Authority. The statement reflects the latest guidance from CIPFA/SOLACE on a strategic approach to governance and demonstrates how the key governance requirements have been met.
- 1.4 The following document is appended:

Appendix 1 Draft Annual Governance Statement (AGS) 2019/2020

2. ACTIONS REQUIRED

- 2.1 Audit & Governance Committee is requested to receive and approve the draft Annual Governance Statement for 2019/2020 for publication with the Council's accounts.
- 2.2 The Committee is asked to authorise the Chief Executive, in consultation with the Leader and Chair of the Audit & Governance Committee, to make any necessary amendments that are needed before final publication.

3. KEY ISSUES

- 3.1 The AGS must be prepared in accordance with proper practices and the council has followed the CIPFA/SOLACE Delivering Good Governance 2016 framework, the most up to date guidance in this area.
- 3.2 The AGS is a valuable means of communication. It enables the council to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place to manage risks of failure to deliver its outcomes and priorities.
- 3.3 Essentially the AGS, outlines:
- the scope of governance responsibilities
 - the purpose of the governance framework
 - a description of the governance framework against the CIPFA/SOLACE Framework for "*Delivering Good Governance in Local Authorities*
 - Covid-19 response: interim governance arrangements
 - arrangements for reviewing the effectiveness of the governance framework
 - Governance issues that need to be addressed.
- 3.4 The preparation of the Statement has built on previously established arrangements, which involves the collating of information from a number of sources, both internal and external. The information is analysed, and a draft Statement is produced, discussed with key officers, and any amendments identified are then made.
- 3.5 To support the Annual Governance review, each directorate is required to complete a Directorate Governance Statement in relation to systems and processes operational within their areas during the year. These are signed off by the relevant director. The directorate statements demonstrate that directorates have evaluated and assessed their internal control environment. The improvements required to governance processes are reported in the AGS, but the actual programme and timetables will be held under individual workstreams at a local level. For example, the Finance Transformation Board have oversight over the Finance Improvement Programme set up to address historic audit concerns and oversee improvement.

- 3.6 The Council receives a substantial amount of assurance from the work that is undertaken by its Internal Audit Service and its external auditors (Ernst & Young). The role of Internal Audit is to provide independent assurance that the Council's risk management, governance and internal control processes are operating effectively. The role of External Audit is to review the financial statements, obtain evidence that they are materially correct and provide an opinion as to whether these represent a true and fair view of the financial position of the Council. In addition, External Audit provide a value for money opinion assessing whether proper arrangements are in place for securing financial resilience and challenging how the Council secures economy, efficiency and effectiveness.
- 3.7 The Council's external auditor, Ernst & Young (EY), issued a qualified opinion for the 2016/17 accounts because of a number of historic and significant control deficiencies. This led to delays in the publishing of annual accounts, for 2017/18 and 2018/19. However, Statements have now been published for both financial years and the audit of 2017/18 will be completed soon.
- 3.8 Officers have also been fully engaged in completing the 2019/20 accounts which are expected to be completed by the end of October 2020-and available for public inspection shortly thereafter.
- 3.9 The opinion statement of the Chief Auditor in respect of audit work completed in 2019/20 is that **limited assurance** can be placed on the internal control environment within those areas audited.
- 3.10 Recent events, such as the delays in closing previous years accounts and internal control deficiencies within some of the finance systems has hindered Finance from fulfilling its core functions reliably. To ensure the Service has the required capacity and capability going forward a Finance Transformation Board has been established to oversee the Finance Improvement Programme, with individual workstreams covering Accounts Payable, Accounts Receivable, Reconciliations, Chart of Accounts and Final Accounts.
- 3.11 The overarching objectives of the workstreams is to review and modernise processes, using the technology available to the full, ensuring it is fit for purpose and addressing historic control issues.
- 3.12 COVID 19 has had a significant impact on the Council and whilst the AGS attached at Appendix 1 is predominately focused on 2019/20, the CIPFA/SOLACE guidelines require the statement to cover the period up to the publication of the accounts.
- 3.13 The pandemic began in March 2020 and therefore has not had a significant impact on the key governance issues that have arisen during the 2019/20 period. Following the outbreak of COVID 19 however, the council activated its Emergency Control Centre and Gold and Silver emergency management protocols to coordinate a response to ensure that resources were prioritised to the areas that were in most need. The emergency governance arrangements followed have been reported in the attached draft AGS.

3.14 The AGS covers the period up to the publication of the accounts, but as the Statement is signed off by the Leader of the Council and the Head of Paid Service, it would be sensible to authorise minor amendments that may be needed before then. The need for material amendment is not currently anticipated. External Audit will review the statement for consistency with their knowledge of the Council but does not “audit” it as such.

4. CONTRIBUTION TO STRATEGIC AIMS

4.1 Good governance enables us to pursue our vision and corporate objectives effectively. Governance must be owned by all stakeholders, including senior management and Members, thus forming the intrinsic core of the Council. It should remain embedded in the culture of the Council and be applied within a transparent framework of legislative requirements, governance principles and management processes.

5. COMMUNITY ENGAGEMENT AND INFORMATION

5.1 The Annual Governance Statement accompanies the authority’s published financial statements.

6. EQUALITY IMPACT ASSESSMENT

6.1 Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

6.2 Whilst mindful of the Equality Act and Equality Impact Assessment it is not relevant to this report

7. LEGAL IMPLICATIONS

7.1 Regulation 6 1b of Statutory Instrument 2015 No. 234 “The Accounts and Audit Regulations 2015” requires local authorities to prepare and publish an Annual Governance Statement (AGS) each financial year, which accompanies the authority’s financial statements. It also requires the findings of the review to be considered by a committee of the Council (or the whole Council).

7.2 The CIPFA/SOLACE governance framework recommends that the assurance gathering process should have a structured link between the strategic objectives and statutory requirements of the authority and how these objectives are to be delivered. It requires the identification of key controls that are deemed critical to the delivery of these objectives and expects a formal review and risk assessment for the management and delivery of these key controls.

8. FINANCIAL IMPLICATIONS

8.1 There are no financial implications directly arising from this report.

8.2 As indicated above an AGS must be published annually with the Council's statutory accounts and will be reviewed by External Audit (though is not subject to audit).

8.3 In respect of the Council's Financial Management Arrangements, the CIPFA/SOLACE Guidance makes reference to specific CIPFA guidance covering the role of the Chief Financial Officer in Local Government and Head of Internal Audit in Public Service Organisations. Those roles in Reading are unchanged from recent years, and therefore continue to comply with the requirements.

9. BACKGROUND PAPERS

9.1 CIPFA/Solace - Delivering Good Governance in Local Government framework (2016 Edition). 10.2 Audit & Accounts Regulations 2015.

ANNUAL GOVERNANCE STATEMENT 2019/2020

As at September 2020

SCOPE OF RESPONSIBILITY

Reading Borough Council is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards
- public money is safeguarded and properly accounted for, and
- resources are used economically, efficiently and effectively.

The Council also has a duty to:

- make arrangements to secure continuous improvement in the way in which its functions are exercised
- put in place proper arrangements for the governance of its affairs, and
- implement and maintain effective processes of internal control, including appropriate arrangements to manage risk.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, cultures and values which underpin how the Council is controlled and managed internally, and how it engages with taxpayers, service users and the wider community. The governance framework as described in the Council's constitution (https://www.reading.gov.uk/media/1338/Constitution-of-The-Council/pdf/Constitution_of_the_Council.pdf) enables the Council to monitor delivery of its strategic objectives and assess whether those objectives are securing service improvements and value for money. Systems of internal control and risk management are a significant part of the governance framework and are designed to manage risk down to a reasonable level. Some risks can never be eliminated entirely, however, and these processes provide only reasonable and not absolute assurance of effectiveness.

THE GOVERNANCE FRAMEWORK AT READING

The Council operates a committee-based system of governance with four standing committees broadly aligned to the Council's departmental. Their remit includes obtaining assurance that Corporate Plan priorities, and the Budget and Policy Framework approved by Council each year, are delivered in their relevant areas. There are no separate scrutiny committees or call in provisions however:

- the Standards Committee investigates specific allegations of misconduct, and the Audit and Governance Committee is tasked with reviewing and considering improvements to corporate governance in general;
- all standing committees are able to undertake scrutiny of relevant functions where they think it appropriate;

Covid-19 response: governance framework

In order to focus and guide the Council's response to the Coronavirus Pandemic the Council instigated the Urgency Procedures in Article 7.7 of the Council's Constitution which allowed for a smaller group of councillors to act as the Policy Committee and make decisions on behalf of other Committees and Council.

To enable the Council to fulfil its leadership role and to guide its work with partners in providing the support that residents and businesses needed, the Council's Corporate Plan priorities were reframed to provide clarity of purpose and a three-point strategic framework was adopted based around the following three broad priorities:

- (a) To support and protect vulnerable children and adults by ensuring the social care system continues to function effectively
- (b) To support the people who are most vulnerable and isolated in our communities
- (c) To support businesses and the local economy, and secure Reading's economic recovery

Further details of the interim governance arrangements which were put in place in response to the COVID-19 pandemic can be found in the Decision Book published on 25 March 2020. <https://democracy.reading.gov.uk/ieDecisionDetails.aspx?ID=399>

The Council's governance arrangements are designed to secure compliance with the principles set out in the "CIPFA¹/SOLACE² Framework for "Delivering Good Governance in Local Authorities"³ (updated 2016):

CIPFA/SOLACE Framework for "Delivering Good Governance in Local Authorities

Behaving with integrity

Codes of Conduct set out expected standards of behaviour for staff and councillors and the standards committee investigates any allegations of non-compliance. The Council's Section 151 Officer and Monitoring Officer have specific statutory responsibilities to ensure that decisions taken by the Council are lawful and in line with constitutional requirements.

Ensuring openness

The Council consults regularly with stakeholders, taxpayers and service users. Consultation has been undertaken in respect of 20 separate topics since 1 April 2019, and the Consultation Hub on the Council's website enables local people to find, participate in, and view outcomes from, any consultation activities that interest them. In addition, 20 different committees⁴ and forums are in place to represent local views on a range of subjects including transport, disabled access, children's services and community safety.

Defining sustainable outcomes

The Corporate Plan sets out how the Council aims to work in partnership over the next three years to achieve six agreed objectives. These key objectives are designed to be both financially and environmentally sustainable and have been developed in consultation with partners and local people. The Medium-Term Financial Strategy makes a realistic assessment of financial resources available, and the Budget and Policy Framework approved by Council each year sets out revenue and capital spending limits, savings and efficiency targets as well as key improvement priorities for the forthcoming year.

¹ Chartered Institute of Public Finance and Accountancy

² Society of Local Authority Chief Executives.

³ Also referred to as "the Framework", see CIPFA website www.cipfa.org/policy-andguidance/publications/d/delivering-good-governance-in-local-government-framework-2016edition

⁴ A smaller group of councillors acted as the Policy Committee and made decisions on behalf of other Committees and Council during the Council's response to the COVID-19 pandemic.

Achieving intended outcomes

The four standing committees are responsible for ensuring that actions approved as part of the Budget and Policy Framework are delivered in each service area. The Projected Outturn reports to Policy Committee summarise the financial position to date against budget and delivery of agreed savings targets. Key performance indicators are reviewed quarterly by the Corporate Management Team and Policy Committee.

Developing capacity

Maximising capacity by working collaboratively is a key component of the Corporate Plan and a number of longstanding partnership working arrangements are in place. The Constitution sets out how the governance aspects of these arrangements should operate in practice. The Learning and Workforce Development Team has a specific role and remit to improve the capability and capacity of Council officers by offering a range of skills and qualification-based training opportunities.

Managing risks

The Strategic Risk Register provide a high-level overview of key risks which are reported to management and to councillors at least twice a year. Financial Procedure Rules and Financial Regulations, together with Contracts Procedure Rules and Employment Procedure Rules, set out the framework of internal controls. Internal Audit have a programme of work designed to assess how this framework operates in practice and report to the Audit and Governance Committee.

Transparency and accountability

All Council meetings are held in public and minutes of meetings and webcasts are available on the Council's website. Following the closure of the Council offices in March 2020, the Council moved to online meetings which could be viewed by residents via a link from the Council's website.

Managing the risk of Fraud

The financial resources available to the Council need to be maximised and used effectively, in order to help achieve the corporate strategies. One aspect to assisting with maximising available resources is to reduce the opportunity for fraud and misappropriation. This is done through proactive and reactive investigations. The Council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors or service users and will take all necessary steps to investigate any allegation of fraud or corruption and pursue sanctions available in each case, including removal from office, dismissal and/or prosecution.

Individual fraud cases are normally handled by the Audit & Investigations Team who mainly deal with fraud encountered in areas such as benefits schemes (e.g. Council Tax support etc.), council tenancies, blue badges and social care payments. Quarterly updates are provided to the Council's Audit & Governance Committee.

We have no knowledge of any actual, suspected or alleged fraud affecting the Authority, which would cause a material misstatement in the financial statement's either through fraudulent financial reporting and/or misstatements resulting from misappropriation of assets for 2019/2020.

REVIEW OF EFFECTIVENESS

The Council uses several ways to review the effectiveness of governance arrangements. One of the key assurance statements is the annual report and opinion of the Chief Auditor. The role of the Internal Audit Service is to provide assurance to management and those charged with government about the quality and effectiveness of the governance framework and systems of internal control. The internal team completed 24 audits and 2 grant certifications. A further 6 audits had fieldwork completed at 31 March 2020, but with reports to be finalised. 101 audit recommendations have been made, of which 14 (17%) were classified as a high priority.

Public Sector Internal Audit Standards require the Chief Auditor to provide an assessment of the overall adequacy and effectiveness of the Council's control environment. This opinion is expressed using a scale ranging from Substantial to Reasonable, then Limited and finally No Assurance. The Chief Auditor has concluded that only Limited Assurance can be placed on the Council's internal control framework for 2019/20, largely because of weaknesses in key financial systems (<https://democracy.reading.gov.uk/documents/s13296/AnnualAssurance-CoverReport.pdf>).

Assistant Directors and Executive Directors have completed Annual Assurance Statements in respect of governance and internal control arrangements for their respective areas. These reviews identified improvements to governance arrangements and internal control during the year, namely:

- Delivered a new senior management structure with the appointments at both Executive Director and Assistant Director within the Directorate of Economic Growth and Neighbourhood services (DEGNS)
- Following the iTrent roll out a further restructure of HR has been completed to address in particular; the Council's Organisational Development capability.
- A Leadership and Management Development Programme for all people managers commenced in Q4. However, the Covid-19 Pandemic has stalled rollout.
- The iTrent⁵ reimplementation project has been completed. The system provides a full audit trail and has significantly improved HR controls, particularly around pay, establishment and performance management. It has also significantly streamlined the Council's recruitment process thereby improving value for money (VFM).
- The annual verification process to verify eligibility for Single person discount, thereby reducing loss of Council Tax has been completed.
- External Audit certified there was no Housing Benefit Subsidy loss to the Council for the second year running.
- A piece of diagnostic work undertaken by CIPFA⁶ has been used to inform a Finance Improvement Programme aligned to the new Financial Management Code⁷ which will deliver in 2020/21.
- The Council's 2016/17 accounts have been signed off, the 2017/18 and 2018/19 Statements have been published and the audit of 2017/18 is nearing completion.
- A Hub and Spoke delivery model has been agreed for Procurement together with a restructure of the Corporate Procurement Team to strengthen the Council's procurement and contract management activity. The new structure provides support for Accounts Payable in terms of supplier set up, thereby facilitating improved separation of duties.
- A review of the Council's security policies and cyber security arrangements has resulted in the commissioning of cyber security training for all staff.

⁵ Council's HR system

⁶ Chartered Institute of Public Finance and Accountancy

⁷ the Chartered Institute of Public Finance and Accountancy, has launched its Financial Management (FM) Code, to drive improvement in financial management for councils across the United Kingdom

- Microsoft Office 365 has been rolled out across the Council and desktops/laptops are in the process of being upgraded to Windows 10.
- The Council has reviewed its Customer and Corporate Services structure to strengthen the Council's approach in dealing with Freedom of Information requests and supporting information governance more generally.
- A new Customer Experience Strategy has been agreed with Phase 1 to be implemented in 2020/21.
- A review of the Council's Corporate Board Structure which is responsible for tracking performance in key areas has been completed with new arrangements put in place.
- The Eligibility Review and Risk Group (ERRG) ensures personalised Support Plans are in place for any new packages of social care support. Further auditing has taken place through the Safeguarding Team and these reports have been used to update and improve practice.
- Case work is regularly audited in Adult Social Care supervisions and prior to ERRG submissions.

In addition to the above and as a result of the Covid-19 pandemic the Council quickly put in place:

- An emergency operations structure, incorporating a Gold-Silver-Bronze decision-making structure and Emergency Operations Centre.
- Arrangements to track the financial implications of the pandemic on the Council's resources.
- Arrangements for democratic decision making in line with the Council's Constitution and emergency legislation including remote decision making.
- Following the immediate response stage, implemented three recovery Boards and reporting arrangements which link into both the Thames Valley and Local Resilience Forum Framework.

Other governance outcomes are shown below:

Issues Identified	Performance in 2019/2020
Formal reports by s151 or Monitoring Officer	None issued
Outcomes from Standards Committee or Monitoring Officer Investigations	The monitoring officer has considered 11 complaints about member conduct.
Proven frauds carried out by councillors or members of staff	None
Objections received from local electors	No objections have been received from local electors
Local Government Ombudsman referrals upheld	The Local Government Ombudsman (LGO) upheld 3 complaints, none of which had a public interest report published.
Information Commissioner referrals upheld	One was upheld in 2019/2020

External Audit

The Council's external auditor, Ernst & Young (EY), issued a qualified opinion for the 2016/17 accounts because of a number of historic and significant control deficiencies. This led to delays in the publishing of annual accounts, for 2017/18 and 2018/19. However, Statements have now been published for both financial years and the audit of 2017/18 will be completed soon.

Officers have also been fully engaged in completing the 2019/20 accounts which are expected to be completed by the end of October 2020—and available for public inspection shortly thereafter.

Other Inspection work

Children's Services was rated "inadequate" by Ofsted in June 2016. A limited company structure was subsequently established by the Council in co-operation with the Commissioner for Children's Services, and the Department for Education. From 3rd December 2018, Brighter Futures for Children Ltd became responsible for delivering Children's Social Care, Early Help, and Education services across the Borough with Fostering transferred on 1st March 2019. An improvement plan to resolve the issues flagged from the 2016 Ofsted inspection, subsequent interim reviews and DfE inspections is in place, with regular overview of progress through the Children's Services Improvement Board, aiming to improve the overall Ofsted rating.

Ofsted have recently re-inspected the Council's provision of Children's Services and note evidence of improvement in most areas of practice since the last inspection. Accordingly, their rating has improved from "inadequate" to "requires improvement to be good". Their inspection report can be found at <https://files.api.ofsted.gov.uk/v1/file/50119620>

CONCLUSION

The Council is satisfied that suitable and appropriate governance arrangements are in place. However, there is more to do, in particular to:

- implement the Finance Improvement Programme necessary to ensure the Council's financial processes and procedures are robust. The Finance Improvement Board chaired by the Executive Director of Resources will oversee delivery of this over the next 12 months.
- Improve financial performance monitoring to ensure that over and underspends are accurately recorded, and mitigations measures agreed.
- Complete the review of HR Policies which wasn't completed as planned in 2019/2020.
- Roll out cyber security training to all staff and recommence the Leadership and Management Development Programme.
- Embed the Council's new Information Governance Board and good practice following from this.
- Continue to raise the profile of Audit and embed a culture of compliance by addressing recommendations on a timely basis
- Continue to support the Internal Audit team and ensure that its recommendations are actioned in a timely way by managers with progress reported regularly to the Audit and Governance Committee
- Review governance processes in MOSAIC (Adult Social Care Database) to better control how records are updated.
- Improve management oversight of contracts - and securing a single place to record all relevant contracts.
- Revise and update performance management measures within service plans including measures to monitor the delivery of key capital programme projects and expenditure.
- Ensure that performance measures remain focused on the delivery of key Council priorities including its response to Covid-19.

Additionally, in response to the Covid-19 pandemic the Council will:

- Review options to address the budget gap in 2020/21 and the sustainability of the Council's Medium-Term Financial Plan (MTFP) and;
- Consider the policy implications of any changes to the Council's future operating model as a result of Covid-19.

CERTIFICATION

We have been advised on the results of the annual review of the effectiveness of the Council's governance framework, as set out above. Plans are in place to address the weaknesses identified. Delivery of these plans will be monitored by the Audit and Governance Committee and reported to the public as part of the next annual review.

Signed on behalf of Reading Borough Council by:

..... Jason Brock, Leader of the Council

.....Peter Sloman, Chief Executive

READING BOROUGH COUNCIL
EXECUTIVE DIRECTOR OF RESOURCES

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	12 October 2020		
TITLE:	STRATEGIC RISK REGISTER		
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 REPORT / THE PROPOSAL

- 1.1 This report outlines the Q2 2020/2021 update of the Strategic Risk Register.
- 1.2 The primary purpose of this report is to request members of CMT to review the Council's Strategic Risk Register for Q2 of the 2020/2021 financial year, prior to onward submission to the Council's Audit & Governance Committee, in line with the requirements of the Council's risk management strategy.
- 1.3 In normal circumstances the Register is presented to the Council's Audit & Governance Committee every six months. It was last presented to the Committee in January 2020 but has not been presented since, because of priorities associated with COVID-19.
- 1.4 The following documents are appended:
Appendix 1 - Council's Strategic Risk Register

2. RECOMMENDED ACTION

- 2.1 The committee are requested to consider the Council's strategic risks as of Sep 2020 (end of Q2).

2. KEY ISSUES

- 2.1 Risk management is a key part of corporate governance. Good risk management will help identify and deal with key Strategic risks facing the Council in the pursuit of its goals and is a key part of good management, not simply a compliance exercise. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. They consist of an ongoing process designed to identify and address significant risks involved in achieving the Council's outcomes.
- 2.2 The Strategic Risk Register has been developed to provide a concise, focused and high-level overview of Strategic risks that can be easily communicated to all staff, councilors and stakeholders (e.g. Council's Insurers). It should, however, always be supplemented by the more detailed directorate/service/project risk registers.
- 2.3 Although guidance is provided in relation to the scoring of risks, with a view to providing as much consistency as possible, it still remains very much a subjective process. The primary aim of the Strategic Risk Register is to identify those key vulnerabilities that CMT consider need to be closely monitored in the forthcoming months and, in some instances, years ahead. In many cases this will be because the risk is relatively new and, whilst being effectively managed, the associated control framework is yet to be fully defined and embedded. In such circumstances it follows that not only will the potential impact be large, but the risk of likelihood of occurrence could also be increased. Furthermore, it is possible that the likelihood can be influenced by events outside of the Council's control e.g. COVID-19, the economic climate and its impact on financial planning, or severe weather etc.
- 2.4 Risk appetite was introduced to our risk register in 2018. This is consistent with the Institute of Risk Management which advises that risk appetite should be identified for each risk. *Risk appetite is the amount of risk that an organisation is willing to seek or accepts in order to meet its long-term objectives.*
- 2.5 The analysis of red, amber and green is based on the extent of the gap between the current residual risk and the risk appetite.
- 2.6 In order to focus senior management and Member attention on areas of greatest risk, the Register should include only the key current risks that have not been mitigated down to the risk appetite level. Where risks have been rated as green for 2 or more consecutive quarters they are removed from the Register. These can be re-instated should the risk rise again.

4. CONTRIBUTION TO STRATEGIC AIMS

4.1 Regular review of the Strategic Risk Register is an integral part of effective risk management arrangements and corporate governance. Identifying risk appetite enables the Council to clarify the extent of risk mitigation required in order to achieve its strategic aims.

5. COMMUNITY ENGAGEMENT AND INFORMATION

5.1 N/A

6. LEGAL IMPLICATIONS

6.1 There are no specific legal implications arising from the recommendations in this report"

7. FINANCIAL IMPLICATIONS

7.1 N/A

8. BACKGROUND PAPERS

8.1 Appendix 1 - the Council's Corporate (Strategic) Risk Register.

<p>Risk 1: The council does not create and deliver a sustainable Medium-Term Financial Plan and/or achieve a balanced budget.</p>		<p>Risk Owner: Assistant Director of Finance</p>																					
<p>Corporate Priority: <i>Ensuring the Council is fit for the future</i></p>																							
<p>Risk Rating (Impact x Likelihood)</p> <p>Unmitigated 5 x 5</p> <p>Current Residual 5 x 4</p> <p>Appetite 4 x 1</p> <p>Potential Impact</p> <p><i>Strategic objectives and statutory duties not met. Council unable to set legal budget. Service or services failure</i></p>	<table border="1"> <caption>Risk Rating Data</caption> <thead> <tr> <th>Category</th> <th>20/21 Q1</th> <th>20/21 Q2</th> <th>20/21 Q3</th> <th>20/21 Q4</th> </tr> </thead> <tbody> <tr> <td>Unmitigated</td> <td>25</td> <td>25</td> <td>25</td> <td>25</td> </tr> <tr> <td>Residual</td> <td>20</td> <td>20</td> <td>20</td> <td>20</td> </tr> <tr> <td>Appetite</td> <td>4</td> <td>4</td> <td>4</td> <td>4</td> </tr> </tbody> </table>	Category	20/21 Q1	20/21 Q2	20/21 Q3	20/21 Q4	Unmitigated	25	25	25	25	Residual	20	20	20	20	Appetite	4	4	4	4	<p>Rationale for current score:</p> <p><i>The Council is experiencing unprecedented budget pressures following the COVID-19 pandemic. The financial impact on the Council will be significant arising from for example lost income, irrecoverable response expenditure and delayed savings programmes.</i></p> <p>Rationale for risk appetite</p> <p>Achieving a sustainable financial position is essential in order to be a going concern and deliver priorities. Careful planning is essential, and the risk appetite is low.</p> <p>Current RAG rating RED</p>	
Category	20/21 Q1	20/21 Q2	20/21 Q3	20/21 Q4																			
Unmitigated	25	25	25	25																			
Residual	20	20	20	20																			
Appetite	4	4	4	4																			
<p>Current Actions (What we are currently doing about the risk - Causes Unmitigated Score to reduce to Residual)</p> <ul style="list-style-type: none"> Robust monitoring arrangements are in place re delivery of savings and tracking of budget pressures Significant savings are being managed by Corporate Programme Boards each with a CMT sponsor Programme of Fundamental Service Reviews has been implemented to identify further opportunities for 'savings'. Detailed monitoring of savings plans to ensure that they are delivered in full in accordance with the milestones agreed, or that appropriate change control is followed. Performance in respect of budget and savings delivery is reported to CMT monthly Procurement and recruitment in line with corporate policies and procedures to deliver good value for money. Quarterly reporting of budget position to Policy Committee 		<p>Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities</p> <table border="1"> <thead> <tr> <th>Further Mitigation</th> <th>Officer (s) responsible</th> <th>Target date</th> </tr> </thead> <tbody> <tr> <td>Ongoing review of financial monitoring systems and procedures commencing to identify improvements to facilitate greater budget monitoring scrutiny and effectiveness begun.</td> <td>Assistant Director of Finance</td> <td>ongoing</td> </tr> <tr> <td>Various workstreams underway to identify how the financial gap due to Covid-19 can be mitigated, including review of capital programme and MTFS.</td> <td>Assistant Director of Finance</td> <td>First round of proposals Sep-20</td> </tr> <tr> <td>Budget monitoring incorporates the savings delivery plan as a separate report, with mitigation plans to be implemented for those savings at risk (Red/Amber RAG status)</td> <td>CMT</td> <td>Ongoing</td> </tr> <tr> <td>Assistant directors instructed to fully mitigate any unmet savings</td> <td>Assistant Directors</td> <td>Ongoing</td> </tr> <tr> <td>Finance Transformation Project is underway. This includes reviewing and improving budget reporting, budget manager training, coding structures.</td> <td>Financial Planning & Strategy Manager</td> <td>Ongoing</td> </tr> </tbody> </table>		Further Mitigation	Officer (s) responsible	Target date	Ongoing review of financial monitoring systems and procedures commencing to identify improvements to facilitate greater budget monitoring scrutiny and effectiveness begun.	Assistant Director of Finance	ongoing	Various workstreams underway to identify how the financial gap due to Covid-19 can be mitigated, including review of capital programme and MTFS.	Assistant Director of Finance	First round of proposals Sep-20	Budget monitoring incorporates the savings delivery plan as a separate report, with mitigation plans to be implemented for those savings at risk (Red/Amber RAG status)	CMT	Ongoing	Assistant directors instructed to fully mitigate any unmet savings	Assistant Directors	Ongoing	Finance Transformation Project is underway. This includes reviewing and improving budget reporting, budget manager training, coding structures.	Financial Planning & Strategy Manager	Ongoing		
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<p>Risk 2: Insufficient or lack of capable staff resources to deliver our services in an effective and efficient manner</p>		<p>Risk Owner: Assistant Director of HR & Organisational Development</p>																					
<p>Corporate Priority: <i>Ensuring the Council is fit for the future</i></p>																							
<p>Risk Rating (Impact x Likelihood)</p> <p>Unmitigated 4 x 5</p> <p>Current Residual 3 x 3</p> <p>Appetite 3 x 2</p> <p>Potential Impact</p> <p><i>Failure to meet demand. Statutory duties not met. Negative impact on staff motivation and stress related illness.</i></p>		<table border="1"> <caption>Risk Rating Data</caption> <thead> <tr> <th>Category</th> <th>20/21 Q1</th> <th>20/21 Q2</th> <th>20/21 Q3</th> <th>20/21 Q4</th> </tr> </thead> <tbody> <tr> <td>Unmitigated</td> <td>20</td> <td>20</td> <td>20</td> <td>20</td> </tr> <tr> <td>Residual</td> <td>9</td> <td>9</td> <td>9</td> <td>9</td> </tr> <tr> <td>Appetite</td> <td>6</td> <td>6</td> <td>6</td> <td>6</td> </tr> </tbody> </table>		Category	20/21 Q1	20/21 Q2	20/21 Q3	20/21 Q4	Unmitigated	20	20	20	20	Residual	9	9	9	9	Appetite	6	6	6	6
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Unmitigated	20	20	20	20																			
Residual	9	9	9	9																			
Appetite	6	6	6	6																			
		<p>Rationale for current score:</p> <p>Managing delivery of ongoing services during a period of significant change, reduced staffing, difficulties in recruiting to certain specialist posts and staff resources diverted to the transformation programme</p> <p>Rationale for risk appetite</p> <p>In order to implement the Transformation Programme, this will put pressure on managing and delivering services.</p>																					
		<table border="1"> <tr> <td>Current RAG rating</td> <td style="background-color: yellow;">AMBER</td> </tr> </table>		Current RAG rating	AMBER																		
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<p>Current Actions (What we are currently doing about the risk- Causes Unmitigated Score to reduce to Residual)</p> <ul style="list-style-type: none"> HR and OD transformation plan in progress which aims to increase OD capacity to support achievement of a high performing, highly skilled and motivated workforce Access to pool of appropriately qualified temporary staff via agency contract (procurement process for a new contract from February 2021 is now underway). Team Reading Programme established to support delivery of the People Strategy which aims to achieve a highly skilled and motivated workforce. Programme governance in place through monthly boards reporting progress to CMT Resourcing team established to improve the approach and success of permanent and all other types of recruitment. Time to fill (advert to start date) has reduced from around 100 days to an average of 67 days. Success rate of recruitment has increased from 50% to 75%. Improved HR management information is now available to managers following roll out of iTrent self-service modules. This enables more effective monitoring of turnover, absence trends etc so that any areas of concern can be identified and acted upon quickly 		<table border="1"> <thead> <tr> <th>Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities</th> <th>Officer responsible</th> <th>Target date</th> </tr> </thead> <tbody> <tr> <td>Update HR policies and procedures and communicate amendments to staff and provide training for managers where required</td> <td>Assistant Director of HR and OD</td> <td>March 2021</td> </tr> <tr> <td>Repeat the Staff Survey to track progress and improvements since the last survey in April 2019. Currently on hold due to Covid and uncertainty about future ways of working</td> <td>Assistant Director of HR and OD</td> <td>March 2021</td> </tr> <tr> <td>Reduce agency spend through improved focus on permanent recruitment</td> <td>CMT</td> <td>Ongoing</td> </tr> </tbody> </table>		Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities	Officer responsible	Target date	Update HR policies and procedures and communicate amendments to staff and provide training for managers where required	Assistant Director of HR and OD	March 2021	Repeat the Staff Survey to track progress and improvements since the last survey in April 2019. Currently on hold due to Covid and uncertainty about future ways of working	Assistant Director of HR and OD	March 2021	Reduce agency spend through improved focus on permanent recruitment	CMT	Ongoing								
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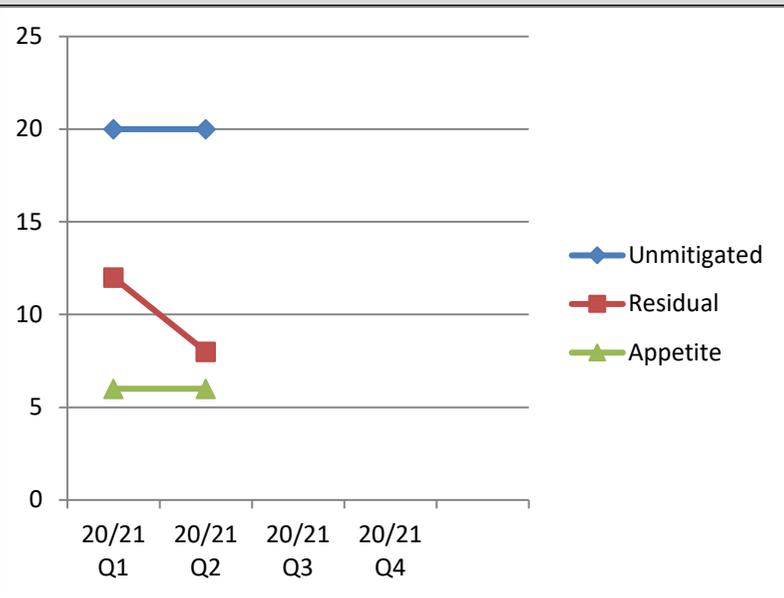
<p>Risk 3: Information created, accessed, handled, stored, protected and destroyed by the Council and its service areas is not managed in compliance with legislation or local policies. Council services do not fully understand or manage the risks such non-compliance involves therefore not making informed, risk-based decisions.</p>		<p>Risk Owners: AD of Legal & Democratic Services (SIRO) / Chief Digital & Information Officer</p>																						
<p>Corporate Priority: Ensuring the Council is fit for the future</p>																								
<p>Risk Rating (Impact x Likelihood)</p> <p>Unmitigated 5 x 4</p> <p>Current Residual 4 x 2</p> <p>Appetite 3 x 2</p> <p>Potential Impact</p> <p><i>Fines/penalties, reputation damage, service failure.</i></p>	<table border="1"> <caption>Risk Rating Data</caption> <thead> <tr> <th>Category</th> <th>Q1 20/21</th> <th>Q2 20/21</th> <th>Q3 20/21</th> <th>Q4 20/21</th> </tr> </thead> <tbody> <tr> <td>Unmitigated</td> <td>20</td> <td>20</td> <td>20</td> <td>20</td> </tr> <tr> <td>Residual</td> <td>8</td> <td>8</td> <td>8</td> <td>8</td> </tr> <tr> <td>Appetite</td> <td>6</td> <td>6</td> <td>6</td> <td>6</td> </tr> </tbody> </table>		Category	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	Unmitigated	20	20	20	20	Residual	8	8	8	8	Appetite	6	6	6	6	<p>Rationale for current score:</p> <p>The likelihood has reduced slightly following staff awareness training, and further rollout of e-learning packages. Potential impact remains high.</p> <p>Rationale for risk appetite</p> <p>In addition to the financial risk, financial penalties are now very high, hence the Council will seek to minimise the risk of these being incurred.</p> <p>Current RAG rating AMBER</p>	
Category	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21																				
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Appetite	6	6	6	6																				
<p>Current Actions (What we are currently doing about the risk- Causes Unmitigated Score to reduce to Residual)</p> <ul style="list-style-type: none"> Ongoing corporate training programme for data protection, raising awareness with staff groups of the need to handle personal data securely and properly. Data Protection Training is mandatory for all staff. GDPR e-learning module has been rolled out to staff and made mandatory for staff to complete. Face to Face Data Protection refresher training is available for staff as and when needed. Information Governance Board (IGB) set up to oversee delivery of IG strategy and compliance Subject Access Request policy and Breach Management policy reviewed by IGB. Further training to be delivered to staff. Privacy Notices have been updated for each service area and made available to service users. These are kept under review e.g. were updated for revised Covid operations. Information Sharing Protocols have been centralised and will be reviewed by IGB. Teams have completed DPIA's documenting what personal data is being processing. These are to be reviewed as part of current IGB programme. Strategic review of all IG strategy/functions/roles/action plan completed in May 2020. Review of information governance taking place through IGB and overlaps with Smarter Working project (O365 benefits realisation) mapped New Data Intelligence Team in place June 2020 		<table border="1"> <thead> <tr> <th>Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities</th> <th>Officer responsible</th> <th>Target date</th> </tr> </thead> <tbody> <tr> <td>Need to test application of training to ensure it is taken up and is effective. Training for staff handling sensitive data or responsible for Information Assets needs to be prioritised.</td> <td>SIRO</td> <td>Ongoing</td> </tr> <tr> <td>Further work to highlight responsibility for the proper ownership and management of data assets is ongoing via the IGB.</td> <td>SIRO</td> <td>Ongoing</td> </tr> <tr> <td>Ongoing improvements to the handling of SARs and FOIs through the Firmstep system to be completed, with greater visibility for performance via InPhase to be introduced.</td> <td>AD Legal & Democratic Services</td> <td>Ongoing</td> </tr> <tr> <td>Completion of follow up actions on Audits regarding FOI and Data Transparency. Engaging with IGB and Services as necessary to ensure corporate approach is delivered.</td> <td>AD Legal & Democratic Services</td> <td>Ongoing</td> </tr> </tbody> </table>		Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities	Officer responsible	Target date	Need to test application of training to ensure it is taken up and is effective. Training for staff handling sensitive data or responsible for Information Assets needs to be prioritised.	SIRO	Ongoing	Further work to highlight responsibility for the proper ownership and management of data assets is ongoing via the IGB.	SIRO	Ongoing	Ongoing improvements to the handling of SARs and FOIs through the Firmstep system to be completed, with greater visibility for performance via InPhase to be introduced.	AD Legal & Democratic Services	Ongoing	Completion of follow up actions on Audits regarding FOI and Data Transparency. Engaging with IGB and Services as necessary to ensure corporate approach is delivered.	AD Legal & Democratic Services	Ongoing						
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Completion of follow up actions on Audits regarding FOI and Data Transparency. Engaging with IGB and Services as necessary to ensure corporate approach is delivered.	AD Legal & Democratic Services	Ongoing																						

<i>Risk 3 continued</i>	
<p>Current Actions (<i>What we are currently doing about the risk- Causes Unmitigated Score to reduce to Residual</i>)</p> <ul style="list-style-type: none">• The Council now has retention schedules for each directorate. All retention schedules have been updated and will be reviewed to through ongoing IGB programme to ensure they are being actioned. Further work through the IGB will ensure that the schedules are given greater visibility and to assess level of compliance.• Records of processing activities (ROPA) being further developed by DPO and will help to identify Information Asset Owners within Services.	

Risk 4: *The Council does not follow its own governance procedures leading to failure to deliver services and/or value for money and/or it can be challenged through a legal process*
Risk Owners: Assistant Director of Legal & Democratic Services/ Executive Director of Resources

Corporate Priority: *Ensuring the Council is fit for the future, Securing the economic success of Reading. Improving access to decent housing to meet local needs. Protecting and enhancing the lives of vulnerable adults and children, Keeping Reading's environment clean, green and safe. Promoting great education, leisure and cultural opportunities for people in Reading*

Risk Rating (Impact x Likelihood)
 Unmitigated 5 x 4
 Current Residual 4 x 2
 Appetite 3 x 2
Potential Impact
Breach of governance procedures could lead to adverse Ombudsman, Ofsted, External Audit, Care Quality Commission opinions and/or Legal challenge from those who interact with the Council



Rationale for current score:
 While controls are in place, they are not always being followed. Processes are improving as are training and policies, but the impact of this is not yet proven. The Council's AGS suggests progress still needs to be made to reduce the residual risk.

Rationale for risk appetite
 A Council should be a model of propriety and control to ensure confidence in its handling of public assets. Hence the likelihood of non-compliance should be at a minimal level. Good governance underpins all work to achieve the Council's targets

Current RAG rating AMBER

- Current Actions (What we are currently doing about the risk- Causes Unmitigated Score to reduce to Residual)**
- Follow up on Audit Recommendations to ensure that they are all dealt with fully so that systems, processes and compliance are improved. Recommendation tracker presented to A&G along with limited assurance audit reports in full.
 - The induction programme for new members of staff includes guidance to certain key governance policies (including the Code of Conduct);
 - Staff code of conduct issued with contracts of employment for all staff
 - Strategic risk register to be kept up to date and reviewed promptly.
 - Roll out of net consent for policy management; recently used for GDPR training.
 - Some HR policies already agreed such as sickness, disciplinary residual policy updates are scheduled and programmed for agreement.
 - IT Policies have been updated and were agreed by Committee in December, training is being rolled out.

Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities	Officer responsible	Target date
Implement Finance Improvement programme, covering six workstreams with a formal programme structure	Executive Director of Resources	Q4 2020
Continue to use the Directorate Performance Steering Groups to drive compliance	Assistant Director of Finance	Continuus
Financial Regulations are currently being updated and will be rolled out as soon as approved	Assistant Director of Finance/ Director of Resources	Q3 20/21

<i>Risk 4 continued</i>			
<p>Current Actions (<i>What we are currently doing about the risk- Causes Unmitigated Score to reduce to Residual</i>)</p> <ul style="list-style-type: none"> • Ethics statement being refreshed • Control of payments to employees better controlled through I Trent roll out • The Council now has retention schedules for each directorate. All retention schedules have been updated and will be reviewed to ensure they are compliant with any future updates. The retention schedules are available to all staff and all directorates are expected to follow them to ensure compliance. • I Trent rolled out to all staff with expectation of self-serve culture to keep own personal data up to date. 	<p>Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities</p>		
	HR policies and procedures are being reviewed and updated	Assistant Director of HR and OD	Mar 2021
	Code of Conduct has been revised in consultation with the TUs (subject to Personnel Committee approval in November 2020) and will then be relaunched to staff.	Assistant Director of HR and OD	Dec 2020

Risk 5: Provider Failure & Market Sustainability Issues and Failure of major contract causes financial, service delivery, legal and H&S issues which directly impact the Council - (Adult Social Care - Care Homes & Domiciliary Care and Emergency Duty Service)

Risk Owners: Assistant Director Commissioning, Transformation & Performance (DACHS)

Corporate Priority: *Ensuring the Council is fit for the future, Securing the economic success of Reading. Protecting and enhancing the lives of vulnerable adults and children.*

Risk Rating (Impact x Likelihood)

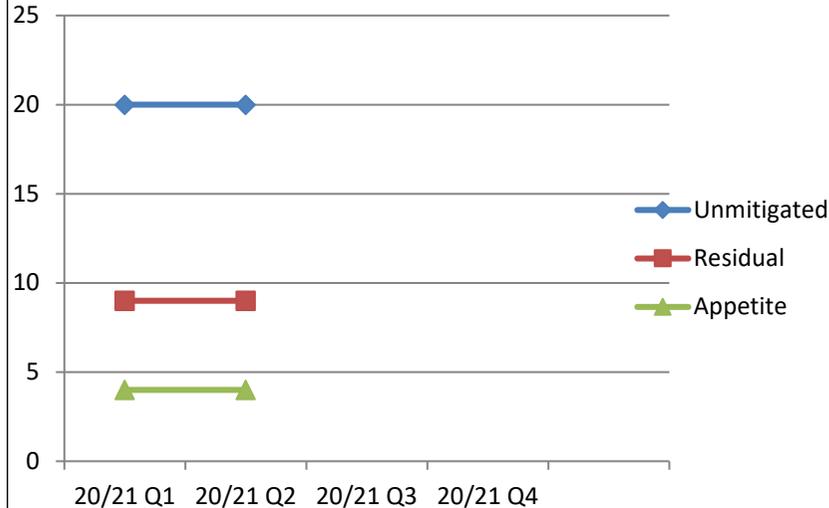
Unmitigated 5 x 4

Current Residual 3 x 3

Appetite 2 x 2

Potential Impact

- Disruption to services.
- Failure to meet Care Act statutory duties
- Service users required to move due to service closures



Rationale for current score:

Increasing pressure on adult social care due to changing demographics and increase in complexity of needs. Covid-19 has created additional pressures in the market both financially and for the workforce. This may result in closure of services and/or reduction in service offer whilst Providers are managing the crisis of the pandemic and working within the constraints this brings.

Rationale for risk appetite

Tolerance is medium due to small providers being able to absorb most service failures. A large care home/homecare failure would require significant Officer time to provide support. However, as our market share is spread across a number of providers the risk is further mitigated apart from in Nursing Dementia provision.

Current RAG rating

RED

Current Actions (What we are currently doing about the risk- Causes Unmitigated Score to reduce to Residual)

- Business continuity plans have been checked and tested as a result of Covid-19. Their robustness continue to be checked as part of the annual quality assessment process (AQA).
- Onboarding of new Providers via the Homecare & Supported Living Frameworks Key contracts are monitored on a regular basis as part of the contract performance. This should address any capacity or performance issues that might indicate that there may be issues with financial/general viability.
- Financial risk assessment of prospective suppliers is undertaken for all major contracts let by the Council and annual financial assessment checks where appropriate.
- An up to date contract register is in place.
- An Accommodation Strategy and accompanying needs analysis is in development to better understand our future needs which will shape our commissioning intentions.
- Business Case being prepared detailing our approach to Block Contracts in the future to ensure provision is fit for purpose

Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities

Ongoing review and analysis of the impact of Covid-19 on Providers and associated actions to support them presented in monthly updates to DMT e.g. 3% Covid support, day services payments

Officer responsible

Assistant Director Commissioning, Transformation & Performance

Target date

Autumn 20

Infection control monies are distributed in line with the Grant conditions to support the market and returns are completed as required

Assistant Director Commissioning, Transformation & Performance

Dec 20
Mar 21

<p><i>Risk 5 continued</i></p>			
<p>Current Actions (What we are currently doing about the risk- Causes Unmitigated Score to reduce to Residual)</p> <ul style="list-style-type: none"> • Preventative intervention by Quality Officers where providers are failing to support them to improve and deliver a sustainable service if viable and appropriate. • A Provider Failure Protocol is being prepared in the event this is required • Covid 19 support has been implemented in line with the Procurement Policy Notice (PPN) and Local Government Association guidance • The NHS Capacity tracker is used to identify issues thus resulting in early intervention • Performance and resilience of providers who hold public health contracts that are commissioned by the shared public team are reported to the consultant in public health on a monthly basis • Within the context of COVID-19 Public Health providers have been offered appropriate flexibility over contract payments to relieve any short-term cash flow challenges 	<p>Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities</p>	<p>Officer responsible</p>	<p>Target date</p>
	<p>Realigning the Commissioning and operational services in order to deliver improved working relationships with Providers to contingency plan for the future as demand grows</p>	<p>Assistant Director Commissioning, Transformation & Performance</p>	<p>Autumn 20</p>
	<p>Work with system partners to identify and secure additional Infection Control capacity to work across all Provider settings to support with Covid19 and wider concerns e.g. training, isolating residents</p>	<p>Assistant Director Commissioning, Transformation & Performance</p>	<p>Oct 20</p>

Risk 6: Insufficient vision and strategy for sustainable economic development and resilience leading to exposure to external shocks, a lack of investment in strategic infrastructure, a consequential decline in prosperity and an unequal distribution of economic opportunities in Reading and the wider sub-region.

Risk Owners: Executive Director for Economic Growth & Neighbourhood Services

Corporate Priority: *Securing the economic success of Reading*

Risk Rating (Impact x Likelihood)

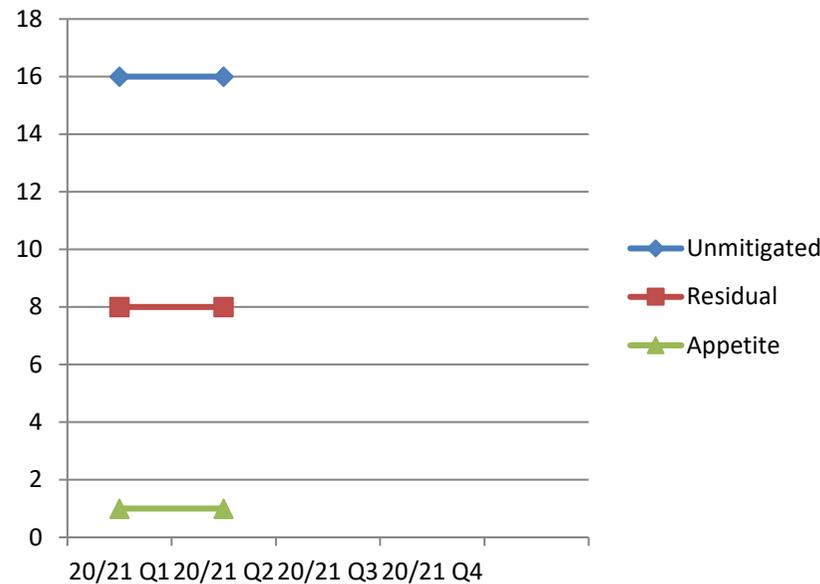
Unmitigated 4 x 4

Current Residual 4 x 2

Appetite 1 x 1

Potential Impact

Declining growth/recession in Reading will present less job opportunities and a likely decline or stagnating incomes/living standards.



Rationale for current score:

Reading's (and the wider Thames Valley) economy in, on paper, Relatively resilient, but can be negatively affected by wider economic trends, including the short-term impacts of Covid-19, medium-terms impact of Brexit and longer-term impact of extreme weather events and other external shocks. The Council's role in creating the right conditions for growth is significant, but it has limited control over major external impacts such as those driven by Covid-19.

Rationale for risk appetite:

The sustainable economic development and resilience of the town is critical to quality of life of residents and also has an inherent link to demands on Council services as well as Council income.

Current RAG rating **RED**

Current Actions (What we are currently doing about the risk- Causes Unmitigated Score to reduce to Residual)

- The Council's Covid-19 emergency planning response included a strong focus on supporting the business community and the local economy through the worst of the crisis, with a Sub-Group of Silver Command focussing on the Economy, now superseded by a more strategic Economic Recovery and Renewal Group reporting to CMT
- The Council has channelled financial support, advice and information to the business community and worked with Reading UK and business partners to enable the safe re-opening of economic activity at the earliest practicable opportunity
- The Council has been responding to requests from central Government via the LEP for ideas for capital projects which could stimulate jobs/growth and a 'green recovery'. The Council published a Draft Local Transport Plan 4 published in Summer 2020 following a visioning consultation undertaken in 2019, to be finalised late 2020. The LTP will include future demand management to reduce the economic and social costs of congestion and poor air quality and will identify essential transport infrastructure to support the local economy.

Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities	Officer responsible	Target date
Completion of Local Transport Plan 4 and subsequent implementation of key policy measures and infrastructure investments.	Deputy Director of P.T & R Services	Dec 2020
Development of a town centre vision / masterplan to be an overarching plan to guide the development of the town including transport and public realm matters.	Deputy Director of P.T & R Services	Autumn 2020
Implementation of Reading Local Plan and discharge of planning and other regulatory functions which support economic recovery through a responsive and flexible approach	Deputy Director of P.T & R Services	To 2036

<i>Risk 6 continued</i>			
<p>Current Actions (What we are currently doing about the risk- Causes Unmitigated Score to reduce to Residual)</p> <ul style="list-style-type: none"> The Council's new Local Plan setting out how Reading will develop up to 2036 ensuring housing, economic, environmental and social needs are met was adopted in November 2019. The Council's new build housing programme is adding to the supply of affordable housing in the town The Council is working with Reading UK CIC to market and promote the town and secure investment in a high-quality town centre offer and explore opportunities to improve the public realm in the light of Covid-19 The Council has contributed to the agreed Local Industrial Strategy including key matters related to inclusive and sustainable growth, and will be involved in any revisions to this required in response to Covid-19 the Council has delivered a comprehensive cultural programme to raise Reading's profile, including for inward investors, with this being a key shared endeavour with the Council, Reading UK and the University as key partners. The Council's capital programme (currently under review in the light of Covid-19) identifies significant additional investment in infrastructure (e.g. in transport, digital, energy, leisure, greenspace and the public realm) which will support the recovery of the local economy The Council has contributed to the draft Reading Climate Emergency Strategy, which was published for consultation in March and which will be finalised in the autumn, to support a transition to a low carbon economy as envisaged in the Climate Emergency declaration of February 2019. 	<p>Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities</p>		
	Deliver Local Authority New Build Programme on Council owned land over the next three years	AD Housing & Communities and AD Property and Asset Management	2020-2022
	Complete review of capital programme, deploy investment to support economic recovery and bid for central Government funding to supplement RBC capital programme	Deputy Director of P.T & R Services	Summer 2020
	Further develop delivery plans to achieve the 2050 vision and to secure additional resources linked to these plans building on 'Smart City' investment already secured.	Deputy Director of regeneration and assets	Ongoing
	Completion and implementation of Reading Climate Emergency Strategy 2020-25- published for consultation in Spring 2020 and adoption in Autumn 2020.	Head of Climate Strategy	Autumn 2020
	Clarify position with strategic leisure provider and progress leisure investment programme accordingly	AD Culture	Ongoing to 2022

<p>Risk 7: The Council doesn't take adequate mitigation to reduce the risk of injury or death from incidents within Council residential accommodation and private high rise within the borough</p>		<p>Risk Owners: Assistant Director for Housing & Neighbourhoods</p>																					
<p>Corporate Priority: <i>Improving access to decent housing to meet local needs</i></p>																							
<p>Risk Rating (Impact x Likelihood)</p> <p>Unmitigated 5 x 4</p> <p>Current Residual 4 x 2</p> <p>Appetite 4 x 1</p> <p>Potential Impact</p> <p><i>Death/Injury to individuals and/or non-compliance with relevant legislation</i></p>	<table border="1"> <caption>Risk Rating Data</caption> <thead> <tr> <th>Period</th> <th>Unmitigated</th> <th>Residual</th> <th>Appetite</th> </tr> </thead> <tbody> <tr> <td>20/21 Q1</td> <td>20</td> <td>10</td> <td>4</td> </tr> <tr> <td>20/21 Q2</td> <td>20</td> <td>8</td> <td>4</td> </tr> <tr> <td>20/21 Q3</td> <td>20</td> <td>8</td> <td>4</td> </tr> <tr> <td>20/21 Q4</td> <td>20</td> <td>8</td> <td>4</td> </tr> </tbody> </table>		Period	Unmitigated	Residual	Appetite	20/21 Q1	20	10	4	20/21 Q2	20	8	4	20/21 Q3	20	8	4	20/21 Q4	20	8	4	<p>Rationale for current score: A significant amount of work has been undertaken and is underway (across the Council and Fire Service) following Grenfell Tower to address the issues raised by that incident. This has reduced the likelihood of a significant fire related incident but the impact remains high.</p> <p>Rationale for risk appetite The Council has a low appetite for injury or death to its residents' tenants. Considering that the impact of an incident is potentially a fatality, the Council's residual risk score may never reach our appetite.</p>
Period	Unmitigated	Residual	Appetite																				
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<p>Current Actions (What we are currently doing about the risk- Causes Unmitigated Score to reduce to Residual)</p> <ul style="list-style-type: none"> Detailed Housing Service action plan completed in respect of fire safety post Grenfell Tower. H&S compliance monitoring has been reviewed and strengthened. Type 4 intrusive Fire Risk Assessments of sample high rise and other higher risk low rise blocks completed. Overall findings were positive. Advice re additional fire safety measures proposed to proactively improve safety in flatted blocks have been costed and scheduled - this has resulted in a capital requirement over 5 years of circa £6-7m in the Housing Revenue Account. Works have been or are being commissioned according to our 5-year programme of works. All 350 RBC flatted residential blocks had an FRA completed as at end December 2017 and are on a rolling programme of assessment per LGA guidance using external and internal capacity. Internal assessors are fully trained but we are now additionally seeking external accreditation. A block inspector regularly checks all blocks and housing officers are on site most days to ensure frequent monitoring. From this year every flat within the blocks will have their smoke alarm tested every year and tenants are encouraged to check them weekly. Joint RBC and Royal Berkshire Fire and Rescue Service (RBRFS) service inspections of priority high rise following an MoU. 89 residential buildings over 18 meters in height have been identified within the Reading Borough Council administrative area including the 7 local authority blocks. 		<table border="1"> <thead> <tr> <th>Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities</th> <th>Officer responsible</th> <th>Target date</th> </tr> </thead> <tbody> <tr> <td>Continue to work with and monitor owners response to remove cladding from three high rise properties. Work to remove cladding on two buildings has commenced. Address issues raised following the joint RBRFS inspections and react to emerging issues as they are identified.</td> <td>Deputy Director of P.T & R Services</td> <td>Ongoing</td> </tr> <tr> <td>Continue to monitor our Corporate response via the Corporate Fire Safety Working Group. In particular, ensure that housing procured for vulnerable adults and children have the relevant agreements and checks in place.</td> <td>Deputy Director of P.T & R Services</td> <td>Ongoing</td> </tr> </tbody> </table>		Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities	Officer responsible	Target date	Continue to work with and monitor owners response to remove cladding from three high rise properties. Work to remove cladding on two buildings has commenced. Address issues raised following the joint RBRFS inspections and react to emerging issues as they are identified.	Deputy Director of P.T & R Services	Ongoing	Continue to monitor our Corporate response via the Corporate Fire Safety Working Group. In particular, ensure that housing procured for vulnerable adults and children have the relevant agreements and checks in place.	Deputy Director of P.T & R Services	Ongoing											
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<p><i>Risk 7 continued</i></p>	
<p>Current Actions (<i>What we are currently doing about the risk- Causes Unmitigated Score to reduce to Residual</i>)</p> <ul style="list-style-type: none"> • Working with owners to remove ACM cladding on three high rise buildings. Interim measures in place to secure safety of residents. Regular reporting to MHCLG. • Planning to implement new requirements to review in more detail all residential high rise over 18m, hotels and student accommodation. Also reviewing what action will need to be taken once all the detail comes out from the review. It is anticipated that there will be significant follow up work. • Corporate working group set up to review, agree and implement actions arising. ASC are reviewing the procurement standards and checks within their housing. The issue has been raised with Bffc. • In 2018/19 a wider external audit of health and safety practice in Housing was commissioned. Audit completed in 2018/19 with a focus on Construction, Design and management (CDM). Report and action plan finalised - with external assessor and actions are now complete 	

<p>Risk 8: Partnerships - Failure to develop and maintain key partner relationships results in failure to deliver key shared outcomes</p>		<p>Risk Owners: Assistant Director Corporate Improvement and Customer Service & Assistant Director Commissioning, Transformation & Performance - DACHS</p>																					
<p>Corporate Priority: <i>Securing the economic success of Reading. Improving access to decent housing to meet local needs. Protecting and enhancing the lives of vulnerable adults and children</i></p>																							
<p>Risk Rating (Impact x Likelihood)</p> <p>Unmitigated 4 x 4</p> <p>Current Residual 2 x 3</p> <p>Appetite 2 x 2</p> <p>Potential Impact</p> <p><i>Community needs not met Negative impact on community cohesion which could lead to extremism. Increased risk of failure of voluntary sector umbrella support</i></p>		<table border="1"> <caption>Risk Rating Data</caption> <thead> <tr> <th>Category</th> <th>20/21 Q1</th> <th>20/21 Q2</th> <th>20/21 Q3</th> <th>20/21 Q4</th> </tr> </thead> <tbody> <tr> <td>Unmitigated</td> <td>16</td> <td>16</td> <td>16</td> <td>16</td> </tr> <tr> <td>Residual</td> <td>6</td> <td>6</td> <td>6</td> <td>6</td> </tr> <tr> <td>Appetite</td> <td>4</td> <td>4</td> <td>4</td> <td>4</td> </tr> </tbody> </table>		Category	20/21 Q1	20/21 Q2	20/21 Q3	20/21 Q4	Unmitigated	16	16	16	16	Residual	6	6	6	6	Appetite	4	4	4	4
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Appetite	4	4	4	4																			
		<p>Rationale for current score:</p> <p>A number of partnerships are embedded to secure strategic and operational outcomes.</p> <p>Rationale for risk appetite</p> <p>Appetite fairly low as the Council seeks to meet the needs of the community and maximise effectiveness and compliance with statutory requirements though working closely with key partners.</p>																					
		<table border="1"> <tr> <td>Current RAG rating</td> <td style="background-color: yellow;">AMBER</td> </tr> </table>		Current RAG rating	AMBER																		
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<p>Current Actions (What we are currently doing about the risk- Causes Unmitigated Score to reduce to Residual)</p> <ul style="list-style-type: none"> Reading 2050 vision document sets out a shared view of key priorities for the future of Reading. We will be working with partners across the town to identify the actions needed to deliver this vision a Reading Futures Commission group made up of key partners is being set up to steer this. Community Safety Partnership - brings together the Council, Police and a wider range of partners and agrees clear joint strategic priorities with activity monitored through a number of delivery groups reporting to the partnership; regular and structured liaison is in place between RBC/Police at a range of tiers. Local Enterprise Partnership and joint working to influence investment in infrastructure, skills and private sector to support economic growth. Cultural Partnership (CP) and Cultural Education Partnership (CEP) to drive delivery of a cultural renaissance and contribute to achieving priority social outcomes, including educational attainment, employment and employability, health and well-being (targeting more vulnerable groups / communities) - future shape of CP to be determined We have set up quarterly meetings of the chief executives voluntary and community sector sounding board to identify areas for joint working on key areas of concern 		<table border="1"> <thead> <tr> <th>Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities</th> <th>Officer responsible</th> <th>Target date</th> </tr> </thead> <tbody> <tr> <td>Work to understand and improve partnership, voluntary sector and policy strategy across the council. - Being picked up by the Social Inclusion and voluntary sector Recovery Group. Lead officer Andrew Withey</td> <td>AD Corporate Improvement</td> <td>Q3 20/21</td> </tr> <tr> <td>Review the quality of partnership work and consider whether to reintroduce a Local Strategic Partnership body</td> <td>AD Corporate Improvement</td> <td>Q3 20/21</td> </tr> <tr> <td>Implement next phase of pilot work with the voluntary sector to deliver the adult social care front door function thus enhancing our wider preventative offer and reducing the need for reliance on statutory services</td> <td>AD of Commissioning, Transformation and Performance</td> <td>Q3 20/21</td> </tr> </tbody> </table>		Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities	Officer responsible	Target date	Work to understand and improve partnership, voluntary sector and policy strategy across the council. - Being picked up by the Social Inclusion and voluntary sector Recovery Group. Lead officer Andrew Withey	AD Corporate Improvement	Q3 20/21	Review the quality of partnership work and consider whether to reintroduce a Local Strategic Partnership body	AD Corporate Improvement	Q3 20/21	Implement next phase of pilot work with the voluntary sector to deliver the adult social care front door function thus enhancing our wider preventative offer and reducing the need for reliance on statutory services	AD of Commissioning, Transformation and Performance	Q3 20/21								
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<i>Risk 8 continued</i>			
<p>Current Actions (<i>What we are currently doing about the risk- Causes Unmitigated Score to reduce to Residual</i>)</p> <ul style="list-style-type: none"> • Key stakeholder meetings are held with key partners on an ongoing basis • One Public Estate Partnership - to oversee and implement shared property ambitions across the public estate. • CSC - participation in statutory and strategic partnerships to include Local Safeguarding Board, Children’s Trust Board, Children’s Services Improvement Board, Health & Wellbeing Board. Strategic Management Group (TVP) • Undertaking an audit of current partnerships and partnership boards attended across the organisation. To inform proposals for future partnership approach and efficacy of existing partnerships. • Adult Social Care provider forums meet quarterly with a focus on new ways of working, areas for service developments and markets challenges • Adult Social Care and Health Integration and collaborative working is discussed at the Berkshire West 7 Programme Board that meets monthly. 	<p>Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities</p>	<p>Officer responsible</p>	<p>Target date</p>
	<p>Market shaping events held across service areas providing clarity around areas of development for Adult Social Care with a view to finding creative solutions to meet needs</p>	<p>AD of Commissioning, Transformation and Performance</p>	<p>Q3 20/21</p>

<p>Risk 9: BFFC - Failure of the new Children’s Company to improve service levels and financial overspend, results in poor performance and accelerated adverse financial impacts (as failure to improve overspend means the Council is unable to access the delivery fund grant)</p>		<p>Risk Owner: Assistant Director for Procurement & Contracts</p>																					
<p>Risk Rating (Impact x Likelihood)</p> <p>Unmitigated 4 x 4</p> <p>Current Residual 4 x 2</p> <p>Appetite 2 x 2</p> <p>Potential Impact</p> <p><i>Financial overspend, poor service provision and impacts on children</i></p>	<table border="1"> <caption>Risk Rating Data</caption> <thead> <tr> <th>Quarter</th> <th>Unmitigated</th> <th>Residual</th> <th>Appetite</th> </tr> </thead> <tbody> <tr> <td>20/21 Q1</td> <td>16</td> <td>8</td> <td>4</td> </tr> <tr> <td>20/21 Q2</td> <td>16</td> <td>8</td> <td>4</td> </tr> <tr> <td>20/21 Q3</td> <td>16</td> <td>8</td> <td>4</td> </tr> <tr> <td>20/21 Q4</td> <td>16</td> <td>8</td> <td>4</td> </tr> </tbody> </table>	Quarter	Unmitigated	Residual	Appetite	20/21 Q1	16	8	4	20/21 Q2	16	8	4	20/21 Q3	16	8	4	20/21 Q4	16	8	4	<p><i>Rationale for current score: Brighter Futures for Children has seen an improvement in overall performance, as reflected in the move from being rated as ‘Inadequate’ to ‘Requires Improvement to be Good’ in the most recent ILACS inspection. However, there has still been a financial overspend in the last year and is still a large programme of work to address both service improvement and overall Company transformation. (NB: impact of Covid-19 not yet fully clear and ongoing). During lockdown and due to changes in staff, informal meetings in place between RBC officers and the BFFC Officers on Finance, SLA performance and Transformation update have not been held with the same regularity. Combined with a move away from the monthly Children’s Services Improvement Board, which provided oversight and partner support to the BFFC overall Improvement Plan</i></p> <p><i>Rationale for risk appetite: Delivery of services for Children is of the highest importance. Adherence to budget parameters is critical for both the Company and the Council to remain financially resilient.</i></p>	
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20/21 Q1	16	8	4																				
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20/21 Q4	16	8	4																				
		<p>Current RAG rating RED</p>																					
<p>Current Actions (What we are currently doing about the risk - Causes Unmitigated Score to reduce to Residual)</p> <ul style="list-style-type: none"> Contract governance arrangements have been set up to provide monthly reporting overviews on the BFFC finances, to enable early sight of any financial issues and concerns Part of the financial reporting includes updates on the delivery of the transformation plan to support both service improvements and efficiencies BFFC Board and RBC have requested mitigation plans to address any overspend, noting close work to date on Covid-19 costs and claim into MHCLG. A review of governance is to be undertaken to ensure current reporting is fit for purpose/ review where further changes ensure rigour whilst are appropriate for both parties 		<p>Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities</p> <table border="1"> <thead> <tr> <th></th> <th>Officer (s) responsible</th> <th>Target date</th> </tr> </thead> <tbody> <tr> <td>Review of BFFC formal governance and both formal and informal reporting</td> <td>Chief Exec/ AD for Procurement & Contracts</td> <td>Oct 2020</td> </tr> <tr> <td>Continue to work with BFFC to ensure appropriate sharing of performance data and actions (both BFFC and RBC)</td> <td>AD Procurement & Contracts/ Corporate Contracts Manager</td> <td>Complete & ongoing</td> </tr> <tr> <td>Agreement of the FY2122 Company Contract Sum and BFFC Business Plan</td> <td>Exec Dir of Resources/ Chief Exec</td> <td>Initial Plan Oct 2020</td> </tr> <tr> <td>Support the Improvement of recruitment and retention of staff at all levels with BFFC via the HR support SLA</td> <td>AD Procurement & Contracts/ AD for HR &OD</td> <td>Ongoing</td> </tr> </tbody> </table>			Officer (s) responsible	Target date	Review of BFFC formal governance and both formal and informal reporting	Chief Exec/ AD for Procurement & Contracts	Oct 2020	Continue to work with BFFC to ensure appropriate sharing of performance data and actions (both BFFC and RBC)	AD Procurement & Contracts/ Corporate Contracts Manager	Complete & ongoing	Agreement of the FY2122 Company Contract Sum and BFFC Business Plan	Exec Dir of Resources/ Chief Exec	Initial Plan Oct 2020	Support the Improvement of recruitment and retention of staff at all levels with BFFC via the HR support SLA	AD Procurement & Contracts/ AD for HR &OD	Ongoing					
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Risk 10: Adult Safeguarding - Risk of death harm or injury to vulnerable persons for whom we have a responsibility Risk Owners: Executive Director of Social Care and Health

Corporate Priority: *Protecting and enhancing the lives of vulnerable adults and children*

<p>Risk Rating (Impact x Likelihood)</p> <p>Unmitigated 5 x 5</p> <p>Current Residual 5 x 2</p> <p>Appetite 2 x 2</p> <p>Potential Impact: Death or injury. Loss of reputation. Fines/penalties. Insurance claims. Legal challenges</p>		<p><i>Rationale for current score:</i></p> <p>The nature of the business can result in vulnerable people being at risk of death or serious injury.</p> <p><i>Rationale for risk appetite</i></p> <p>Due to a number of measures being in place e.g. staffing, learning events, management oversight the risk appetite is low.</p> <div style="border: 1px solid black; padding: 5px; display: inline-block;"> Current RAG rating AMBER </div>
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Current Actions (*What we are currently doing about the risk- Causes Unmitigated Score to reduce to Residual*)

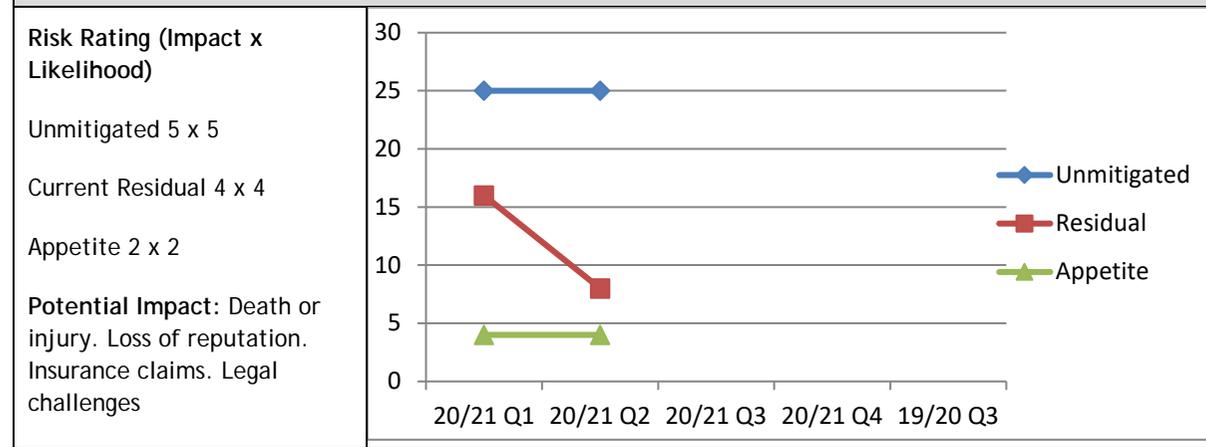
- A local Risk Enablement Panel (REP) is held for practitioners and managers to bring high risk cases for discussion and guidance.
- A new West Berkshire wide Multi-Agency Risk Management (MARM) process has just been launched. The purpose of the Multi Agency Risk Management Frame is to support the individual and staff to reach agreement and adopt strategies around risk decision and the management of those risks where they are manageable. This This includes escalation to multiagency panel if required.
- Oversight of Safeguarding Enquiries: The Safeguarding Manager now signs off all enquiry closures to ensure risks are mitigated and transferrable risks addressed at this key point in the safeguarding process.
- The interim safeguarding lead is working directly with the safeguarding team to re-clarify process and ensure that all recording is of high quality and captured within client record systems.
- New local procedure to be produced which standardises the process with regard to sharing outcomes of S42 enquiries with families. Also need to produce a template to share detail of high risk cases with senior management.
- Monthly Safeguarding Managers meeting with Safeguarding lead and all TM and ATM to discuss practice, cases and management of safeguarding work across operational teams. Contracts team are also linked in to update on Provider concerns and share intelligence regarding pressures/ issues with providers.
- Modern Day Slavery Transparency Statement written and approved by ACE in Jan 20. Updated pathway with digital referral portal has been shared with staff

Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities	Officer responsible	Target date
Weekly meetings taking place between Head of Safeguarding and Deputy Director. All incoming concerns tracked daily - Performance Management of safeguarding work being revised and improved.	Deputy Director / Interim Head of Safeguarding	30.09.20
Learning from Safeguarding Adults Reviews is to be condensed and used to inform future training and learning for all frontline staff	Deputy Director	31.10.20
Quality of Practice to be reviewed and action plan re: improvements to be reported into DMT.	Deputy Director	31.10.20

<p>Risk 11: Response to Infectious diseases - Failure of the Council to respond effectively to Covid-19</p>		<p>Risk Owners: Executive Director for Economic Growth & Neighbourhood Services</p>													
<p>Corporate Priority: <i>Ensuring the Council is fit for the future, Securing the economic success of Reading. Improving access to decent housing to meet local needs. Protecting and enhancing the lives of vulnerable adults and children, Keeping Reading's environment clean, green and safe. Promoting great education, leisure and cultural opportunities for people in Reading</i></p>															
<p>Risk Rating (Impact x Likelihood)</p> <p>Unmitigated 5 x 5</p> <p>Current Residual 3 x 2</p> <p>Appetite 2 x 2</p> <p>Potential Impact: Death or injury. Loss of reputation. Insurance claims. Legal challenges</p>		<table border="1"> <caption>Risk Rating Data</caption> <thead> <tr> <th>Period</th> <th>Unmitigated</th> <th>Residual</th> <th>Appetite</th> </tr> </thead> <tbody> <tr> <td>20/21 Q1</td> <td>25</td> <td>8</td> <td>4</td> </tr> <tr> <td>20/21 Q2</td> <td>25</td> <td>6</td> <td>4</td> </tr> </tbody> </table>		Period	Unmitigated	Residual	Appetite	20/21 Q1	25	8	4	20/21 Q2	25	6	4
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		<p><i>Rationale for current score:</i></p> <p>We are likely to need to continue running some of our recovery activities for some time and may have additional responsibilities (e.g. test and trace)</p> <p><i>Rationale for risk appetite</i></p> <p>The risk appetite is low as wide ranging implications of the pandemic are high</p> <p>Current RAG rating AMBER</p>													
<p>Current Actions (What we are currently doing about the risk- Causes Unmitigated Score to reduce to Residual)</p> <ul style="list-style-type: none"> Council stood up Gold-Silver-Bronze decision-making structure and Emergency Operations Centre. Resources were focussed on essential services. Other services adapted to new environment or temporarily suspended. In order to focus and guide the Council's response to the current Coronavirus Pandemic the Council instigated the Urgency Procedures in Article 7.7 of the Council's Constitution which allows for a smaller group of councillors to act as the Policy Committee and make decisions on behalf of other Committees and full Council. Community Hub established to manage food parcel deliveries Thames Valley Local Resilience Forum being supported GOLD now standing back up given the escalating R number and changes to national guidance. 		<table border="1"> <thead> <tr> <th>Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities</th> <th>Officer responsible</th> <th>Target date</th> </tr> </thead> <tbody> <tr> <td>Develop Test and Trace and the link in with support to vulnerable groups, monitoring of Schools re-opening, response to Adults and Children's Social Care concerns and PPE and any other response function that may arise.</td> <td>GOLD</td> <td>Ongoing</td> </tr> <tr> <td>Delivery of the Outbreak Management Plan, initially monitored via the Outbreak Control Group, but now being integrated into GOLD</td> <td>GOLD</td> <td>Ongoing</td> </tr> <tr> <td>Management of High-Risk Settings within the Borough, by officers identified in the Local Outbreak Management Plan. Proactive inspections carried out of private HRS.</td> <td>SLG HRS team</td> <td>Ongoing</td> </tr> </tbody> </table>		Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities	Officer responsible	Target date	Develop Test and Trace and the link in with support to vulnerable groups, monitoring of Schools re-opening, response to Adults and Children's Social Care concerns and PPE and any other response function that may arise.	GOLD	Ongoing	Delivery of the Outbreak Management Plan, initially monitored via the Outbreak Control Group, but now being integrated into GOLD	GOLD	Ongoing	Management of High-Risk Settings within the Borough, by officers identified in the Local Outbreak Management Plan. Proactive inspections carried out of private HRS.	SLG HRS team	Ongoing
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Risk 12: Recovery from Infectious diseases - Failure of the Council to recover effectively to Covid-19 Risk Owners: Director of Resources

Corporate Priority: Ensuring the Council is fit for the future, Securing the economic success of Reading. Improving access to decent housing to meet local needs. Protecting and enhancing the lives of vulnerable adults and children, Keeping Reading's environment clean, green and safe. Promoting great education, leisure and cultural opportunities for people in Reading



Rationale for current score:
 Unmet demand particularly in social care is likely to surface as lockdown is eased. Catching up with backlogs. Financial hardship likely to be a key issue for many.

Rationale for risk appetite
 The risk appetite is low as wide ranging implications of the pandemic are high

Current RAG rating AMBER

Current Actions (What we are currently doing about the risk- Causes Unmitigated Score to reduce to Residual)

As lockdown restrictions were easing, services and sectors of the community/economy begin recovery at different times. Response and recovery overlap.

- Council adopted Covid-19 recovery and renewal strategy with 3 priorities:
 - Ensure the Council is resilient and fit for the future
 - Create safe and thriving communities
 - Secure Reading's economic future
- Each of the Recovery Groups has an agreed remit via CMT to deliver its Terms of Reference. As part of this remit, it may redirect the work of programme boards to support transformational workstreams.
- Thames Valley Local Resilience Forum recovery efforts being supported.
- Recovery work will be re-prioritised based on the need to respond to national guidance or local data suggesting an increasing R rate.

Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities	Officer responsible	Target date
To deliver the safe unlocking of economic activity, seeking out transformational recovery, funding and renewal opportunities in order to 'build back better'.	Economic Recovery & Renewal Group	Ongoing
Moving the Council back to business as usual as quickly as possible, seeking out transformational recovery opportunities to 'build back better' and ensuring that the Team Reading values guide the Council's approach to recovery and renewal	Operational Recovery Group	Ongoing
Develop a strategic approach to a renewed partnership between the council, voluntary and community sector post COVID 19.	Social Impact, Voluntary & Community Recovery Group	Ongoing
Council to create a new corporate plan that looks to the future post Covid-19, becoming a virus resilient society alongside other big questions, e.g. how to create a fairer and more equal society, and the partnerships the Council need to forge to deliver this.	CMT	Ongoing

<p>Risk 13: Cyber-attack results in service disruption, data loss or damage, financial loss and/or reputational damage</p>		<p>Risk Owners: AD Legal & Democratic Services (as Senior Information Risk Owner) and Chief Digital & Information Officer</p>																									
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<p>Risk Rating (Impact x Likelihood)</p> <p>Unmitigated 5 x 5</p> <p>Current Residual 4x4</p> <p>Appetite 2x3</p> <p>Potential Impact: Loss of service, loss of reputation, legal challenges, recovery costs</p>	<table border="1"> <caption>Risk Rating Data</caption> <thead> <tr> <th>Period</th> <th>Unmitigated</th> <th>Residual</th> <th>Appetite</th> </tr> </thead> <tbody> <tr> <td>20/21 Q1</td> <td>25</td> <td>16</td> <td>6</td> </tr> <tr> <td>20/21 Q2</td> <td>25</td> <td>16</td> <td>6</td> </tr> <tr> <td>20/21 Q3</td> <td>25</td> <td>16</td> <td>6</td> </tr> <tr> <td>20/21 Q4</td> <td>25</td> <td>16</td> <td>6</td> </tr> <tr> <td>19/20 Q3</td> <td>25</td> <td>16</td> <td>6</td> </tr> </tbody> </table>		Period	Unmitigated	Residual	Appetite	20/21 Q1	25	16	6	20/21 Q2	25	16	6	20/21 Q3	25	16	6	20/21 Q4	25	16	6	19/20 Q3	25	16	6	<p>Rationale for current score: Likelihood of attempted attack on ICT (which is critical to service delivery) very high owing to high general threat level and attractiveness of public sector as target, action is needed to enhance security awareness, assurance, technical controls and preparedness to reduce probability and impact of successful attack</p> <p>Rationale for risk appetite: Possibility of attack cannot be eliminated given the agility of adversaries, but controls needed to minimise impact and enable swift recovery</p> <div style="border: 1px solid black; padding: 5px; display: inline-block;"> <p>Current RAG rating RED</p> </div>
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<p>Current Actions (<i>What we are currently doing about the risk- Causes Unmitigated Score to reduce to Residual</i>)</p> <ul style="list-style-type: none"> • Our current ICT infrastructure incorporates security controls • Security governance has been strengthened with the establishment of the Information Governance Board, which will review policy and strategy relating to cyber security, and also monitor reports of security incidents to identify corrective action • AD Legal & Democratic Services has been appointed as cyber security champion for CMT, and a similar role will be played in Council by the Lead Member for Corporate & Customer Services • An independent review of cyber security has been undertaken by ContextIS, its conclusions informing both some of the actions already taken and those planned • A security training programme has been launched for staff and councillors in July 2020. 		<p>Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities</p> <table border="1"> <thead> <tr> <th>Further Mitigation</th> <th>Officer responsible</th> <th>Target date</th> </tr> </thead> <tbody> <tr> <td>Monitor and drive take up of staff and member training; this is not yet at a level sufficient to reduce risk probability; reminder communications are being issued.</td> <td>Chief Digital & Information Officer</td> <td>Ongoing</td> </tr> <tr> <td>Short-term/tactical improvements to technical controls, in line with ContextIS report</td> <td>Chief Digital & Information Officer</td> <td>31.10.20</td> </tr> <tr> <td>Strategic improvements to controls included in ICT Future Operating Model contracts</td> <td>Chief Digital & Information Officer</td> <td>31.12.20</td> </tr> <tr> <td>Security strategy developed (which will inform further risk mitigations), aligned with Future Operating Model supplier selection</td> <td>Chief Digital & Information Officer</td> <td>31.12.20</td> </tr> </tbody> </table>		Further Mitigation	Officer responsible	Target date	Monitor and drive take up of staff and member training; this is not yet at a level sufficient to reduce risk probability; reminder communications are being issued.	Chief Digital & Information Officer	Ongoing	Short-term/tactical improvements to technical controls, in line with ContextIS report	Chief Digital & Information Officer	31.10.20	Strategic improvements to controls included in ICT Future Operating Model contracts	Chief Digital & Information Officer	31.12.20	Security strategy developed (which will inform further risk mitigations), aligned with Future Operating Model supplier selection	Chief Digital & Information Officer	31.12.20									
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<p>Risk 14: Delay in implementation of ICT Future Operating Model causes disruption in service or additional cost</p>		<p>Risk Owners: Chief Digital & Information Officer</p>													
<p>Corporate Priority: <i>Ensuring the Council is fit for the future</i></p>															
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<p>Current Actions (<i>What we are currently doing about the risk- Causes Unmitigated Score to reduce to Residual</i>)</p> <ul style="list-style-type: none"> External advisers engaged to ensure procurement process adequately resourced Operating Model designed to allow rapid procurements using public sector frameworks Transition governance in place and exit manager appointed by incumbent Northgate; preparatory planning discussions progressing well Preferred bidder for Hosting contract - the first procurement - has been identified on time 		<table border="1"> <thead> <tr> <th>Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities</th> <th>Officer responsible</th> <th>Target date</th> </tr> </thead> <tbody> <tr> <td>Completion of procurements in line with schedule</td> <td>Chief Digital & Information Officer</td> <td>30.11.20</td> </tr> <tr> <td>Enhancement of internal ICT function to implement and manage new model</td> <td>Chief Digital & Information Officer</td> <td>31.12.20</td> </tr> <tr> <td>Agreement of exit plan with Northgate, with appropriate risk management plans</td> <td>Chief Digital & Information Officer</td> <td>31.12.20</td> </tr> </tbody> </table>		Further Mitigation (what more should we do to reduce residual risk to our risk appetite level) and opportunities	Officer responsible	Target date	Completion of procurements in line with schedule	Chief Digital & Information Officer	30.11.20	Enhancement of internal ICT function to implement and manage new model	Chief Digital & Information Officer	31.12.20	Agreement of exit plan with Northgate, with appropriate risk management plans	Chief Digital & Information Officer	31.12.20
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Agenda Item 7

READING BOROUGH COUNCIL REPORT BY

EXECUTIVE DIRECTOR OF RESOURCES

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	12 th October 2020		
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 The April 2018 Audit and Governance Committee agreed that to provide a greater focus on the importance of implementation of agreed audit recommendations an implementation tracker report would be reported to all future meetings of this Committee.
- 1.3 An update on progress with the implementation of Internal Audit Recommendations in relation to ASC Financial Assessments (lines 97 & 98 of January tracker) is also included (Appendix 2) as requested by the Committee.
- 1.4 Appendix 1 attached sets out all audit recommendations, the status of each recommendation, the officer responsible for implementing it and progress with delivery.

2. RECOMMENDED ACTION

- 2.1 The Committee are asked to consider the report.

Appendix 1 - Implementation of Audit Recommendations Tracker - October 2020.

Appendix 2 - Update on progress with the implementation of Recommendations in relation to ASC Financial Assessments

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 Internal Audit recommendations and updated management responses since the last Committee are provided in Appendix 1 attached. For continuity, and ease of future monitoring, a column has been added containing a unique tracker recommendation number.
- 4.2 19 new recommendations have been added to the report since the last meeting.
- 4.3 Prior to reporting to Committee officers responsible for implementing the specific recommendations are asked to update the 'Audit 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.
- 4.4 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) can 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 122 Internal Audit recommendations on the tracker attached at Appendix 1, the status is as follows

4.6

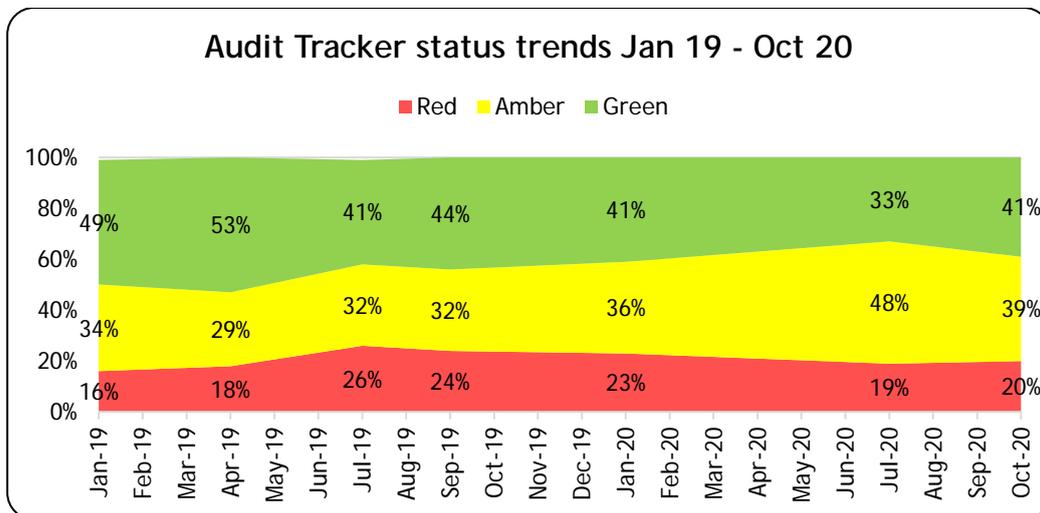
Status	Percentage	Number
Green	41	50
Amber	39	48
Red	20	24

Of the 50 recommendations reported as Green, 26 are reported as fully implemented ie Complete.

RAG Status	Audit & Governance Meetings			
	Jan 20	July 20	Oct 20	Trend
Green	41%	33%	41%	Increase
Amber	36%	48%	39%	Decrease
Red	23%	19%	20%	Increase

The Covid 19 pandemic continues to impact on the capacity of managers who have been focussed on dealing with the crisis rather than operational matters.

The graph overleaf shows trends in status for recommendations presented to Audit & Governance meetings over the past two years. There has been an increase of 8% in those rated green and a 9% decrease in those which are amber. Red rated recommendations have increased by 1%.



Update on ASC Financial Assessments Benefits (FAB) progress with implementation of Internal Audit Recommendations

4.7 Implementation of the Internal Audit recommendations for ASC Financial Assessments Benefits (FAB) was reported as complete at the January 2020 meeting of this committee, at which a request was made for a further update on progress. This is attached at Appendix 2.

4.8 Finance Improvement Programme

As reported to the last Audit and Governance Committee, outstanding recommendations in respect of Accounts Payable, Accounts Receivable and Reconciliations are being dealt with as part of the Finance Improvement Programme which is reported elsewhere on the agenda.

5. CONTRIBUTION TO STRATEGIC AIMS

5.1 The proposals contained in the report support the Council’s Corporate Plan priority of “Ensuring the Council is Fit for the Future” and therefore remains financially sustainable to deliver its service priorities.

6. COMMUNITY ENGAGEMENT AND INFORMATION

6.1. Audit plans and the implementation of recommendations tracker will continue to be a reported to this Committee.

7. ENVIRONMENTAL IMPACT

7.1 The Council declared a Climate Emergency at its meeting on 26 February 2019. There are no specific environmental or climate change implications to report in relation to the recommendations set out in this report.

8. EQUALITY IMPACT ASSESSMENT

8.1 The equality duty is relevant to the implementation of Audit recommendations.

Specific recommendations are subject to consultation and equality impact assessments where required and are progressed as appropriate.

9. LEGAL IMPLICATIONS

- 9.1 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.

10. FINANCIAL IMPLICATIONS

- 10.1 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.
- 10.2 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.
- 10.3 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.
- 10.4 Whilst there are still 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.

11. BACKGROUND PAPERS

- 11.1 Internal Audit Reports presented to Audit and Governance Committee, Chief Internal Auditors Annual Reports.

Unique Tracker 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	Status (% Complete)	Overall Status
1 16/17	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	09/02/2017	4-Oct-17	Mike Hirst - Chief Accountant	Recommendations 1 - 5 are being addressed through the production and implementation of a corporate approach for producing reconciliations, which is a key strand of the Finance Improvement Programme. . Bank reconciliations are now up to date, and are completed, reviewed and authorised by the 21st of each month. Emphasis is currently being placed on ensuring that the timeliness of monthly bank recs does not slip and in refining / improving the reconciliation.	11th September 2020	Not Implemented	51 to 75	Amber
2 16/17	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	09/02/2017	4-Oct-17	Mike Hirst - Chief Accountant / Wai Lok Technical Lead	<p>The Technical Accounting team have introduced new procedures which ensured that appropriate bank reconciliations were in place - with all reconciliations now being completed, verified and signed off by the 21st of each month.</p> <p>The other control account reconciliations are being addressed by the Finance Improvement Programme, which will review and rationalise all Control, Holding and Suspense codes to ensure that they facilitate efficient and effective working practice, and develop a scheduled review process to ensure that they are reconciled at appropriate intervals. This aspect of the programme is anticipated to reach conclusion before the end of October.</p>	11th September 2020	Not Implemented	51 to 75	Amber
3 18/19	DoR	Creditors/AP	Operational issues identified should be addressed in new procedure manual to avoid reoccurrence.	18/19	01/05/2018		<p>Mike Hirst - Chief Accountant / Andrew Jehan - Exchequer Manager Jennifer Bruce - Financial Systems Manager / Ranbir Heyre - Senior Project Manager</p>	24 sets of operational procedure notes have been prepared and are now under review. Once signed off, the procedures will comprise a template for all activities undertaken by the AP / AR teams, ensuring that previously encountered operational issues do not reoccur. This is being addressed as an integral element of the AP / AR Transformation project.	11th September 2020	Not Implemented	76 or more	Green

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4 16/17	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	25/03/2017	1-May-18	Mike Hirst - Chief Accountant / Andrew Jehan - Exchequer Manager / Ranbir Heyre - Senior Project Manager	24 sets of operational procedure notes have been prepared and are now under review. Once signed off, the procedures will comprise a template for all activities undertaken by the AP / AR teams, ensuring that previously encountered operational issues do not reoccur. This is being addressed as an integral element of the AP / AR Transformation project. A SLA has been 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. As above completing this recommendation is dependant upon the review of operating procedures around the accounts payable process which is being addressed as an integral element of the AP / AR Transformation project.	11th September 2020	Part Implemented	76 or more	Green
5 16/17	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	23/03/2017	1-May-18	Mike Hirst - Chief Accountant / Andrew Jehan - Exchequer Manager	AP has completed the supplier data cleanse work, reducing the number of active supplier sites from 15,808 to 8,550. Foster Carers and Social Care Direct Payment clients have been identified and now have their own Supplier Type to improve the reporting. Suppliers will be further classified in Fusion by Business Classification and Pro-class code, which should reduce the amount of new suppliers created. Once the supplier work has been completed, the use of Supplier Portal will be increased and	11th September 2020	Not Implemented	51 to 75	Amber
6 16/17	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	23/03/2017	1-May-18	Mike Hirst - Chief Accountant / Andrew Jehan - Exchequer Manager / Kate Graefe - AD Procurement	Cull of inactive suppliers all done. The role of supplier set up and maintenance has moved to procurement who have recruited to the position, they are also undertaking work to categorise suppliers, so that new supplier requests can be appropriately challenged where existing suppliers and contracts cover the requirements.	24th September 2020	Part Implemented	76 or more	Green
7 17/18	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	05/06/2017	7-Feb-18	Mike Hirst - Chief Accountant / Andrew Jehan - Exchequer Manager / Kate Graefe - AD Procurement	Cull of inactive suppliers all done. The role of supplier set up and maintenance has moved to procurement who have recruited to the position, they are also undertaking a project to create a preferred supplier list.	11th September 2020	Part Implemented	51 to 75	Amber
8 17/18	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	05/06/2017	7-Feb-18	Andy Jehan - 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 fully developed and agreed - No change - ETA October 2020	25th September	Not Implemented	51 to 75	Amber
9 17/18	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	16/02/2018	01-Jun-18	Jo Purser, Locality Manager Adult Social Care Long Term Services	The income target for 20/21 was reviewed, a manageable target was identified with the aim for the team being cost neutral. Progress against this target will be monitored as part of the budget monitoring process.	21 April 2020	76 or more	Complete	Green

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10 17/18	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	06/04/2017	31-May-18	Mike Hirst - Chief Accountant / Stuart Donnelly - Financial Planning & Strategy manager / Ranbir Heyre - Senior Project Manager	Daily reports produced and sent to owners of feeder systems for checking that totals loaded correctly. Subjective and objective codes and structures are currently undergoing a full review as part of the finance improvement programme to ensure better alignment with the SERCOP subjective analysis and to meet reporting requirements going forwards.	11th September 2020	51 to 75	51 to 75	Amber
11 18/19	DoR	General Ledger	All journals need proper designation as to the type of journal and its purpose.	18/19	04/06/2018		Wai Lok, Technical Lead	The task is complete and all journals have been referenced and have working papers attached.	28 September 2020	76 or more	Complete	Green
12 18/19	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	04/06/2018		Wai Lok, Technical Lead	Following the closure of accounts 2017-18 and 2018-19, it has been identified that holding codes be rationalised. Under a strand of the Finance Improvement Programme, with the involvement of the Financial Planning & Strategy Manager, Technical Team and the Financial System Team, subjective and objective codes are in process of being reviewed, with a reduction in quantum of 25 - 40% currently being anticipated. A holding and suspense code review will follow.	24-Sep-20	51 to 75	51 to 75	Amber
13 16/17	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	08/02/2017	29-Sep-17	L&D - Russell Gabbini	A review has been undertaken by HR and OD but does rely on managers now keeping the information up to date	22nd September	Part Implemented	Complete	Green
14 16/17	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	08/02/2017	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, but have been unable to meet due to the Covid 19 situation. 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. This will be complete by March 20. There is plan to procure software which will provide an interface with iTrent to ensure that training undertaken on LearningPool will be automatically updated and therefore provide accurate data regarding compliance training. The work to implement this should be completed by August 2021.	30 June 2020	Part Implemented	51 to 75	Amber
15 16/17	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	07/10/2016	9-Apr-18	Michael Graham - Assistant Director of Legal & Democratic Services	This is to be actioned by way of a Project commissioned by the Information Governance Board in September 2020. Project timeline yet to be finalised.	23 September 2020		25 or less	Red

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16 16/17	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	07/10/2016	9-Apr-18	Michael Graham - Assistant Director 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. Data Protection Officer is currently developing the ROPA spreadsheet for each directorate which will document IOA's. The Caldicott Guardian for Adults has taken this to DMT to progress. PID approved for Information Governance project at the Information Governance Board which will result in greater ownership of information assets.	23 September 2020		51 to 75	Amber
17 16/17	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	17/10/2016	01-Nov-17	Jon Dickinson - Deputy Director of DACHS	This continues to be monitored regularly through reporting and at Performance board. Numbers are significantly lower than before and challenge is set to continue to reduce any anomalies. Weekly reports are distributed to managers for data accuracy. Any outstanding data quality issues are being challenged at the DMT and/or performance board.	02 July 2020	Part Implemented	Complete	Green
18 16/17	DACHS	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	17/10/2016	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.	24 September 2020	Not Implemented	76 or more	Green
19 17/18	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	29/09/2017		David Munday Consultant in Public Health	The corporate recharges for 20/21 will be processed by December	29/09/20		76 or more	Green
20			N/A							Not Implemented		
21 16/17	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	30/09/2016	14-Jul-17	Mark Worringham - Planning Policy Team Leader	The Exacom System and updated procedures are now in place. This provides recording, collecting and monitoring the payment status of S106 monies. 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 Exacom system. Indexation and revised amounts are 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 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 has been signed off by managers. Access to Finance systems agreed to allow Planning to generate reports, has now been provided, and this means the Infrastructure and Monitoring Officer can now carry out reconciliation with Finance records.	23/09/2020	Part Implemented	Complete	Green

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22 16/17	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	02/11/2016	14-Jul-17	Mike Hirst - Chief Accountant / Andrew Jehan - Exchequer Manager / Ranbir Heyre - Senior Project Manager	12 petty cash/voucher floats now closed. Remaining RBC petty cash/voucher schemes to be closed in the coming months. Review to be undertaken to ensure that adequate controls and procedures are in place regarding usage of cash by the Deputies team. This will be incorporated within the end-to-end Finance Transformation Project.	11th September 2020	Not Implemented	Complete	Green
23 16/17	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	02/11/2016	14-Jul-17	Mike Hirst - Chief Accountant / Andrew Jehan - Exchequer Manager / Ranbir Heyre - Senior Project 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. Review to be undertaken to ensure that adequate controls and procedures are in place regarding usage of cash by the Deputies team. This will be incorporated within the end-to-end Finance Transformation Project.	11th September 2020	Not Implemented	51 to 75	Amber
24 16/17	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	12/12/2016	24-May-17	Michelle Crick - Waste Services Manager / David Moore - Neighbourhood Services Manager	A waste management software system has been purchased. The Whitespace system is in place and the link between green waste payments and directly updating schedules is live. The system is live for crews to access their scheduled work, and report any exceptions in real time. The call centre have access to view collections and exceptions to manage missed bin reports and collection enquiries. There has been an issue with connectivity of the missed bins crew reporting element which has now been resolved, and the web team are working on this element for testing. The bin delivery process is in design phase and the Trade Waste service implementation is underway. 01.07.20 The trade waste service has yet to be added to the whitespace system due to delays with the configuration of the system. This will now be carried out by the end of 2020. The number of bins and the frequency is nor recorded on the Flare system. A capital investment in a weighing bin lift was made in 2019 and all bins are now weighed and overweight customers charged for the additional waste collected. Some customers have been discontinued as a result and the system is now monitored every day.	30 June 2020	Not Implemented	76 or more	Green

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25 18/19	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	31/03/2019		Shella Smith - AD of HR and Organisational Development	A review of all employment policies is already underway but had to be delayed due to Covid. The revised policies will need to be consulted on or negotiated with the recognised trade unions (as appropriate) and approved by Personnel Committee. The policies covered in this audit will be prioritised.	22 September 2020		51 to 75	Amber
26 18/19	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	18/10/2018		Martin Chalmers - Chief Digital & Information Officer 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. We decided to keep this action open until we have confirmed how Transport ICT will link in with the ICT Future Operating Model. We have now determined that the Transport network requirement should be assessed as part of the network services tower procurement being undertaken by the as part of the project implementing that model. That procurement is scheduled for Q3 2020	09 September 2020	51 to 75	76 or more	Green
27 18/19	DoR	Network Security (ICT)	Council make Cyber Security and Cyber awareness training mandatory for staff	18/19	18/10/2018		John Barnfield (On behalf of) Russell Gabbini - Organisational and Workforce Development Manager	CC2i Dojo Training has been rolled out to council staff with a communications launch and an open invitation extended to BFFC to enrol to deploy to their staff.	18 June 2020		Complete	Green
28 18/19	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	18/10/2018		John Barnfield - ICT Technology and Services Manager	The Council's approved IT Policies Link to the Councils Disciplinary Processes and reminders have been issued to staff reminding laptops must be routinely reloaded. The IT Policy has also been included for reference as part of Cyber Security and Information Governance training rolled out June 2020 via Learning Pool.	18 June 2020	51 to 75	Complete	Green
29 18/19	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	19/09/2018		John Barnfield - ICT Technology and Services Manager	As replacement of the Council's SIEM Monitoring tool is not a practical option given the impending changeover to the Future Operational Model, Northgate have been asked to provide proactive reporting from Forcepoint(Websense), Watchguard (Firewall), Active Directory (Logins), Trend (Antivirus), Splunk (existing limited Security Incident Event Management) in order to produce a summary dashboard of threats managed to be reviewed as part of the monthly Operations Board Monitoring with Northgate Publics Services Limited. Northgate have now produced reports from ForcePoint/Websense and Active Directory, (including weak login passwords). Still awaiting information from Watchguard and Trend to build into the summary reports, but NPS Resources have been assigned.	9th Sept 2020	26 to 50	51 to 75	Amber

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30 18/19	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	07/11/2018		Nick Penny Strategic Business Partner	The 19/20 grant return has been signed off	29-Sep		Complete	Green
31 18/19	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	07/11/2018		Nick Penny Strategic Business Partner	The Finance team will review all DEGNS 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 have been signed off.	24 September 2020		76 or more	Green
32 18/19	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	27/11/2018		Jo Purser, Locality Manager Adult Social Care Long Term Services	NHSE has reviewed the Berkshire West CHC process and will be making recommendations for the CCG and partner agencies to implement. This will be monitored by NHSE.	21 April 2020		Complete	Green
33 18/19	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	18/12/2018		Michael Graham, AD of Legal and Democratic Services Shella Smith, AD of HR and Organisational Development	A new policy has been drafted and is currently with the TUs for discussion ahead of seeking Personnel Committee approval in November 2020	22 September 2020	76 or more	76 or more	Green
34 18/19	CRO	Employee Gifts, Hospitality and Declarations of Interest	To fully demonstrate commitment to the Nolan Principles it is recommended that an annual declaration of returns is completed by all staff members for individual Gifts, Hospitality or new Declarations of Interest forms. Furthermore, as per CMT's mandate in November 2017, it should be determined whether specific service areas should be targeted to ensure full and complete declarations are completed regularly. The Head of HR and Organisational Development will need how best to achieve this i.e. by using NetConsent or potentially via iTrent.	18/19	18/12/2018		Michael Graham, AD of Legal and Democratic Services Shella Smith, Head of HR and Organisational Development	A reminder will be sent once the new Gifts and Hospitality Policy has been agreed by Personnel Committee (see 7419/20). Moving forward it is hoped that the process can be automated through iTrent but this is not currently possible (see 11620/21)	22 September 2020		51 to 75	Amber
35 18/19	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 iTrent 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	18/12/2018		Shella Smith, AD of HR and Organisational Development	This is the same as 36 18/19. This has not been possible as iTrent does not have the capability to do this. A new version of iTrent is due for release shortly which should hopefully make this possible.	22 September 2020		51 to 75	Amber

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36 18/19	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	18/12/2018		Shella Smith, AD of HR and Organisational Development	This is the same as 36 18/19. This has not been possible as iTrent does not have the capability to do this. A new version of iTrent is due for release shortly which should hopefully make this possible.	22 September 2020		25 or less	Red
37 18/19	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	05/12/2018		Charan Dhillon Assistant Director, Property & Asset Management	Some consideration has been given to centralising the property management function. This could be achieved by implementing a Corporate Landlord Model and there is some acceptance to such an approach. The work will be taken forward as part of 'Redesigning Reading'	30/09/20		26 to 50	Amber
38 18/19	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	05/12/2018		Charan Dhillon Assistant Director, Property & Asset Management Assistant Director of Finance	The systems landscape is currently being clarified. A Peer Review by Hampshire County Council is being carried out that will set out the current position, the issues with it and outline potential solutions. This review is due to complete in December 2020. □	30/09/20		51 to 75	Amber
39 18/19	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		Mike Hirst - Chief Accountant / Andrew Jehan - Exchequer Manager / Ranbir Heyre - Senior Project Manager	New processes and procedures for managing the sundry debts are to be introduced when Accounts Receivable move to Oracle Fusion. This will generate specific reports to services which will enable the collection teams to be more efficient. New processes are in place with regards to ASC debt and its collection. This will be addressed as part of the end-to-end AR transformation project	11th September 2020		51 to 75	Amber
40 18/19	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 created 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).	30 June 2020		complete	Green

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41 18/19	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 continue to be reviewed to ensure they are up to date and contain the elements highlighted in the audit report. Due to a 50% turnover in staff in this team recently, all procedures are currently under review to ensure fit for purpose and a number of new procedures written to allow skills transfer.	23/9/20		76 or more	Green
42 18/19	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, there was an aim to have this completed by June 2020 if not too resource intensive, however due to Covid, this will need to be extended till December 2020.	23/9/20		25 or less	Red
43 18/19	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 Valuation Office Agency (VOA) /RBC reconciliation, there was an aim to have this completed by June 2020 if not too resource intensive, however due to Covid, this will need to be extended till December 2020.	23/9/20		25 or less	Red
44 18/19	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 have been reviewed to ensure they are up to date and contain the elements highlighted in the audit report. Due to a 50% turnover in staff in this team, all procedures are currently under review to ensure fit for purpose. The Council Tax reconciliation process has undergone a review by the System Control Team Manager, there has been a delay in completion due to the additional reconciliation required as a result of the Civica upgrade.	23/9/20		76 or more	Green
45 18/19	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		Mike Hirst - Chief Accountant / Andrew Jehan - Exchequer Manager / Kate Graefe - AD Procurement	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 completed, documentation of the new supplier process has been drafted.	11th September 2020		76 or more	Green
46 18/19	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		Mike Hirst - Chief Accountant / Andrew Jehan - Exchequer Manager / Kate Graefe - AD Procurement	Older style PO now closed, PDF linking Mosaic invoices still not working and the supplier portal has been delayed for further testing. Both of these now fall under the AP Transformation project	11th September 2020		51 to 75	Amber
47 18/19	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		Mike Hirst - Chief Accountant / Andrew Jehan - Exchequer Manager / Kate Graefe - AD Procurement	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 completed, documentation of the new supplier process has been drafted.	23rd September 2020		76 or more	Green
48 18/19	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		Michael Graham, SIRO Assistant Director for Legal & Democratic Services Martin Chalmers Chief Digital & Information Officer	The Information Governance Group has been assembled involving Legal, Audit, Corporate Improvement, Digital Transformation & Digital to take this forward. There are two ongoing projects which will review data creation, storage, retention and deletion. The first is the Smarter Working project (to realise the benefits of O365) and the second is the project to implement the Information Management Strategy.	23 September 2020		26 to 50	AMBER

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49 18/19	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		Michael Graham, SIRO Assistant Director for Legal & Democratic Services Martin Chalmers Chief Digital & Information Officer	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, 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. See also action above which is relevant to this. Progress is ongoing.	23 September 2020		26 to 50	Amber
50 18/19	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		Michael Graham, SIRO Assistant Director for Legal & Democratic Services Martin Chalmers Chief Digital & Information Officer	See above. Action is ongoing.	23 September 2020		26 to 50	Red
51 18/19	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		Michael Graham- 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 purchased (ComplyKey) and installed on an upgraded server needed. This will manage the GDPR Data Protection Risk associated with held email, and then its future can be determined as part of the Q365 Microsoft Strategy. Required actions are being reviewed by new Assistant Director to allocate tasks. Further information on progress to be provided at next update.	02 July 2020		26 to 50	Amber
52 18/19	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 Wolfle 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.	02 July 2020		Complete	Green
53 18/19	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 Wolfle Assistant Director Housing & Communities	Local market testing exercise complete	02 July 2020		Complete	Green

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54 18/19	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	A verified list of suppliers and regular PAs account numbers has been implemented.	25 June 2020		Complete	Green
55 18/19	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 and implemented in Mosaic. Significant progress has been made on the backlog, though work required from the team as part of the Covid-19 response has meant little monitoring has been completed. The team is now fully resourced and the focus has returned in the last two weeks to making progress on the backlog. Performance statistics for the team have been developed and are recorded weekly. 96 cases are up to date, with 84 less than 3 months and 161 more than 3 months overdue. This compares to figures from April'19 when 57 were up to date, with 32 less than 3 months and 192 more than 3 months overdue. The intention is for these figures to become part of the DACHS performance board reports from August.	25 June 2020		76 or more	Green
56 18/19	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. The process has been agreed with the Technical accountant.	02 July 2020		Complete	Green
57 18/19	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	Monthly reconciliations between payroll and GL have been produced and agreed. Guidance notes are in progress and will be included as part of the improvement programme.	24 September 2020		76 or more	Green
58 18/19	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	Monthly reconciliations between payroll and GL are complete and up to date.	24 September 2020		Complete	Green
59 19/20	DoR	Freedom of Information	The existing guidance should be communicated effectively, but before doing so the guidance should be reviewed, updated and approved.	19/20	22/08/2019		Michael Graham, AD Legal & Democratic Services	The existing guidance for FOI's for staff has been updated and is on the intranet. The Assistant Information Officer provides the link to the guide when sending on each request to the relevant service. Process to be reviewed for effectiveness at forthcoming Information Governance Board.	23 September 2020		76 or more	Green

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60 19/20	DoR	Freedom of Information	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.	19/20	22/08/2019		Michael Graham, AD Legal & Democratic Services	The FOI guidance for staff details the escalation process, both for no response to information by services and for internal reviews and ICO appeals. Required actions are being taken forward by the new Assistant Director to allocate tasks. Further information on progress to be provided at next update	02 July 2020		76 or more	Green
61 19/20	DoR	Freedom of Information	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.	19/20	22/08/2019		Michael Graham, AD Legal & Democratic Services	Training for staff involved in Freedom of Information requests has been delivered. The effectiveness and coverage of this training to be reviewed at a forthcoming Information Governance Board.	23 September 2020		26 to 50	Amber
62 19/20	DoR	Freedom of Information	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.	19/20	22/08/2019		Michael Graham, AD Legal & Democratic Services Isabel Edgar Briancon AD Corporate Improvement & Customer Services	New single team in place.	17 June 2020		Complete	Green
63 19/20	DoR	Freedom of Information	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.	19/20	22/08/2019		Michael Graham, AD Legal & Democratic Services Isabel Edgar Briancon AD Corporate Improvement & Customer Services	FOI Module implementation underway. To be completed later this year.	23 September 2020		76 or more	Green
64 19/20	DoR	Freedom of Information	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.	19/20	22/08/2019		Michael Graham, AD Legal & Democratic Services Isabel Edgar Briancon AD Corporate Improvement & Customer Services	Functionality linked to item 69/63 - to be implemented during FOI module implementation	17 June 2020		51 to 75	Amber
65 19/20	DoR	Freedom of Information	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.	19/20	22/08/2019		Michael Graham, AD Legal & Democratic Services	Service plans do not include performance standards for 2020/21 . This will be reviewed for the next year. Information about departmental performance is however submitted to CMT on a regular basis. Further visibility will be given through the Firmstep and InPhase reporting functionality.	23 September 2020		51 to 75	Amber
66 19/20	DoR	Freedom of Information	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.	19/20	22/08/2019		Michael Graham, AD Legal & Democratic Services	Weekly reports are produced on any outstanding FOI requests and on any internal reviews. Effectiveness of the process to be reviewed at a forthcoming Information Governance Board.	23 September 2020		51 to 75	Amber

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67 19/20	DoR	Freedom of Information	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. 	19/20	22/08/2019		Michael Graham, AD Legal & Democratic Services	A feature of the Firmstep FOI module will allow to produce such reports. At the current time all requests and internal reviews are logged and recorded if responded to on time. Quarterly report data to be wrapped into Annual summary. The Firmstep solution will also be configured to link in with InPhase. Reporting functionality of both systems yet to go fully live, but expected in Autumn 2020.	23 September 2020		76 or more	Green
68 19/20	DoR	Freedom of Information	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).	19/20	22/08/2019		Michael Graham, AD Legal & Democratic Services	A report on outstanding FOI's is produced to CMT on a weekly basis. Required actions are being reviewed by new Assistant Director to allocate tasks. Further information on progress to be provided at next update.	02 July 2020		51 to 75	Amber
69 19/20	DoR	Freedom of Information	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.	19/20	22/08/2019		Michael Graham, AD Legal & Democratic Services Isabel Edgar Briancon, Assistant Director for Corporate Improvement and Customer Services	A multi-disciplinary officer working group has been established to lead development of the council's Information Governance Strategy. This work included review of the publication scheme as per this audit recommendation. The new FOI solution will provide customers with the ability to search and access previous enquiries. Required actions for a review of the publication scheme will be considered at a forthcoming Information Governance Board.	23 September 2020		51 to 75	Amber
70 19/20	DoR	Freedom of Information	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.	19/20	22/08/2019		Michael Graham, AD Legal & Democratic Services	All responses outline right of appeal procedure. Information on website to be reviewed.	23 September 2020		26 to 50	Amber
71 19/20	DoR	Cemeteries and Crematorium	It is recommended that the service's policies and procedures are reviewed on a regular basis and approved by the Head of Service.	19/20	29/07/2019		Diane Willshire, Registration & Bereavement Services Manager Brenda Ellis, Bereavement Services Operations Manager	As the new Registration & Bereavement Services Manager, (joined RBC 10/8/2020) I will be carrying out a full review of all policies and procedures to: <ul style="list-style-type: none"> a) understand them b) ensure they are up to date and continue to be fit for purpose I understand most policies are up currently up to date, however, a full list is yet to be compiled with review dates. <p>A process and schedule will be introduced once the above review is complete to ensure all policies and procedures are kept up to date going forward.</p>	22nd September		51 to 75	Amber

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72 19/20	DoR	Cemeteries and Crematorium	The Registration & Bereavement Service Manager should in conjunction with RBC's Parks & Open Spaces Manager ensure compliance with RBC's own Contract Procedure Rules so that an up to date agreement or contract is put in place for the grounds maintenance and digging of graves service.	19/20	29/07/2019		Andy Gillespie, Parks & Open Spaces Manager Diane Willshire, Registration & Bereavement Services Manager	As the new Registration & Bereavement Services Manager, (joined RBC 10/8/2020) I will be carrying out a full review of the current agreement and SLA's to: a) understand it b) to ensure the current SLA's are still appropriate c) ensure provision is built in to extend the service requirements should additional works arise as a result of the review of the current, externally sourced, grave digging service. It is the intention to complete the review by the end of 2020 and secure agreement for any amendments by the end of Jan 2021	22nd September		25 or less	Red
73 19/20	DoR	Cemeteries and Crematorium	It is recommended that the Bereavement Service Operations Manager establishes a policy to support the internal control check framework detailing the different internal monitoring procedures and ensuring work is carried out according to the service's policies and guidelines.	19/20	29/07/2019		Brenda Ellis, Bereavement Services Operations Manager	This work is in progress and there are assurances in places that all work is carried out according to the service's policies and guidance	22nd September		51 to 75	Amber
74 19/20	DACHS	Eligibility Risk and Review Group	The ERRG should: (a) Send periodic reminders to staff regarding its policies, procedures and expectations with respect to the recording of information within Mosaic. (b) Periodically review information held within Mosaic to ensure that records are completed correctly.	19/20	21/08/2019		Jon Dickinson - Deputy Director of DACHS	ERRG is currently being reviewed in light of changes to activity in the department as a result of Covid-19 funding changes - particularly in regard to hospital discharges. All new packages of care and long term commitments to spend on care are to all be tracked through a daily ERRG. This will be commenced in October 2020. Revised guidance will be sent out to all practitioners and teams so that they are aware of the new policy and process and changes to Mosaic. This new way of working will ensure all case and subsequent financial activity is captured in one place.	23 September 2020		51 to 75	Amber
75 19/20	Cross cutting	Secure Communication	Until there is a coherent mandatory regime for email communication the authority needs to reinforce messages around secure communication and basic data security awareness around knowing who you are talking to and confirming that communication is secure.	19/20	01.04.20		John Barnfield, ICT Technology & Services Manager	Communications continue through all channels (Important system Messages, COVID News, Chief Executive Blog, Targeted comms). CC2i Dojo Cyber Security and Information Governance Training has been rolled out to Council Staff. Promotion of security will continue as an on-going activity with review of any security events now through the resurrected Information Governance Board. As such this is considered dealt with and closed.	18 June 2020		Complete	Green
76 19/20	Cross cutting	Secure Communication	There are reporting solutions available from Third Parties that will check and report correct compliance with the standard against listed domain names. Some authorities are using this approach to trigger further email processes or "force domain TLS" between correctly configured organisations for additional security. Until the Standard has been universally correctly implemented across the Public Sector, this further intervention is all that will ensure email is protected appropriately. This will need further work and investigation by the Council's ICT Partner Northgate Public Services limited, and should be understood this is to overcome the problems created by other Public Sector bodies adopting the standard incorrectly.	19/20	01.04.20		John Barnfield, ICT Technology & Services Manager	A Work Scoping Request has been raised with Northgate to scope out the work for these changes and to quote for the associated works. The work has been scheduled and resource allocated by NPS.	9th September 2020		25 or less	Red

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77 19/20	DEGNS	Food hygiene inspections	The Food and Safety Team should carry out interventions at all food hygiene establishments in the area, at a frequency which is not less than that determined under the intervention rating scheme set out in the FLCoP (Food Law Code of Practice).	19/20	25.9.19		Aoife Gallagher, Principal Environmental Health Officer	On the 18th of September 2020 we received an updated letter from the Food Standards Agency confirming that we are to continue with the prioritisation of premises due for inspection until the 31st of March 2021. This confirms that it is expected that some premises due for inspection will not be inspected within their CoP timeframe as it stands. We continue to inspect premises as per the prioritisation exercise we have completed and as per the resources we have in place. These resources are currently limited due to unfilled posts and more responsibilities for the response to the Covid-19 pandemic. We are currently recruiting so that we can fill these available posts as soon as possible.	22/09/2020		51 to 75	Amber
78 19/20	DoR	Business Rates	System reports should be stored in a secured format and hyperlinks and/or cross references should be used to provide clear audit trails between the system reports and reconciliation balances.	19/20	03/02/2020		Samantha Wills, Recovery & Control Team Leader	Hyperlinks are now incorporated into all reconciliation (Council Tax, Business Rates, Housing Benefit Overpayments & Sundry Debt). Reconciliation since April 20 is being saved as a PDF once complete to demonstrate no changes are made subsequently. Not marked recommendation as complete as reconciliation is not being provided to Finance regularly by the 3rd week in the following month, will change to complete when this is being achieved on a consistent basis.	23/9/20		76 or more	Green
79 19/20	DoR	Sundry debtors	The corporate debt policy, recovery strategy and the procedures for this should be reviewed, documented and made available to ensure compliance with Financial Regulations. This process should include ensuring: - <ul style="list-style-type: none">All income streams are identifiable as either a sundry debt, charge, grant or taxation.There are no subsidiary or conflicting debt accounting systems in operation.	19/20	12/03/2020		AD Finance	The corporate debt policy is in course of being updated, along with accompanying processes and procedures and is planned to go to the Policy Committee on 2nd November. All recommendations and issues are being addressed during the course of the update process.	23 September 2020		51 to 75	Amber
80 19/20	DoR	Sundry debtors	The operating, accounting, control systems and the resources for managing and monitoring debt across the council should be fully appraised by Finance to ensure this is carried out in an effective, efficient and secure way. This should include ensuring: - <ul style="list-style-type: none">Information is complete and accurateControlled end to end processingMatching of payment and suspense account managementThe accounting framework allows specific and timely analysisThere are proper audit trails in place to secure supporting documentationsThere are proper checks and balances in place for monitoring and reporting upon compliance and the status of workflow.	19/20	12/03/2020		AD Finance	The policy, procedures and governance of reading's debt monitoring and management are all currently being updated. A review of the resource for managing council debt is within the scope of the Finance transformation programme, which is targeted to have concluded by 1st October 2020.	12 September 2020		51 to 75	Amber

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81 19/20	DoR	Sundry debtors	The governance framework for monitoring compliance, the status of debt and respective risks should be reviewed and reaffirmed by senior management to ensure it is appropriate and remains fit for purpose. This should include: - <ul style="list-style-type: none"> The separate identification and control of non commercial and commercial debt Review and confirmation of the legal recover processes, operational resources, mechanism and responsibilities for monitoring, reporting and recovering debt 	19/20	12/03/2020		AD Finance	A debt board has been set up, to ensure robust governance. The Corporate debt policy is being updated, and will be accompanied by a review and update of the reporting and the recovery process and procedures	12 September 2020		51 to 75	Amber
82 19/20	DoR	Accounts payable	There should be a full procedure manual for the Accounts Payable operation.	19/20	03/04/2020		AD Finance	This is complete. Full procedure manuals for the Accounts Payable operation has been written and reviewed as part of the Finance Improvement Programme.	12 September 2020		Complete	Green
8 19/20	DoR	Accounts payable	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.	19/20	03/04/2020		AD Finance	The Finance Improvement Programme, which should reach conclusion by 1st October 2020, has a specific workstream addressing Accounts payable. An element of the workstream directly addresses A.P. processes for all areas of operation.	12 September 2020		51 to 75	Amber
84 19/20	DoR	Accounts payable	Staffing levels and business processes need re-examining in the light of the issues highlighted with the current operation of the supplier's portal.	19/20	03/04/2020		AD Finance	The Finance Improvement Programme, which should reach conclusion by 1st October 2020, has a specific workstream addressing Accounts payable. An element of the workstream directly addresses business processes and staffing levels	12 September 2020		51 to 75	Amber
85 19/20	DoR	Accounts payable	There needs to be a formal decoupling of the Accounts Payable function from the Procurement function, with procurement input to establish standard items and costs for goods and services.	19/20	03/04/2020		AD Finance	This item is complete. 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 completed	24 September 2020		Complete	Green
86 19/20	DoR	Accounts payable	In the shorter term there is a need for a dedicated resource for control over supplier set up requests and managing the supplier database has should be identified. This role should be situated in the Procurement Team (not AP) with the responsibility for accrediting suppliers and will replace the current arrangement using a temporary employee who is not RBC staff.	19/20	03/04/2020		AD Finance	This is complete. 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 completed	12 September 2020		Complete	Green
87 19/20	DoR	Accounts payable	As part of the need for the business process documentation identified in recommendations 2 and 3 there needs to be a review of the supplier portal and the failure to achieve self-accreditation by suppliers which is perpetuating the situation addressed by recommendation 5.	19/20	03/04/2020		AD Finance	This is being Addressed as a part of the Finance Improvement Programme, which has a targeted completion date of October 1st.	12 September 2020		51 to 75	Amber
88 19/20	DoR	Accounts payable	Action needs to be taken corporately to identify potential issues that are causing delays to processing invoices. The issue is wider than the AP function particularly in areas using the Mosaic system for Adults and Children's Care.	19/20	03/04/2020		AD Finance	This is being Addressed as a part of the Finance Improvement Programme, which is reviewing end-to-end processes.	12 September 2020		51 to 75	Amber

Unique Tracker 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	Status (% Complete)	Overall Status
89 19/20	DoR	Accounts payable	Action need to be taken to identify purchase orders where invoices are outstanding in the Mosaic that cut across the period between the formation of BFFC.	19/20	03/04/2020		AD Finance	This is being Addressed as a part of the Finance Improvement Programme, which is reviewing end-to-end processes.	12 September 2020		51 to 75	Amber
90 19/20	DoR	Accounts payable	Management action is required corporately to address the issues around purchase orders still being raised after the invoice has been received.	19/20	03/04/2020		AD Finance	This is being Addressed as a part of the Finance Improvement Programme, which is reviewing end-to-end processes.	12 September 2020		51 to 75	Amber
91 19/20	DoR	Accounts payable	The current process for electronic invoice processing needs a review to establish if there are efficiencies to be made by sending invoice emails directly to Oracle for processing.	19/20	03/04/2020		AD Finance	This is being Addressed as a part of the Finance Improvement Programme, which is reviewing end-to-end processes.	12 September 2020		51 to 75	Amber
92 19/20	DoR	Accounts payable	The current process for electronic invoice processing needs a review to establish what records of invoices need to be retained to support VAT and other legal processes and whether the current arrangements with Oracle meet that need.	19/20	03/04/2020		AD Finance	This is being Addressed as a part of the Finance Improvement Programme, which is reviewing end-to-end processes.	12 September 2020		51 to 75	Amber
93 19/20	DoR	Accounts payable	The Oracle scanning process needs to be reviewed to establish why there is such a high failure rate in scanning and whether other operational processes could be followed to reduce the need for holds and checking.	19/20	03/04/2020		AD Finance	This is being Addressed as a part of the Finance Improvement Programme, which is reviewing end-to-end processes.	12 September 2020		51 to 75	Amber
94 19/20	DoR	Accounts payable	The council should publish a public report on whether it is meeting its targets with the reasons why targets are not being met.	19/20	03/04/2020		AD Finance	The council publishes the statistics required under statute to show performance and demonstrate whether targets are being met. There is no statutory obligation to publish reasons why targets are not being met, however the full recommendation will be evaluated as part of the Finance Improvement Programme	12 September 2020		51 to 75	Amber
95 19/20	DoR	Rent Accounting	Finance and the Rent Accounting team should co-ordinate and ensure that reconciliations should be performed between OHMS and the Accountancy Stock database at least annually. Reconciliations should be produced at least annually and include: 1) A record to show the segregations of duties between the individual that has prepared the reconciliation and the individual that has reviewed and approved it. 2) A record of the actions taken to resolve unreconciled items / issues within the reconciliation. 3) A copy of the working papers and source data/reports used in the preparation of the reconciliation.	19/20	17/04/2020		Alex Mackie - HRA Business Partner	A full reconciliation has now been completed as at 31st March 2020 between OHMS and Finance's stock database. Clear supporting papers have been attached within the reconciliation detailing both the reasons for any differences and demonstrating segregation of duties. A 6 monthly reconciliation is due to be undertaken at the end of September 2020.	18 September 2020		Complete	Green

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96 19/20	DoR	Rent Accounting	<p>Finance and the Rent Accounting team should formally agree responsibility for completion of reconciliations between OHMS and the general ledger and that these are produced on a regular basis and:</p> <p>1) The frequency with which reconciliations are to be completed should be determined and this discipline kept to.</p> <p>2) Reconciliations should identify the officer responsible for producing the reconciliation(s) and the officer responsible for reviewing and approving.</p> <p>3) Reconciliations should be held on file alongside supporting documentation.</p> <p>4) A complete procedure note should be produced that sets out the process for the production of the reconciliations.</p>	19/20	17/04/2020		Alex Mackie - HRA Business Partner	<p>Full reconciliations have now been completed as at March 31st 2019 and as at 31st March 2020. These incorporate both the OHMS Charges Reconciliation and the overall OHMS to Oracle Fusion Reconciliations and include detailed comprehensive working papers and demonstrate segregation of duties.</p> <p>6 monthly rent reconciliations are now planned to be completed moving forward, with the next one due as at 30th September 2020 which will be finished at the end of October '20.</p> <p>Although largely completed the Procedure note is still to be finalised, but this will be concluded in the coming months.</p>	18/09/2020		76 or more	Green
97 19/20	DoR	Oracle Fusion - RBC/BFFC segregation and access arrangements	<p>Where decisions are taken with respect to the implementation and design of Oracle Fusion in which the risks are altered a record should be maintained of:</p> <ul style="list-style-type: none"> •The reason for the alteration. •The authority with which the alteration is made. •Risk mediation activities undertaken in order to control for additional risk. 	19/20	20/01/2020		Jennifer Bruce (Financial Systems Manager)	Changes are documented and users informed of changes that will impact them	15 September 2020		Complete	Green
98 19/20	DoR	Oracle Fusion - RBC/BFFC segregation and access arrangements	<p>In the period between the application of new security rules to the BFFC finance staff the following activity should be undertaken:</p> <p>1. The number of BFFC staff with access to RBC codes should be documented appropriately and approved.</p> <p>2. The permissions / ability to interact with the RBC entity of BFFC staff should be documented appropriately and approved.</p> <p>3. Controls and monitoring should be established to ensure that any instances of inappropriate activity are detected and corrected.</p> <p>4. Until such time that new security rules are implemented and controls established confirmation of the activity/inactivity of BFFC staff with access to RBC codes should be reported to the Fusion board.</p>	19/20	31/03/2020		Jennifer Bruce (Financial Systems Manager)	Post cut over audit for BFFC is now complete; only those BFFC staff that need to transact on behalf of schools have access to the RBC business unit - access is restricted to just the schools cost centres. Only RBC staff who need to transact on behalf of BFFC to fulfil SLA requirements (Accounts Payable, for example) have access to the BFFC business unit and cost centres. User access is regularly monitored to check it remains appropriate and proportionate	23 June 2020		Complete	Green
99 19/20	DoR	Bank & Cash reconciliations	<p>All reconciliations should be provided for authorisation and approval as soon as practicable.</p> <p>Where delays are found to occur in the authorisation and approval of reconciliations the process should be reviewed in order to determine whether alternative arrangements can be made to ensure prompt action.</p>	19/20	16/06/2020		Mike Hirst. Interim Chief Accountant	All bank and cash reconciliations are now up to date, and are produced, verified and authorised by the 21st of each month	11th September 2020		76 or more	Green

Unique Tracker 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	Status (% Complete)	Overall Status
100 19/20	DoR	Bank & Cash reconciliations	<p>Reconciliation templates should be completed fully to record:</p> <p>a) The printed name of the officer that has prepared the reconciliation b) The signature of the officer that has prepared the reconciliation c) The date on which the reconciliation has been prepared d) The printed name of the officer that has check the reconciliation, if different to the approver e) The signature of the officer that has prepared the reconciliation, if different to the approver f) The date on which the reconciliation has been checked g) The printed name of the officer that has approved the reconciliation h) The signature of the officer that has approved the reconciliation i) The date on which the reconciliation has been approved</p>	19/20	16/06/2020		Mike Hirst. Interim Chief Accountant	These are prepared and being used	11th September 2020		76 or more	Green
101 19/20	DoR	Bank & Cash reconciliations	<p>The decision not to implement the control designed by the previous Chief Accountant whereby completion of control account reconciliations would be monitored to ensure they are timely, completed satisfactorily and reviewed should be revisited.</p> <p>In the absence of a centrally held list of reconciliation to evidence the monitoring undertaken and to enable any issues or delays to be identified or addressed, it should be determined whether the current arrangements provide a satisfactory alternative</p>	19/20	16/06/2020		Mike Hirst. Interim Chief Accountant	All recommendations currently being reviewed and actions implemented under the Reconciliations strand of the Finance Improvement Programme	11th September 2020		51 to 75	Amber
102 19/20	DoR	DBS checks	<p>It is recommended that the Council's policies, systems and procedures governing DBS systems are routinely reviewed and updated where necessary and agreed by the appropriate manager(s).</p> <p>As the principal point of DBS check across RBC, it is further recommended that HR liaises with other services who carry out DBS checks, namely Regulatory Services and the PBS team, to ensure these services also follow these policies.</p>	19/20	02/03/2020		Ben Morgan, Resourcing Manager	Work is in process to produce further guidance for services. All DBS checks are facilitated by Human Resources.	21 September 2020		51 to 75	Amber
103 19/20	DoR	DBS checks	<p>HR should always be able to demonstrate that all staff either:</p> <p>a) do not require DBS clearance; or b) for those that do, that checks are in progress.</p> <p>For those that do require DBS clearance that evidence of this being up to date should be on file in each case.</p>	19/20	28/02/2020		Ben Morgan, Resourcing Manager	Largely in place - some remedial work to do on aged JDs to ensure that DBS requirement is clearly stated.	21 September 2020		51 to 75	Amber

Unique Tracker 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	Status (% Complete)	Overall Status
104 19/20	DoR	DBS checks	Guidance should specifically require managers to ensure that all staff, whether permanent, agency or temporary, are appropriately DBS checked if the relevant criteria are met, even if this is for a limited period.	19/20	30/06/2020		Ben Morgan, Resourcing Manager	Work is in process to produce further guidance for services. All DBS checks are facilitated by Human Resources.	21 September 2020		51 to 75	Amber
105 20/21	DEGNS	Rent Guarantee Scheme	It is recommended that all housing related systems establish consistent naming conventions that will allow for easy data verification across systems, followed by a data cleansing operation to update current records to the new standard.	20/21	11/08/20		Housing system project team - Project manager Johnnie Stanley	Project to replace OHMs system with NPS should be started 10/20. The work to establish standard naming conventions/data cleansing will be included in the project plan.	09 September 2020		25 or less	Red
106 20/21	DEGNS	Rent Guarantee Scheme	The Business Support Officer should perform regular system verification checks across Ohms, locally held records and monthly payment records, to identify query accounts such as (but not limited to): <ul style="list-style-type: none"> •Accounts that should have been removed from local records •Credit balances that need to be returned to ex-tenants •Overpayments to landlords •Duplicate payments •Tenants with more than one address •Addresses with more than one tenancy agreement 	20/21	11/08/20		Emma Tytel, DGS Team Leader	Two reports have been commissioned, to start 1/10/20, which will allow us to review all past RGS accounts as a one-off exercise, and current accounts on a quarterly basis going forwards.	24/09/20		76 or more	Green
107 20/21	DEGNS	Rent Guarantee Scheme	A review of the Council's duties and legal responsibilities for housing needs and homelessness should be considered to see if / how these impact / contradict the tenancy agreement and regulations of the RGS scheme. It is also recommended the service should establish if a different debt treatment regime is applicable and legal for properties on this scheme, and if so, then implement this.	20/21	11/08/20		Emma Tytel, DGS Team Leader	We are awaiting Government guidelines as the stated intention is to extend pre-action protocol to the private sector. Once guidelines have been published we will compare these to our existing practice, which mirror that used for Council-owned properties, and make amendments as required.	24/09/20		51 to 75	Amber
108 20/21	DEGNS	Rent Guarantee Scheme	The cost of voids should be recorded to allow the Council to understand the cost(s) of running this scheme.	20/21	11/08/20		Emma Tytel, DGS Team Leader	A mechanism has been created for the easy tracking of void costs, which can be reported on annually	24/09/20		Complete	Green
109 20/21	DEGNS	Rent Guarantee Scheme	Over payments to landlords be monitored and reclaimed when appropriate. Treatment of over payments should be clarified in the official property agreement between the Council and Landlord.	20/21	11/08/20		Emma Tytel, DGS Team Leader	Overpayments have always been reclaimed. We have updated the way in which these are monitored by introducing a new spreadsheet. Additional text has been added to the Guaranteed Rent Agreement to clarify for landlords how overpayments will be reclaimed.	24/09/20		Complete	Green
110 20/21	RES	Intercompany transfers	Financial Procedures should be updated to reflect the standards and requirements for conducting intercompany accounting and the relationship with the financial coding structure. For example, there should be common standards for substantiating and approving transfers whether these relate to intercompany transactions or not, a procedure detailing the use of the group account use etc.	20/21	15/07/20		Mike Hirst, Interim Chief Accountant Andy Jehan, Financial Systems Accountant	Intercompany accounting and related regulations & procedures are a dedicated sub-strand of the Reconciliations strand of the Finance Improvement Programme. As such, common standards for substantiating and approving transfers are in course of being devised and implemented	11th September 2020		51 to 75	Amber

Unique Tracker 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	Status (% Complete)	Overall Status
111 20/21	RES	Intercompany transfers	The routines and methodology for scheduling and paying the contract and SLA payments to BFFC should be standardised, processing actions confirmed and then reconciled on a monthly basis so that differences or any anomalies can be investigated in a timely way.	20/21	15/07/20		Kate Graefe (AD Procurement & Contracts) & Finance	Routines for scheduling and payment of contract and SLA sums to and from BFFC have been documented as part of the suite of documents created for the AP stream of the Finance Improvement Programme. This has been submitted to Audit for review and comment	24 September 2020		26 to 50	Amber
112 20/21	RES	Intercompany transfers	The reason for the payment anomalies and queries highlighted in the report should be investigated to help inform the review of the intercompany transfer procedure.	20/21	15/07/20		Mike Hirst, Interim Chief Accountant Andy Jehan, Financial Systems Accountant	Intercompany accounting and related regulations & procedures are a dedicated sub-strand of the Reconciliations strand of the Finance Improvement Programme. As such, common standards for substantiating and approving transfers are in course of being devised and implemented	11th September 2020		51 to 75	Amber
113 20/21	RES	Intercompany transfers	The procedures for making and retaining the approvals for intercompany transfers for 2020/21 should be reviewed, and the email authorisations for 2019/20 should be placed on the Finance service drive, as advised by the Senior Accounts Payable Officer.	20/21	15/07/20		Mike Hirst, Interim Chief Accountant Andy Jehan, Financial Systems Accountant	Intercompany accounting and related regulations & procedures are a dedicated sub-strand of the Reconciliations strand of the Finance Improvement Programme. As such, common standards for substantiating and approving transfers are in course of being devised and implemented	11th September 2020		51 to 75	Amber
114 20/21	RES	Intercompany transfers	The procedures for reconciling and monitoring the receipt of SLA income should be urgently reviewed and updated to ensure any payment deviations/variation to the contract sum are highlighted on a timely basis for investigation. This should include: - •The preventative use of CHAPS/SwiftPay •The payment status and variation approvals should become a standard agenda item as part of any regular management contract review procedure. •Procedures governing budgetary control.	20/21	15/07/20		Mike Hirst (Interim Chief Accountant) Andy Jehan (Financial Systems Accountant) Kate Graefe (AD Procurement & Contracts) / Stuart Donnelly (Financial Planning & Strategy Manager)	Intercompany accounting and related regulations & procedures are a dedicated sub-strand of the Reconciliations strand of the Finance Improvement Programme. As such, common standards for substantiating and approving transfers are in course of being devised and implemented. The preventative use of CHAPS / Swiftpay is already in place	11th September 2020		51 to 75	Amber
115 20/21	DEGNS	Stores Contract	A copy of the sealed contract should be located, and a copy should be forwarded to Housing in order they can ensure that they are working from and using the correct version.	20/21	03/08/20		Mike Carpenter, Housing Projects Team Manager	This has been requested previously but the response has been that there is only a hard copy which is held in Modern Records, but has not been produced to date. An e-mail will be sent again to Legal requesting a copy of the contract be produced.	21st September 2020		25 or less	Red
116 20/21	DEGNS	Stores Contract	For reconciliation purposes, although Travis Perkins provides Housing with a listing of all invoicing data and credit notes to support the consolidated invoice, we recommend TP is approached to request that it provides a detailed report of all stores issue and return transactions from the 'point of sale' onwards. Confirmation of the return policy specification within the contract and definition of faulty goods also needs to be clarified and confirmed.	20/21	03/08/20		Mike Carpenter, Housing Projects Team Manager	This is a known weakness, and we are working with Travis to resolve it, with a view to tracking materials electronically. Ultimately the cost of providing a solution to the problem may not be economically viable to track the small number of returns. JB to investigate the introduction of a returns form for trade staff to complete when they return a product and returns are tracked from this The returns policy specification will be identified and clarified.	21st September 2020		25 or less	Red

Unique Tracker 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	Status (% Complete)	Overall Status
									25 or less		16	
							Red %	20	26 to 50		8	
							Amber %	39	51 to 75		48	
							Green %	41	76 or more		24	
									Complete		26	
								100	Total		122	

Rec No.	Dir	Audit Title	Recommendation	Rec Yr.	Original Audit Completion Date	Responsible Officer	Responsible Officer Latest Update	Updated on (date)	Status	Status (% Complete)	Overall Status
97	DACHS	Adult Residential & Nursing Care Contributions	<p>The FAB team should ensure audit trails of financial assessments remain upto date, evidenced and relevant to the service users' personal financial circumstances and those services received:-</p> <ul style="list-style-type: none"> * those financial documents reviewed should be physically substantiated rather than relying upon telephone confirmations made by the FAB team * the review comments by officers of such inspections should be complete and documented * in each case, the next financial assessment review date should be completed and monitored * regular reports on the completion status of financial assessments should be produced 	19/20	23.9.19	Jo Purser, Locality Manager Adult Social Care Long Term Services	<p>1) Advantage declaration of interest forms have been completed by FAB and records have been clamped down by Academy Control Systems Team, so FAB do not have access to these records. All members of the team completed the declaration of interest forms which were submitted by the 30.11.2019</p> <p>2) Third Party Top Up's and First Party Top Up contracts have been written by legal, approved by legal and Jon Dickinson, Deputy Director. These are currently being finalised and will be implemented and worked into the Mosaic Client Record System. Between the period 1.1.2020 and 30.6.2020, 8 Third Party Top Ups were completed</p> <p>3) FAB contact the Department of Work and Pensions/Housing Benefit and Council Tax Benefits team to ensure that any relevant records are kept and shared across systems. People or their financial representatives can upload their financial information via RBC websites secure portal</p> <p>4) Complete process in pace that the FAB team leader approves team members and Locality manager completes team leaders.</p>	24 Sept 20		Complete	Green
98	DACHS	Adult Residential & Nursing Care Contributions	<p>The Council should ensure wherever possible direct debt facilities are put into place whenever a financial contribution is to be recovered or arrange for the service user to pay to carer(s) supplier directly. Where a direct debt cannot be put into place consideration should be given to offsetting the carers invoice so that the contribution is collected by the carer instead of the Council.</p>	19/20	23.9.19	Jo Purser, Locality Manager Adult Social Care Long Term Services	<p>5) Direct debits are being sent out by FAB with every chargeable outcome letter, FAB send out direct debits on requests via telephone/emails, people are directed to the RBC website where they can download the direct debit form. 407 people currently pay their weekly charge by direct debt</p> <p>6) Client contribution are being completed every day so these are being checked, if there is a difference in the client contribution, the team leader authorises these. All financial assessments are signed off by line manager, which is now a requirement in Mosaic 616 financial assessments were completed in this period (care home, non-residential, respite and temporary stay, broken down below into categories) 139 care home financial assessments with charges 12 deferred payments 3 interim funding requests 328 non-residential financial assessments with charges 110 non-residential nil charge outcome 13 terminated as service user or financial rep decided did not wish to continue with RBC services 11 welfare benefit applications</p> <p>7) FAB check that addresses are correct. Addresses of financial representatives are checked by the team when completing financial assessments to enable outcome letters to be sent appropriately to the nominated financial representatives.</p>	24 Sept 20		Complete	Green

Agenda Item 8

READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR OF RESOURCES

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	12th OCTOBER 2020		
TITLE:	CLOSING ACCOUNTS UPDATE		
LEAD COUNCILLOR:	COUNCILLOR EMBERSON	PORTFOLIO:	CORPORATE AND CONSUMER SERVICES
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
LEAD OFFICER:	PETER ROBINSON	TEL:	
JOB TITLE:	ASSISTANT DIRECTOR OF FINANCE	E-MAIL:	Peter.Robinson@reading.gov.uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report updates the Committee on progress with the completion of the Council's Final Accounts for 2017/18, 2018/19 and 2019/20
- 1.2 The Audit of the 2017/18 Accounts is almost complete and at the time of writing it is anticipated they will be signed off by the end of October at the latest.
- 1.3 The update by Ernst & Young (EY), the Council's external auditors, which appears elsewhere on the agenda, provides further information on the residual steps required to achieve sign off the 2017/18 Accounts.
- 1.4 The draft 2018/19 Accounts are complete and were handed over to the Auditors in mid-February 2020. Preliminary pieces of work relating to the Audit of this set of Accounts have now commenced with the planning meeting having taken place on Monday 28th September.
- 1.5 Officers have also almost completed the 2019/20 accounts. At this stage it is anticipated that the draft 2019/20 accounts will be completed and handed over to EY by the end of October 2020 and available for public inspection shortly thereafter.

2. RECOMMENDED ACTION

- 2.1 To note the progress made in relation to the Audit of the 2017/18 Accounts and that they will be circulated to the Committee once they are finalised.
- 2.2 That the Executive Director for Resources, in consultation with the Chairman of the Audit & Governance Committee, be authorised to sign off the final accounts for 2017/18 on behalf of the Council

2.3 To note the progress being made in closing the 2019/20 Accounts

2.4 To note that the Audit of the 2018/19 Accounts commenced in September 2020.

3. BACKGROUND AND PROCESS

2017/18 Accounts

- 3.1 The Audit of the 2017/18 Accounts is expected to be complete by the end of October at the latest. At the time of writing EY have completed a first internal Panel review and a follow up is scheduled for the 1st October. It is anticipated that EY will advise the Council of the wording of its opinion, and 'Going Concern' conclusion prior to the Committee meeting on the 8th October.
- 3.2 Officers have responded to well over 2,000 queries during the course of the 2017/18 Audit. The quantum of queries was significantly higher than one would receive during the course of a routine Audit, a result of the qualification of the 2016/17 accounts and the ensuing reduction in the Council's materiality level.
- 3.3 The majority of the remaining tasks which need to be undertaken before sign-off is achieved now lie with EY, with the final task for Council officers being to make the final agreed amendments to the accounts. EY will need to tick through these amendments prior to sign-off which is anticipated will take place by the end of October 2020, with more precise timescales being provided within the update from EY to this Committee.
- 3.4 A log of agreed changes to the accounts has been maintained throughout the audit process and it has been agreed with EY that these changes will be made in one batch. The detail of these amendments is set out in EY's report which appears elsewhere on the agenda, however in summary the number of adjustments will not exceed 40 with none representing a material change to the draft accounts. The amendments principally relate to Capital items with a minority being more widespread, reflecting the fact that every aspect of the Council's accounts was subjected to a forensic Audit.
- 3.5 The adjustment process needs to be meticulous, and will take approximately one week. In light of these final amendments it is recommended that the Executive Director for Resources, in consultation with the Chairman of the Audit & Governance Committee, be authorised to sign off the final accounts for 2017/18 on behalf of the Council once they are complete. The accounts will be formally circulated to all members of the Committee and made available on the website.

2018/19 Accounts

- 3.6 The 2018/19 Accounts were handed over to the Auditors in mid-February. The accounts were available for public inspection from 27th February 2020, elapsing on the 9th April 2020.
- 3.7 The 2018/19 Accounts will need to be updated to reflect revised closing balances from 2017/18 which become the new opening balances for 2018/19. These changes will be made once the amendments have been incorporated and agreed in the 2017/18 Accounts.

There is no requirement for a second period of public consultation as a result of these amendments.

- 3.8 Preliminary pieces of work relating to the Audit of the 2018/19 Accounts commenced in September 2020.

2019/20 Accounts

- 3.9 Officers are currently completing work on the final notes to the 2019/20 draft accounts.
- 3.10 Officers had to overcome a number of challenges to get to this stage as a result of Covid 19, but it is expected the accounts will be handed over by the end October 2020 at the latest.

4. CONTRIBUTION TO STRATEGIC AIMS

- 4.1 The production of annual accounts results in the publication of accurate, transparent financial information which gives a true and fair view of reading Borough Council's economic performance and financial stability.

5. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 5.1 None arising from this report.

6. COMMUNITY ENGAGEMENT AND INFORMATION

- 6.1 Both the 2017/18 and 2018/19 Accounts have been made available for public inspection as required under Part Five of the Accounts and Audit Regulations 2015
- 6.2 The inspection period for the 2019/20 Accounts is expected to commence shortly after the draft accounts are finalised at the end of October 2020.

7. EQUALITY IMPACT ASSESSMENT

- 7.1 Not applicable

8. LEGAL IMPLICATIONS

- 8.1 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.

- 8.2 Both sets of draft Accounts have subsequently been published on the Council's website, with the notices for the 30-day public inspection periods for each having been published and the accounts having been made available for the required timespan.
- 8.3 The inspection period for the 2019/20 Accounts is expected to commence shortly after the draft accounts are finalised at the end of October.

9. FINANCIAL IMPLICATIONS

- 9.1 The Council has not yet received EY's final audit fee for the audit of the Council's 2017/18 accounts; EY indicated in May 2020 that their fee was likely to be at least £400,000 above the scale fee due to the additional work involved.

READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR OF RESOURCES

TO:	AUDIT and GOVERNANCE COMMITTEE		
DATE:	12 TH OCTOBER 2020		
TITLE:	IMPLEMENTATION OF THE FINANCE IMPROVEMENT PROGRAMME - PROGRESS UPDATE		
LEAD COUNCILLOR:	COUNCILLOR EMBERSON	PORTFOLIO:	CORPORATE AND CONSUMER SERVICES
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
LEAD OFFICER:	CHRIS TIDSWELL	TEL:	07825 190321
JOB TITLE:	PROGRAMME LEAD	E-MAIL:	chris.tidswell@cipfa.org

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 At the last Audit and Governance Committee in July a paper was presented that outlined the Finance Improvement Programme currently underway.
- 1.2 This paper provides an update on progress of the programme against the plan for each workstream and their deliverables.

2. RECOMMENDED ACTION

- 2.1 To note progress of the Finance Improvement Programme

3. INTRODUCTION AND BACKGROUND

- 3.1 The Finance Improvement Programme has two key phases: Phase I responds to the historic and current issues identified to ensure a sound foundation and 'getting the basics' right. The second phase (Phase II) will concentrate on embedding Phase I delivery and developing the financial management culture and governance framework across the Council. The Programme is currently in Phase I.
- 3.2 The Programme is led and overseen by the Finance Transformation Board chaired by the Executive Director of Resources and meets fortnightly. The Board receives updates and reports ensuring appropriate challenge and stewardship the Board monitors progress of delivery against the Project Plan and signs off key deliverables.
- 3.3 There are six workstreams in Phase I. These are:
 - Accounts payable
 - Accounts receivable
 - Chart of accounts
 - Reconciliations
 - Final accounts
 - Finance system (general ledger and associated modules)

3.4 Each workstream has a number of deliverables and these include responding to appropriate 'Audit Tracker' recommendations to help ensure progress with implementation.

4. PROGRAMME UPDATE - PLAN AND DELIVERABLES

4.1 Phase I of the programme has a scheduled end date for the majority of workstreams of November 2020. There are exceptions scheduled after this date including:

- The finance system re-procurement workstream scheduled for December 2021.
- The final accounts workstream scheduled for completion in December 2020.

4.2 Phase II (developing corporate financial management governance and the overarching financial management environment) will only be able to commence once the majority of Phase I workstreams are complete and is currently scheduled to start in early 2021. The financial systems re-procurement workstream runs in parallel to both Phase I and II of the programme as they are necessarily linked.

4.3 Overall three of the workstreams are broadly on track to achieve the planned completion by the end of November this year. The Reconciliations and Final accounts workstreams will commence in earnest in early October and the Financial Systems workstream is in the early stages of developing the requirements specification. There have inevitably been some delays caused by demands of Covid-19 and business as usual. The Board monitors closely the programme plan and seeks to mitigate and prioritise actions to avoid slippage as far as possible.

4.4 Audit tracker recommendations have been included within individual workstream deliverables where appropriate and are managed as part of the overall Plan. Progress is being made with implementation. Many of the tracker recommendations have an organisation wide impact and whilst the workstreams can get the basics right within Finance, when overall end to end processes are reviewed and improved it will require a corporate approach which will be addressed through Phase II of the Improvement Programme.

5. WORKSTREAM UPDATES

The following section highlights each workstream's terms of reference and progress against the improvement plan.

5.1 Accounts Payable (AP)

Terms of reference

To review and modernise the Accounts Payable process from start to finish using the technology available to the full ensuring it is fit for purpose and addresses historic issues. To improve the Supplier Database and increase efficiency within AP with the increased use of the Supplier Portal and access to the web centre.

Final delivery date (revised): 31 October 2020

The accounts payable workstream has 10 specific deliverables.

Completed	In progress	Not Started
5	2	3
Commentary		

- The activities and workloads of the team have been revised to reduce single point of failure risk and performance.
- The supplier data base has been cleansed.
- Supplier categorisation has been completed from an AP perspective. Final implementation by the Procurement Team is dependent on the finalisation of the revised chart of accounts which is due for completion in October.
- The team continues to encourage use of the WebCentre for processing invoices improving operational efficiency and has seen an increase in the number of invoices processed through this route.
- 24 AP user guides have been produced documenting processes. These are now being used by staff.
- The final deliverable, scheduled for October commencement will be the development and delivery of user training.

- The Audit Recommendations Tracker has 22 recommendations relating to Accounts Payable of these, 17 are included within the workstream deliverables and 5 sit with the Procurement Team for final completion.
- Of the 22 recommendations included in the tracker ratings are: 8 Green and 14 Amber.

5.2 Account Receivable (AR)

Terms of reference

To review, develop and implement actions to ensure an efficient and effective debt management service that ensures compliance and is delivered using the most appropriate technology.

Final delivery date: 31 December 2020

The Accounts Receivable workstream has 12 specific deliverables.

Completed	In progress	Not Started
2	4	6
Commentary		
<ul style="list-style-type: none"> • The move of AR processing from Academy to Oracle Fusion to improve processing efficiency will be completed by the end of the year. The RBC actions are in place and now waiting on suppliers to complete actions. • A Debt Management strategy is in draft form and under review and is tracking to Policy Committee in December. • Historic corporate and service debt levels and actions to resolve are being discussed with budget holders. • Process maps for the current arrangements have been completed. • 4 of the activities not started relate to developing user guides and user training which are scheduled to conclude in December. 		

- The Audit Recommendations Tracker has 6 recommendations relating to Accounts Receivable, 2 are included within the workstream deliverables and underway which relate to the debt management policy and the migration of Academy invoicing to Oracle Fusion, 2 require action by other directorates with the support of Finance and 1 will be concluded as part of process redesign in Phase II.
- Of the 6 recommendations included in the tracker ratings are: **Amber 6**.

5.3 Chart of Accounts

Terms of reference

To review and rationalise the Chart of Accounts in line with best practice to aid financial information reporting for all users and to develop a governance process to manage amendments moving forwards, with the involvement of all key stakeholders.

Final delivery date: 31 October 2020

The Chart of accounts workstream has 11 specific deliverables.

Completed	In progress	Not Started
1	8	2
Commentary		
<ul style="list-style-type: none"> • The activities to establish a set of code principles has been completed. • The 'in progress' activities relate to revising the list of subjective and objective codes which have been produced and are currently being consulted on with budget holders. Once completed these will be implemented and are scheduled for October. • Those not started are implementation based and dependent on the completion of consultation with budget holders which is imminent. 		

- The Audit Recommendations Tracker has 3 recommendations relating to the Chart of Accounts.
- Of the 3 recommendations included in the tracker ratings are: **Amber 3**.

5.4 Reconciliations

Terms of reference

To review and rationalise all Control, Holding and Suspense codes to ensure that they facilitate efficient and effective working practice, and to develop a scheduled review process to ensure that they are reconciled at appropriate intervals.

Final delivery date: 31December 2020

The reconciliations workstream has 10 specific deliverables.

Completed	In progress	Not Started
0	1	9
Commentary		

- Delivery of activities within this workstream have been delayed due to concentration on closure of accounts work.
- Work has commenced on the bank reconciliation activity and is due for completion by the end of November with user training following early into 2021.
- Activities not started are scheduled to commence in October.

- The Audit Recommendations Tracker has 3 recommendations relating to reconciliations.
- Of the 3 recommendations included in the tracker ratings are: **Amber 3**.

5.5 **Final accounts**

Terms of reference

To review and refine the Final Accounts process to ensure that the closedown process is efficient and effective and delivers an accurate compliant set of accounts in accordance with statutory deadlines.

Final delivery date: 30 December 2020

The final accounts workstream has 14 specific deliverables.

Completed	In progress	Not Started
2	2	10
Commentary		
<ul style="list-style-type: none"> • Two activities relating to closedown planning and working papers have been completed. • Work on developing and improving the asset register has commenced and is scheduled for completion at the end of November. • Work has been undertaken on external audit data and information from stakeholders to support external audit questions. • The activities not started will commence once the 19/20 accounts have been finalised 		

- There are no relevant recommendations on the Tracker in respect of this workstream.

5.6 **Financial system procurement**

Terms of reference

To determine the required finance system outcomes from stakeholders and produce an options-based business case. To lead the re-procurement of the finance system and subsequent implementation within the required governance framework.

Final delivery date and go live date: 2 December 2021

The finance system workstream has 4 specific deliverables. These deliverables are key milestones in the system re-procurement.

Completed	In progress	Not Started
0	2	2
Commentary		
<ul style="list-style-type: none"> • The plan at this stage is broadly a month behind which will have a consequence in the remaining timeline. • Activities in progress relate to the requirements specification development and business case which are due for completion in October. • Those not started are scheduled to commence in November. 		

- The Audit Recommendations Tracker includes 2 recommendations in respect of this workstream which have now been completed.

6. CONTRIBUTION TO STRATEGIC AIMS

- 6.1 The Finance Improvement Programme has been designed and developed to build a strong financial management and governance foundation, with the aspiring direction of a fit for the future, exemplar financial management and governance environment in Reading.

7. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 7.1 None arising from this report.

8. COMMUNITY ENGAGEMENT AND INFORMATION

- 8.1 Not applicable to this report.

9. EQUALITY IMPACT ASSESSMENT

- 9.1 Not applicable to this report.

10. LEGAL IMPLICATIONS

- 10.1 Not applicable to this report.

11. FINANCIAL IMPLICATIONS

- 11.1 There are no direct financial implications arising from this report.

12. BACKGROUND PAPERS

- 12.1 Not applicable to this report.

Reading Borough Council and Group Draft Audit results report

Year ended 31 March 2018

08 October 2020

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. Above the 'Y' is a yellow triangle pointing to the right. The logo is positioned in the bottom right corner of the page, above the tagline.

Building a better
working world

Agenda Item 10

8 October 2020



Dear Audit Committee Members

We are pleased to attach our draft audit results report for the forthcoming meeting of the Audit & Governance Committee. This report summarises our preliminary audit conclusion in relation to the audit of Reading Borough Council for 2017/18. We will issue our final report at the conclusion of the audit.

Background and context - It is important that we set out the background and context to the 2017/18 audit. The previous audit year, 2016/17, was challenging for the Council, our audit opinion was qualified in four areas, Debtors, Creditors, I&E and Pensions, the value for money conclusion was an adverse report and we issued statutory recommendations to the Council highlighting areas for improvement. It took well over two years to complete the work on the 2016/17 statements due to the issues identified and the opinion was issued in July 2019.

There have been a number of changes implemented to address our recommendations in relation to processes, documentation and controls and there have also been a number of new appointments during 2017/18 and to date. Due to the fact that the 2017/18 year was well underway whilst these changes were being implemented, the issues arising were not addressed by the 2017/18 year end. Therefore this report also highlights a number of matters where improvements were not yet embedded by 31 March 2018. We expect to see the improvements reflected in the 2018/19 financial statements.

Timelines - Given the timing of this report the Authority has significantly missed the deadline for certification of the accounts. This is due to the extensive delays in certifying the 2016/17 accounts which were signed off in July 2019 and which therefore missed the deadline of 30 September 2018. The changes to date are reflected in the positive improvement in timescales and the 2017/18 audit has taken a year to complete which is a significant improvement on the 2016/17 audit. In addition the 2018/19 statements are ready for us to begin our audit and we have already started our planning and scoping for 2018/19 and have a team completing 2018/19 works alongside us closing out the 2017/18 audit. We also expect to complete the work on 2018/19 in a shorter timescale again to help the Council get back on track in relation to the timing of the audit cycle.

Current position - We have substantially completed our audit of Reading Borough Council for the year ended 31st March 2018. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue a qualified audit opinion on the financial statements in the form that appears at Section 3. We also have matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit & Governance Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent. We welcome the opportunity to discuss the contents of this report with you at the Audit & Governance Committee meeting on 12 October 2020. We would like to thank your staff for their help during the engagement.

Yours faithfully

Maria Grindley

Associate Partner, For and on behalf of Ernst & Young LLP

Encl

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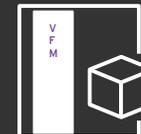
03 Audit Report



04 Audit Differences



05 Value for Money



06 Other Reporting Issues

07 Assessment of Control Environment

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09 Independence

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary

Executive Summary

Scope update

In our audit planning report tabled at the 27 January 2020 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Update on materiality:

In our Audit Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £5.254 m, with performance materiality, at 50% of overall materiality, of £2.627 m, and a threshold for reporting misstatements of £0.265 m. This level of materiality remains appropriate for the actual results for the financial year. The basis of our assessment has remained consistent with prior years at 1% of gross expenditure on provision of services. As we already had received the draft unaudited financial statements at the date of our Audit Planning Report this has remained consistent throughout the audit. We will update our final materiality on receipt of the final signed audited financial statements to determine that our audit testing has been appropriate.

Group Scoping:

There has been no changes to report in our Group Scoping. For the purposes of in-scope components Reading Transport Limited (RTL) is in-scope.

Covid-19

We are reviewing the implications of Covid-19 on the audit in relation to the Council's assessment of going concern and post balance sheet events.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.

Status of the audit

We have substantially completed our audit of Reading Borough Council's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit Planning Report.

A key element within this to bring to your attention is the impact of coronavirus (COVID-19) on the Council's going concern assessment and post balance sheet event disclosures. This is a new issue which the Council has reflected in their revised 2017/18 financial statements.

Subject to satisfactory completion of the outstanding matters set out in Appendix D we expect to issue a qualified opinion on the Authority's financial statements. Once we have completed our procedures we will add in a draft auditor report in Section 3.



Executive Summary

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Reading Borough Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues;
- ▶ You agree with the resolution of the issue; and
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit & Governance Committee.

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Audit differences

We have no identified uncorrected adjustments greater than our reporting thresholds as at date of Audit & Governance Committee.

We have identified audit differences with an aggregated impact of at least £56.828m which have been adjusted by management (subject to receipt and review of the final statement of accounts). Details can be found in Section 4 Audit Differences.

We are working through the accounting transactions of some of the last agreed amendments and therefore we are expecting some further additions to those included at Section 4.

Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

During the audit we identified a number of observations and improvement recommendations in relation to management's financial processes and controls. These are set out in Section 7 of this report.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified the following significant risk:

In February 2017 we issued Section 24 Schedule 7(2) Statutory Recommendations covering a number of areas. In 2016/17 the value for money conclusion was qualified due to the issues arising and identified in our report.

Whilst we can see progress being made and changes coming through at the Council, a number of the issues in our report and covered by the recommendations still existed during the 2017/18 financial year. We therefore need to consider what progress was made during the year and the impact on our report.

We have the following matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources for the 2017/18 year.

1) Informed Decision Making:

i) In 2016/17 we reported concerns around the reliability of financial management and reporting. We concluded that in 2017/18 this had improved and the Council had managed its financial performance in a more controlled manner resulting in an underspend of £5m against its core revenue budget which in turn supported an increase in the size of usable General Fund balances.

ii) In 2016/17 we also raised significant findings in respect of the system of internal control in effect at the Council. This focused specifically on concerns around the completion of key reconciliations and the lack of controls around journals. Whilst there was some improvement in respect of addressing these deficiencies this was not consistent or timely in 2017/18 to ensure that all noted deficiencies could be corrected. As a result this finding is noted as not having been fully corrected in 2017/18 with many of the changes not taking effect until late during 2017/18.

2) Sustainable Resource Deployment:

i) In August 2016 Ofsted reported significant findings in respect of the provision of Children's services at Reading Borough Council. Given their significance this impacted on our value for money conclusion in 2016/17. We committed to following up on this area in 2017/18. We reviewed the subsequent Ofsted inspection reports for 2017/18 and noted that despite pockets of improvement the consistent tone of the messaging in 2017/18 was still one which continued to raise concerns. Given the lack of sustained improvement and the continued concerns of the regulator this has therefore again impacted on our conclusions regarding the sustainable resource deployment sub-criteria.

Further details on our assessment of value for money can be found at section 5.



Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We are normally required to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. Our work in this area is not concluded. Given the delay in the certification of the audit we will need to understand what is required. We will report any matters arising to the Audit Committee via our Annual Audit Letter.

We have no other matters to report.

Independence

Please refer to Section 9 for our update on Independence.

Communications

Throughout the year we have attended the Audit & Governance Committee, presenting reports as appropriate. We also ran an Audit & Governance Committee workshop at the beginning of the audit to talk through the audit approach in more detail and we have also met with the management team multiple times throughout the audit to discuss audit progress and rising findings.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Incorrect capitalisation of revenue expenditure

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What is the risk?

Under ISA240 there is also a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

For Reading Borough Council, we consider this risk to be present in:

- Additions to property, plant and equipment; and
- Inappropriate transfers between the Housing Revenue Account (HRA) and the General Fund.

We have considered the capitalisation of revenue expenditure on property, plant and equipment as a specific area of risk given the extent of the Authority's capital programme. In addition there is a risk where transfers between the HRA and general result in incorrect treatment of HRA revenue expenditure.

What judgements are we focused on?

How management decides on appropriate capitalisation of revenue expenditure, including classification between the General Fund and Housing Revenue Account.

What did we do?

We sample tested additions to property, plant and equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised.

What are our conclusions?

Our testing is complete.

We have not identified any issues with management's accounting policies or practices in relation to opting to finance expenditure from capital sources.

We focused our testing on property, plant and equipment, investment property, and REFCUS capital additions.

Our testing of capital additions identified no instances where expenditure had been inappropriately capitalised, or any inappropriate transfers between the Housing Revenue Account and the General Fund.





Areas of Audit Focus

Significant risk

Impact of Qualified Accounts from 2016/17 - Income and Expenditure, Debtors and Creditors, and IAS 19 Pension Assets

What is the risk?

The 2016/17 audit was significantly delayed due to significant internal control issues identified as part of the audit. As a result the certification date of 30th September 2017 was missed with final certification on the audit taking place in July 2019. The audit opinion was also qualified across the key significant accounts: Income and Expenditure; Debtors; Creditors; and Pensions (IAS 19) Scheme Assets.

These specific accounts were qualified in 2016/17 as we were unable to obtain sufficient appropriate audit evidence to confirm that these accounts were materially correct. We will need to consider these accounts again as part of the 2017/18 audit. We would also note that where any of these accounts have a Balance Sheet impact then we would also need to qualify the opening balances as part of the 2017/18 audit given the fact that we were unable to satisfy ourselves on the material nature of the closing 2016/17 balances.

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What judgements are we focused on?

Our judgements are focused specifically on the closing balances from the qualified accounts in 2016/17 accounts and the potential need to qualify the corresponding opening balances carried forward in the 2017/18 accounts. Income and Expenditure account balances do not carry forward in the same way that balance sheet items (debtors and creditors) do for example. Our judgements were therefore focused on this distinction.

What did we do?

We reviewed any brought forward closing balances from 2016/17 which had an associated qualification and we considered the impact on qualification of opening balances for 2017/18 where appropriate.

We designed our substantive testing procedures to understand how we can test these balances and obtain the appropriate audit evidence required. This involved testing at appropriate thresholds which reflected the increased risk profile of these accounts and the associated significant risk.

On specific areas of Income and Expenditure testing we disaggregated the balances to isolate specific accounts to see if we could obtain the relevant assurance.

What are our conclusions?

We have completed our testing on the areas where we identified material errors in the prior year and where we issued a qualified opinion.

Income and Expenditure:

We completed our testing and identified material errors on the following I&E lines. Corporate Support Services income and Environment & Neighbourhood Services income and expenditure. As a result we have qualified our opinion but with a reduced level of qualification than in the previous year.

Short-term Creditors (Council and Group):

We completed our testing and identified material errors on the opening and closing balances on short-term creditors. Our opinion is qualified on these accounts.

Short-term Debtors (Council and Group):

We completed our testing and identified material errors on short-term debtors opening balances only. This is as a result of the qualification on this account in 2016/17.

We will seek representations from management as to what they have done to ensure the validity of opening balances on debtors and creditors specifically and the recoverability or obligation on all such balances.

Significant Risk



Areas of Audit Focus

Significant risk

IAS 19 Assurance Process, Pension liabilities and the IAS 19 valuations

What is the risk?

As part of the formal protocol between the auditors of local government Pension Funds and the auditors of local government admitted member bodies to the Pension Fund a formal letter is issued to the auditor of the Pension Fund by the auditor of the admitted body requesting a programme of work and testing to be undertaken and formally reported back.

For the period in question (i.e. 1 April 2017 to 31 March 2018) the auditor of the Berkshire Pension Fund was KPMG LLP. KPMG LLP are no longer the auditor of the Royal Berkshire Pension Fund. Correspondence with KPMG has indicated that as they are no longer the Pension Fund auditor they are not in a position to provide EY, as external auditor to Reading Borough Council, with the relevant IAS 19 Assurance Letter for 2017-18. This is due to the fact that they no longer have access to the data.

What judgements are we focused on?

We focused on aspects of the pension liability which could have a material impact on the financial statements, primarily:

- ▶ significant changes in assumptions made by the actuary; and
- ▶ the assessments of the actuary undertaken by PWC, as consulting actuary commissioned by the National Audit Office, and the EY actuarial team.

What did we do?

- ▶ Liaised with the auditors (old and new) of Berkshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Reading Borough Council;
- ▶ Assessed the work of the Pension Fund actuary, Barnett Waddingham, including the assumptions they have used by relying on the work of PWC and considering any relevant reviews by the EY actuarial team; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

What are our conclusions?

We are satisfied that the Authority has correctly reflected the IAS 19 entries provided by the actuaries in the financial statements. We are also satisfied that the actuaries are appropriately qualified.

We have been unable to obtain assurance from the auditors of the Royal Berkshire Pension Fund for 2017/18. This is due to a timing issue between the closure of the Council's 2016/17 audit and the change in auditors at the Pension Fund. As a result we have qualified the account on this basis but would like to make it clear that these circumstances were beyond the control of the Council.

We have informed Public Sector Audit Appointments (PSAA) Ltd to ensure that similar situations can be avoided in the future.





Areas of Audit Focus

Significant risk

Completion of Cash & Bank and Control Account Reconciliations

What is the risk?

There were issues in previous with the completion of the bank account reconciliations for the majority of 2017/18. We highlighted this as a Significant Risk in previous years. We spent a lot of time reviewing the cash balances in the Statement of Accounts changed significantly before we were satisfied with it.

We also found that completion and review of control accounts was not timely during 2016/17 and for the majority of 2017/18.

We consider the timely completion and review of the bank and control account reconciliations as important controls that help to ensure financial control.

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What judgements are we focused on?

Our judgements are focused on the financial system control environment and specifically the completion of key reconciliations. This was a significant risk area in 2016/17 and due to the ongoing and delayed nature of the 2016/17 audit, and the appointment of the Director of Finance in March 2018 bringing a new focus on this area, the control environment was not in place for the majority of 2017/18. We therefore needed to consider the impact on our audit strategy for 2017/18.

What did we do?

We completed our walkthrough of key financial systems in line with our audit approach to identify key inputs to the General Ledger.

We reviewed the regular internal audit reports on this area. We know that this aspect of the control environment in 2017/18 was also flagged as a specific concern by internal audit in their reporting to the Audit Committee and was a contributory factor in their Limited Assurance Head of Internal Audit Opinion in 2017/18.

We discussed the progress with senior management at regular intervals throughout the audit to understand the changes being made and the timeliness of those changes to determine the impact on the 2017/18 control environment.

What are our conclusions?

We note that for 2017/18 the progress in this had been slow. This was due, in part, for a number of reasons. The appointment of the Director of Finance and the re-organisation of the finance team occurred late in 2017/18 giving little time to make the necessary changes.

For example, we note that key journal controls which had been removed in 2016/17 were only restored in full from October 2017. In effect this meant that for at least half of the year the control environment and controls on journals was limited. This included the lack of a sufficient audit trail. A process of retrospective authorisation and review was therefore required to ensure the validity of journal postings. This was undertaken with internal audit being used to sample check these and reporting their conclusions regularly to the Audit Committee.

Progress in 2017/18 in respect of key account reconciliations was also slow. Issues continued to include timeliness of completion and issues around reconciling items.

This was also reported by Internal Audit in 2107/18 and was a contributing factor in their Limited Assurance Head of Internal Audit Opinion in 2017/18.





Areas of Audit Focus



Other significant risk matters

Misstatements due to fraud or error

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.

This is a risk that we recognise on all engagements. Our overall response to this for Reading Borough Council included:

- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes for safeguarding against fraud; and
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.

performing mandatory procedures regardless of specifically identified fraud risks, including:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Assessing accounting estimates for evidence of management bias; and
- ▶ Evaluating the business rationale for significant unusual transactions.

In addition to our overall response, we considered where these risk may manifest themselves and identified separate fraud risks as discussed above.

We have not identified any issues or indications of management override in our testing as at the date of this report. We will provide an update at the conclusion of the audit. We did however identify the journal authorisation controls should be improved. We have referenced this further in section 7 of this report.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

What did we do?

We:

- ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

We have concluded our work on this account. We note the adjustments in respect of valuations at Section 4.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

All Accounts

We experienced significant delays in completing our audit of the Statement of Accounts in 2015/16 and 2016/17. Both audits missed the certification date with the 2016/17 audit significantly delayed and finally certified with a qualified opinion in July 2019.

We experienced delays in receiving the working papers we needed and the required supporting information. We raised a number of recommendations in our Audit Results Report and management have committed to improve performance this year.

We updated our 2016/17 audit strategy in January 2018 to reflect the increased risk profile of the audit arising from the significant issues and errors we were experiencing during the audit. This was a new Other Area of Audit Focus with a specific consideration of All Accounts (excluding any specific accounts where we had already attached a Significant Risk).

We believe that given the systemic and inherent nature of these issues it is valid to continue this risk assessment into the 2017/18 audit.

What did we do?

We:

- ▶ Reviewed all accounts (excluding those previously detailed as Significant Risk) as having an Inherent Risk. This will enable our teams to assess each significant account with the appropriate level of professional scepticism. It will also ensure that our testing is focused at the correct risk level to reflect our wider assessment of the control environment;
- ▶ Involved a technical reviewer from our Financial Reporting Group to complete a review of the draft 2017/18 accounts. This provide the on site audit team with further support and also ensure that the draft accounts are materially compliant with all relevant standards and the CIPFA Code. The findings from this review were shared with the Council and we are working through the final items. This approach is consistent with the prior year; and
- ▶ We also involved a peer review Partner on the engagement to support the audit team in addressing any issues identified during the engagement. This approach is consistent with the prior year.

We note some adjustments in respect of all accounts at section 4.



03 Audit Report



Audit Report

Draft audit report

Placeholder for the draft audit report once our work is complete

Our opinion on the financial statements

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04 Audit Differences





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences agreed to date

We highlight the following misstatements greater than £2.3m (TE) which have been corrected by management that were identified during the course of our audit:

- Short Term Borrowings and Long Term Borrowings misclassification, ST borrowing understated by £10,129k, LT borrowing overstated by £10,129k
- Property, Plant and Equipment opening balances presentation error: 17/18 Opening Cost and Valuation being understated by £17,555k, Opening Accumulated Depreciation being Overstated by £17,555k.

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Other misstatements identified:

- We have noted an overstatement in the PPE amounting to £868,000, due to the incorrect derecognition/writing off of the property Amethyst Lane Development Site in the FAR even if the demolition have not taken place as at 28 November 2019. Impairment loss recognised in revaluation reserve understated by £95,895, Impairment loss recognised in Income statement understated by £772,105, Gain from sale of fixed assets understated by £868k.
- We have noted that buildings under the surplus assets was not depreciated during the current year. Depreciation cost understated by £38,807 and Property, plant and equipment balance overstated by £38,807.
- Based on the review of PPE additions, we have noted negative additions that relates to the prior year correction of errors. Property, plant and equipment 16/17 ending balance being understated by £703,614, Accruals being understated by £214,360, Capital Adjustment Account understated by £489,254.
- We have noted that there is an overstatement in the loss on sale of fixed assets and overstatement in revaluation gain as a result of the incorrect split made in the opening balance of land and building of the Civic Centre. The related opening balances of the land should be £5m whereas the building is nil. Revaluation gain overstated by £2m, loss on sale of fixed assets overstated by £2m.
- We have noted that there is a difference in the ending balances of Kennet Wharf (£1.375m) and Adelphi House (£295k) investment property as at 31 March 2018 from the valuation report issued by Sanderson and Weatherall. Investment Property understated by £1.67m, Gain on change of Fair Value understated by £1.67m.
- As communicated by the management, we noted that there were 3 schools (EP Collier, St. Michaels and Thameside) that have some revision in the 2016 and 2017 valuation report. We summarized the net impact on each year and proposed adjustment for the changes. The proposed adjustment in the opening balances of the 2016-17 comparative figures in Note 14 of the SOA includes the following entry. PPE - Other Land and Buildings understated by £420k, Revaluation reserve understated by £420k.
- As communicated by management, we noted that there were 3 schools (EP Collier, St. Michaels and Thameside) that have some revision in the 2016 and 2017 valuation report. We summarized the net impact on each year and proposed adjustment for the changes. The proposed adjustment in the opening balances of the 2017-18 Movement in PPE in Note 14 of the SOA includes the following entry. Revaluation reserve overstated by £660k, PPE - Other land and building overstated by £660k.

Audit Differences

Summary of adjusted differences

- In children's service expenditure testing, one of the items tested was incorrectly classified in 17/18 when it related to 18/19 resulting an overstatement of both income and expenditure of £178,902.
- We have noted difference in the prior year balance of council dwellings value as per HRA Stock Database and the statement of accounts. Revaluation reserve overstated by £997,683, PPE - Council Dwellings overstated by £997,683.
- Infrastructure addition not reflected in 2016-17 accounts: Short term creditor - PO accruals being overstated by £146,465, PPE-Infrastructure being overstated by £178,749.
- We noted that there were transactions recorded as PO accruals which relates to transactions/services to be performed after 31 March 2018. We collated all the noted findings and proposed an adjustment to reverse the accruals made for these items. Short term creditor - PO Accruals overstated by £600,508, Fixed Assets being overstated by £357,418, Various expenses overstated by £243,090; Short term creditor - Sundry creditor overstated by £298,846, Short term debtor - Sundry debtor overstated by £298,846.
- To adjust the overstatement in the short term portion of the pension prepayments: Expenses understated by £246,061, Short term debtor - Payroll payment in advance (Pension prepayments) overstated by £246,061.
- Misstatement in PY accounts Note 32. Grants RIA understated by £1,589,613 and cash by the same.

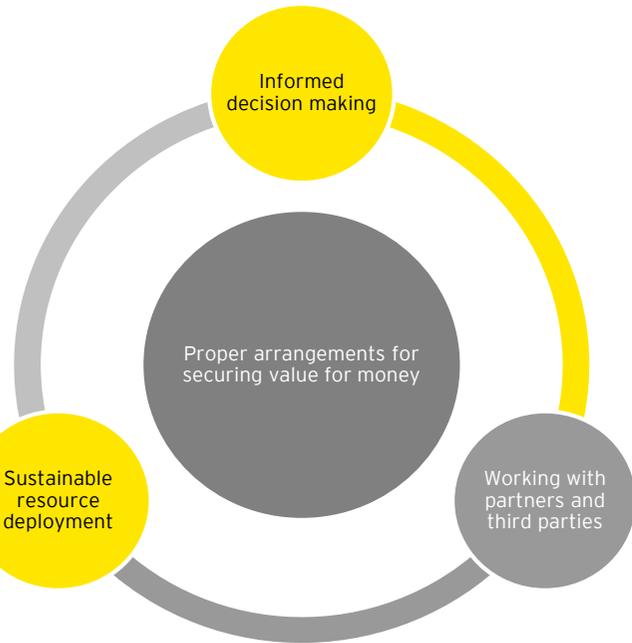
Please note that the adjustments above are subject to receipt and review of final accounts. As work is still ongoing it is still possible that other adjustments could be identified.

There were also a number of other presentational and disclosure amendments which management have corrected which were below our summary of audit differences thresholds.



05

Value for Money



Background

We are required to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2017/18 this is based on the overall evaluation criterion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

We identified a significant risks around these arrangements. The tables below present our findings in response to the risks in our Audit Planning Report and any other significant weaknesses or issues we want to bring to your attention.

We therefore expect having the following matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?

What arrangements did the risk affect?

What are our findings?

In February 2017 we issued Section 24 Schedule 7(2) Statutory Recommendations covering a number of areas. In 2016/17 the value for money conclusion was qualified due to the issues arising and identified in our report.

Whilst we can see progress being made and changes coming through at the Council, a number of the issues in our report and covered by the recommendations still existed during the 2017/18 financial year. We therefore need to consider what progress was made during the year and the impact on our report.

Take informed decisions / Deploy resources in a sustainable manner/ Work with partners and other third parties

In reaching our conclusion on the 2017/18 value for money conclusion we have specifically focused on the following key areas:

1) Revisiting the recommendations made as part of the 2016/17 audit to understand the Council's progress against these. The areas specifically identified in the Section 24 Schedule 7 (2) Report included:

i) Informed Decision Making:

Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance information:

We found that the financial and performance information used by the Council is not always accurate and reliable and therefore did not help informed decision making.

Reliable and timely financial reporting that supports the delivery of strategic priorities

We found that the financial reporting was not reliable throughout 2016/17.

Maintaining a sound system of internal control

We found that some of the basic financial controls were not working as expected, for example, the regular completion of reconciliations is not timely, the year-end bank reconciliation did not balance and there were no control procedures over the production or posting of journals during financial year 2016/17. This increases the risk of fraud and errors remaining undetected.



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Value for Money Risks

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Value for Money Risks

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Value for Money Risks

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Value for Money Risks

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06 Other Reporting Issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2017/18 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2017/18 and published with the financial statements was consistent with the audited financial statements. We noted a number of internal casting and consistency errors which have been accepted and corrected by management.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

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Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters arising to the Audit & Governance Committee upon completion of the audit.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have detailed the proposed modifications to the audit report in the Executive Summary. We have nothing further that we need to draw to the attention of the Committee.



07

Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We wish to report the following matters.

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2017/18 audit. At the completion of the audit we will issue a [formal management letter containing all of the identified points.

	High	Moderate	Low	Total
New points raised in FY1X	2	7	0	9

- Key:
- [A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.]
 - [Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.]
 - [Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.]

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you. We will consider management's responses and report progress against these as part of future reporting to the Audit & Governance Committee.

Assessment of Control Environment

Area	Payroll	Rating	■
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Area	Payroll	Rating	■
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Observation Casual workers who have worked at the Council and subsequently left are not removed from payroll in a timely manner. As part of the audit we identified instances where the casual workers were not removed from the payroll system for up to 1 year after leaving.

Observation We identified one instance where an employee was being paid but was not on the payroll Masterfile.

Management comment There is now a requirement for managers to notify HR and Payroll when a worker is no longer being used. Control is exercised by conducting a periodic exercise in Payroll to remove casual workers from the payroll, with the last payment date being used as their leaving date. Some casual workers e.g. election workers, are kept on the payroll due to the extended period of time between elections.

Management comment A monthly reconciliation has since been implemented, which ties together all key files (including the Masterfile) and the net pay control codes. This is controlled by a dual-sign off process (payroll and finance), and ensures that any anomalies are identified and rectified.

Assessment of Control Environment

Area MOSAIC System **Rating** ■

Observation Since 2016, the authorisation screen does not appear for any of the PO that were raised through Mosaic System so any approval of POs cannot be evidence. The client states that this was approved by an individual at a higher level than the head of service but we were not provided with evidence to support this.

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Management comment

Authorisations do take place, with a compliant process in place, however the system doesn't hold an audit trail. This is actively being addressed with the suppliers.

The Process for authorisations is as follows:

- The worker sets up a Purchase Service within Mosaic
- The worker selects the authoriser from a prepopulated list of users within the Authorisations area. These users have different levels of authorisation based on their role within the system. Authorisation levels are controlled from within the Admin Tool.
- The authoriser can then approve or reject the purchase. Additionally, they can also send on the approval to a user with a higher authorisation role if necessary.

Once the purchase is approved, the original worker is notified and they can complete the purchase, generating a Purchase Order.

A system walk-through, demonstrating the authorisation process, will be offered in the course of the 18/19 Audit

Area Exit Packages **Rating** ■

Observation Our testing of Exit Packages identified an example where there was no formal termination agreement confirming the terms of redundancy. This increases the risk of breaches and potential litigations.

Management comment

Formal arrangements are in place. In cases of redundancy, in 2017/18 every exit package had to be approved by Personnel Committee under the Council's Constitution. They currently receive a retrospective report of all payments which have been made as part of the scrutiny process. The council is also required to issue formal written notice of redundancy which confirms the termination arrangements, and this is done without exception.

Assessment of Control Environment

Area Employee Recharging **Rating** ■

Observation Three issues have been noted regarding employee recharges. 1. Managers have double counted hours leading to more employees who have had their wage charged beyond 100%. 2. No year end review of the hours allocated or a meeting with the actual employee occurs at the end of the year so all hours are based on manager's projections. 3. There is an inconsistency in the methodology of employee recharges as some are based on hours while others are based on number of staff they managed.

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Management comment

All project managers are now required to keep time sheets for staff to evidence their work that they have done on the project.

There has also been a complete overhaul of the journal controls, which are effectively the Employee Recharging mechanism.

All such journals now require evidence, and only members of finance and certain members of the service can input and approve journals.

Controls and consistency of approach are therefore now in place

Area NNDR Appeals Provision **Rating** ■

Observation As part of the audit we were unable to obtain supporting evidence to conclude that the NNDR write offs are approved by authorised personnel.

Management comment

All write offs are now undertaken at the appropriate officer level (i.e. Head of Service), and signed documentation of approved write off kept on file. This is documented within Financial Regulations. We are however in the process of reviewing the levels of delegation within the regulations with the intention of allowing lower level write offs to be undertaken within the service by managers. The total value of write offs will be reported through the Corporate Debt Recovery Group and appropriate reports.

Assessment of Control Environment

Area	Council Tax Bad Debt Provision	Rating	■
------	--------------------------------	--------	---

Observation As part of the audit we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy of the data used in the Council Tax Bad Debt Provision calculation particularly the Academy Report from where the 31/3/18 Remittance and Refunds data were taken from. Accordingly, we are unable to conclude on the reasonableness of the provision. We will need to assess the impact on our audit opinion.

Page 141
Management comment The process for calculating the bad debt provision has now been reviewed to take account of previous performance. The previous method over-provided for bad debts.

Area	NNDR Appeals Provision	Rating	■
------	------------------------	--------	---

Observation The client contact was unable to provide the rationale behind the additional provision on top of the amount assessed by Analyse Local amounting to £5.67m. We will need to assess the impact on our audit opinion.

Management comment Noted, in context of it being a provision - ie an estimation which is re-assessed annually. The estimation appears to have been over-cautious and would not have materially affected the council finances given the recorded surplus and increased reserves.

The data will be reviewed in light of this finding, and the underlying reasons behind the over-estimation will be identified and eliminated, therefore ensuring that re-occurrence is avoided



Assessment of Control Environment

Area	NDR Impairment of Debt	Rating
Observation	We are unable to obtain evidence to conclude that the NDR write off is approved by authorised personnel.	
Page 142 Management comment	All write offs are now undertaken at the appropriate officer level (i.e. Head of Service), and signed documentation of approved write off kept on file. This is documented within the Financial Regulations. We are however in the process of reviewing the levels of delegation within the regs with the intention of allowing lower level write offs to be undertaken within the service by managers. The total value of write offs will be reported through the Corporate	



08 Data Analytics



Use of Data Analytics in the Audit

► Data analytics – revenue and expenditure recognition and payroll

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the authority's audit included testing [journal entries and employee expenses], to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



Data Analytics

Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2017/18. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.

EY Helix - GLASS: Journal Entry Data Insights -





Journal Entry Testing

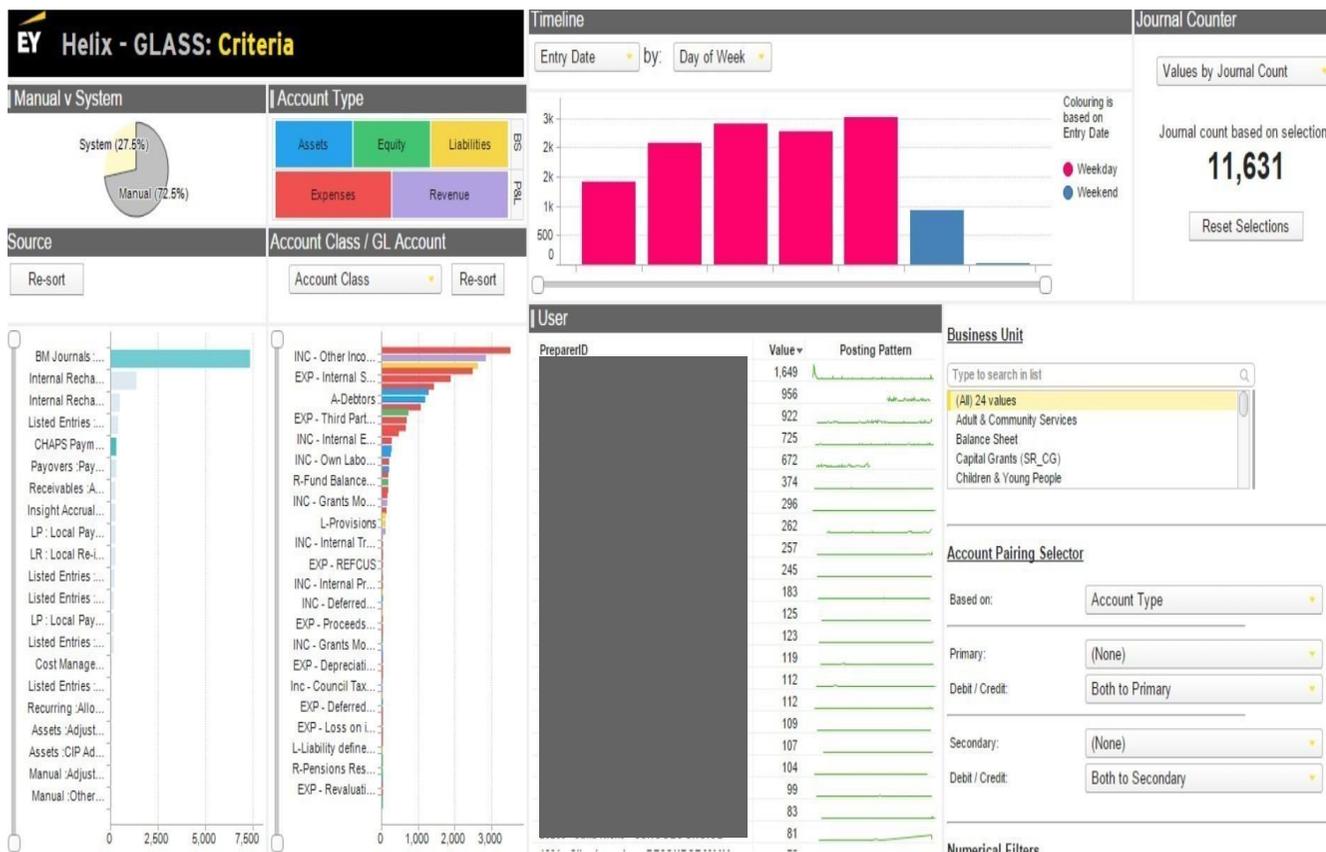
What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

Journal entry data criteria – 31 March 2018



What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



Data Analytics

Payroll Analyser Insights

The graphic outlined below summarises the payroll data for 2017/18. We review transactions for payroll at a more granular level, which allows us to identify items with a higher likelihood of containing material misstatements or to identify unusual patterns within a population of data and to design tests of details. This allows us to provide a more effective and risk focused audit on payroll, improving efficiency for both audit and the management as we reduce the need for evidence support for larger random sample.

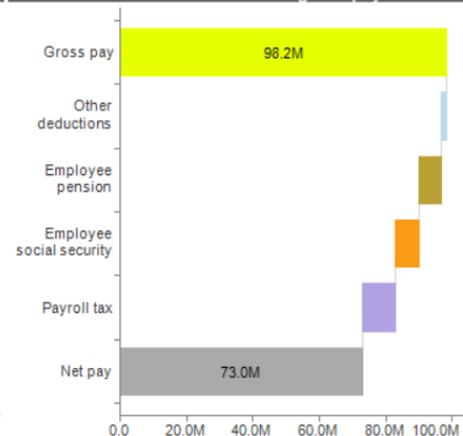
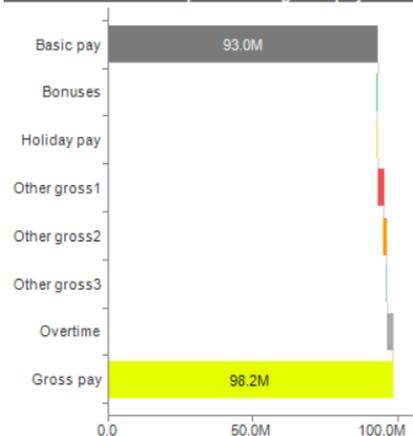
Payroll Analyzer

1. Payroll overview

Client name: Reading Borough Council
Year end: 31-Mar-2018

Project name: Reading Borough Council
Analysis date: 31-Mar-2018

1.0 What are the components of gross pay? | 1.1 What are the deductions from gross pay? | 1.2 What are the summary numbers behind wages & salaries? | 1.5 What is the staff turnover?



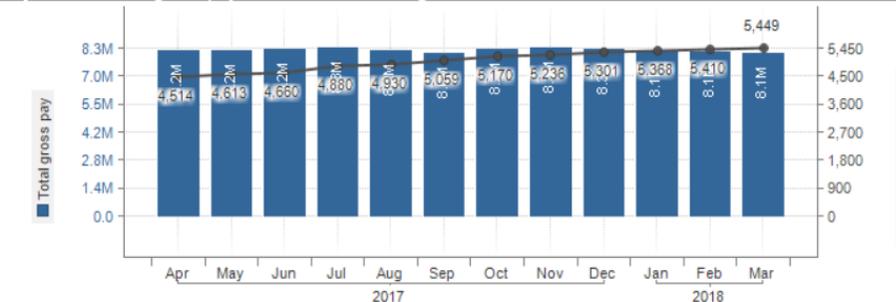
	Components	Amount	% of Gross
Total gross pay	Gross pay	98,229,200	100.0%
	Basic pay	93,015,248	94.7%
	Bonuses	0	0.0%
	Holiday pay	290,554	0.3%
	Other gross1	1,637,931	1.7%
	Other gross2	1,098,834	1.1%
	Other gross3	561,949	0.6%
	Overtime	1,624,685	1.7%
Net pay & deductions	Net pay	72,978,440	74.3%
	Other deductions	1,421,506	1.4%
	Employee pension	6,794,434	6.9%
	Employee social security	7,094,449	7.2%
	Payroll tax	9,940,372	10.1%
Employer contributions	Employer pension	18,291,952	18.6%
	Employer social security	8,676,285	8.8%



1.3 What does the data tell me?

	Gross	#/%
Staff turnover		15.25%
Employees not in master file	47.0k	39
Employees not in transactions	0.0	0
Payments after leave date	1.0M	646
Payments before join date	0.0	0
Largest gross payment	45.0k	
Average gross payment	1.6k	
Smallest gross payment	-7.8k	
Highest paid employee : Median employee		9.21

1.4 How does gross pay and headcount change over time?



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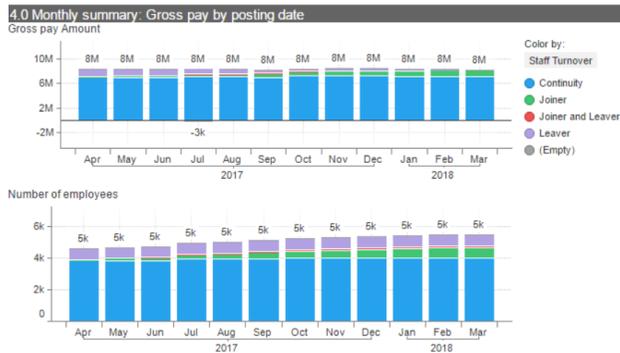
Payroll Testing

What judgements are we focused on?

Using our analysers we are able to identify anomalies in the payroll data which allow us to focus our testing and enquires over unusual or unexpected transactions.

Payroll Data – 31 March 2018

Select a variable from the drop down list below to view the analysis for different payroll transaction types. Select individual months in chart 4.0 to obtain transaction level data for the selected month, this will appear in 4.2 payment data dropdown.
Select variable: **Gross pay** Select frequency: **Monthly** Select color by: **Staff Turnover**



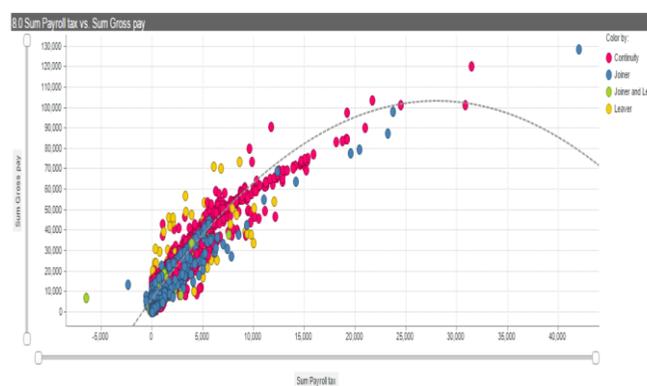
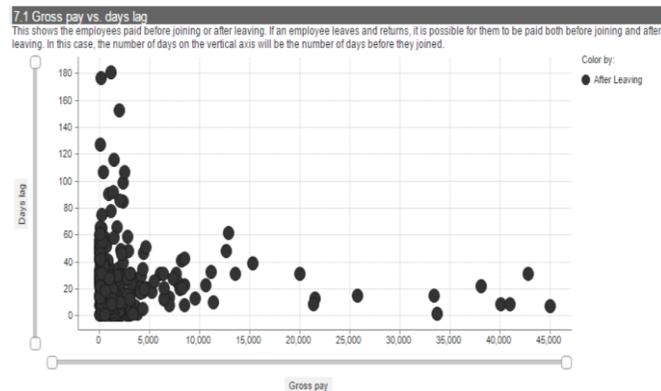
4.1 Monthly summary: Gross pay
Please select from bar or line graph in 4.0 to limit data shown.

Year	Month	Total Gross pay	Avg Per Transaction	Number of transactions	% of Gross Pay	Nil Payments / Total	Monthly % Change
2017	Apr	8,183,404.13	1,813	4,514	100.00%	12/4514	-0.33%
2017	May	8,156,577.75	1,768	4,613	100.00%	12/4613	0.80%
2017	Jun	8,221,985.50	1,764	4,660	100.00%	164/4660	0.97%
2017	Jul	8,301,994.58	1,701	4,880	100.00%	260/4880	-1.16%
2017	Aug	8,205,801.64	1,664	4,930	100.00%	498/4930	-2.14%
2017	Sep	8,030,264.89	1,587	5,059	100.00%	734/5059	2.49%
2017	Oct	8,229,847.72	1,592	5,170	100.00%	716/5170	1.11%
2017	Nov	8,321,008.41	1,589	5,236	100.00%	796/5236	-0.45%
2017	Dec	8,283,431.49	1,583	5,301	100.00%	841/5301	-1.88%
2018	Jan	8,128,097.38	1,514	5,368	100.00%	964/5368	-0.40%
2018	Feb	8,095,839.63	1,496	5,410	100.00%	1017/5410	-0.31%
2018	Mar	8,070,947.03	1,481	5,449	100.00%	1064/5449	0.00%
Grand total		98,229,200.15	1,621	60,590	100.00%	7206/60590	

What did we do?

We obtained payroll data for the period and have used our analysers to identify unusual payments based on expectations of average pay per designation, date inconsistencies where payments made to individuals after they have left the organisation or before they have joined and payments made in the year that appears anomalous compare to average monthly payments.

We then tested the anomalies to determine if they were appropriate and reasonable.



What are our conclusions?

We isolated a sub set of anomalies for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



09

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated January 2020.

We complied with the FRC Ethical Standards and (the requirements of the PSAA's Terms of Appointment). In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you **and your Audit & Governance Committee** consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit & Governance Committee meeting on 14 July 2020.

We confirm we have undertaken non-audit work outside the NAO Code requirements in relation to our work on Teacher's Pensions and Housing Capital Receipts. We have adopted the necessary safeguards in our completion of this work.

Independence



Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1st April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are set out in the following table. Further detail of all fees has been provided to the Audit & Governance Committee.

We confirm that none of the services listed in the following table have been provided on a contingent fee basis.

As at the date of this report, there are future services which have been contracted and a written proposal to provide non-audit services has been submitted. These non-audit services are in respect of Housing Capital Receipts, Teacher's Pensions and Housing Benefits for 2018/19 and also 2019/20.

Independence

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31st March 2018.

We confirm that we have undertaken non-audit work outside the NAO Code requirements. We undertook work on Housing Capital Receipts and Teacher's Pensions. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£	£	£	£
Total Audit Fee - Code work	TBC**	TBC**	108,938	708,938*
Housing Benefits	34,591	34,591	34,591	18,623
Non-audit work - Housing Capital Receipts	TBC***	6,500	N/A	6,000
Non-audit work - Teacher's Pensions	10,500	10,500	N/A	10,000
Total non-audit services	TBC***	51,591	34,591	34,623

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All figures are exclusive of VAT

* - Due to the extensive and pervasive issues identified during the 2016/17 audit certification was delayed by approximately 2 years and required significant additional audit input including significant specialist input. The 2016/17 accounts were qualified on a number of specific areas. An additional fee of £600,000 was incurred and this was approved by Public Sector Audit Appointments Ltd (PSAA) in January 2020 following review.

** - Given the significant issues identified in the 2016/17 audit, including qualification of the accounts, there will be additional fee on the 2017/18 audit. As the audit is still not complete we have not yet agreed this additional fee. Similar to 2016/17 the additional fee will be subject to approval by PSAA Ltd.

*** - Certification has not yet been completed due to some technical issues. We will provide an update when the claim is fully certified.



10 Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

▶ Page 154

Balance sheet category 	Audit Approach in current year 	Audit Approach in prior year 	Explanation for change 
Trade and other receivables	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change in approach
Trade and other payables	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change in approach
Tangible fixed assets	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change in approach

Appendix B

Summary of communications

Date 	Nature 	Summary 
July 2019 through to January 2020	Meetings	There were a number of meetings to discuss progress with the audit and planned timings for completion - these were updated as progress was made so that all parties were up to speed on the latest position.
January 2020	Report	The draft audit planning report, including confirmation of independence, was issued to the Audit Committee.
January 2020	Meeting	The Associate Partner and senior members of the audit team met with the Audit Committee and senior members of the management team to provide an update on the status of the audit and to discuss the draft audit planning report.
January 2020 through to July 2020	Meetings	There were a number of meetings to discuss progress with the audit and planned timings for completion - these were updated as progress was made so that all parties were up to speed on the latest position. This included senior officers including the Director of Finance and senior members of the audit team including the Associate Partner.
July 2020	Report	The draft audit results report, including confirmation of independence, was issued to the Audit Committee.
July 2020	Meeting	The Associate Partner and senior members of the audit team met with the Audit Committee and senior members of the management team to provide an update on the status of the audit and to discuss the draft audit results report.
July 2020 through to October 2020	Meetings	There were a number of meetings to discuss progress with the audit and planned timings for completion - these were updated as progress was made so that all parties were up to speed on the latest position. This included senior officers including the Executive Director of Resources and senior members of the audit team including the Associate Partner.
October 2020	Meeting	The Associate Partner and senior members of the audit team met with the Audit Committee and senior members of the management team to provide an update on the status of the audit and to discuss the draft audit results report.
October 2020	Meeting	The Associate Partner and senior members of the audit team met with the Audit Committee and senior members of the management team to provide an update on the status of the audit and to discuss the audit results report and specifically to discuss timelines for completion of the 2017/18 audit and the planned timescales for completion of 2018/19.

Appendix C

Required communications with the Audit & Governance Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the audit and governance committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report presented to the January 2020 Audit & Governance Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report presented to the January 2020 Audit & Governance Committee
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits 	Draft Audit results report presented to the July 2020 Audit & Governance Committee; and the October 2020 Audit & Governance Committee

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Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	We have identified Covid-19 as an event or condition and we will be completing a process of internal consultation to determine the impact on our audit opinion.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Draft Audit results report presented to the July 2020 Audit & Governance Committee and the October 2020 Audit & Governance Committee
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Draft Audit results report presented to the July 2020 Audit & Governance Committee and the October 2020 Audit & Governance Committee
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	Draft Audit results report presented to the July 2020 Audit & Governance Committee and the October 2020 Audit & Governance Committee

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	<p>Draft Audit results report presented to the July 2020 Audit & Governance Committee and the October 2020 Audit & Governance Committee</p>
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report and audit results report presented to the January 2020, July 2020 and October 2020 Audit & Governance Committee respectively.</p>

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management’s refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Draft Audit results report presented to the July 2020 Audit & Governance Committee and the October 2020 Audit & Governance Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Draft Audit results report presented to the July 2020 Audit & Governance Committee and the October 2020 Audit & Governance Committee



Appendix C

Our Reporting to you

Required communications	What is reported?	When and where
Group Audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team’s planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team’s evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor’s work ▶ Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	Audit planning report and draft audit results report presented to the January 2020, July and October 2020 Audit & Governance Committee respectively.
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Draft Audit results report presented to the April 2020 Audit & Governance Committee and the October 2020 Audit & Governance Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Draft Audit results report presented to the April 2020 Audit & Governance Committee and the October 2020 Audit & Governance Committee
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor’s report 	Draft Audit results report presented to the October 2020 Audit & Governance Committee.
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report and draft audit results report presented to the January 2020 and October 2020 Audit & Governance Committee respectively.
Certification work	<ul style="list-style-type: none"> ▶ Summary of certification work 	2017/18 Certification Report presented to the January 2019 Audit and Governance Committee.

Appendix D

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Statement of accounts	Incorporation of EY review comments on disclosure notes	EY and management
Cashflow	Conclusion of work on the Cashflow	EY and management
Management representation letter	Receipt of signed management representation letter	Management and audit & governance committee
Group Audit	Conclusion on the component team audit of Reading Transport Ltd	EY and BDO LLP
EY Technical Review	Conclusion and resolution of EY Technical Queries. 2 substantive points 1 of which is in respect of valuations and the differences between company accounts and the CIPFA Code of Practice. The other item is in respect of pensions and the treatment of RTL in the accounts of the Council	EY and management
EY Consultation	Internal consultation on Going Concern, Post Balance Sheet Events and audit opinion	EY and management
EY Final Review and Sign Off	EY final review and sign off required on the audit file by Associate Partner and quality reviewer.	EY

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Draft Management representation letter

Draft Management Rep Letter

[To be prepared on the entity's letterhead]
[Date]

Ernst & Young
FAO: Maria Grindley
Apex Plaza
Forbury Street
Reading
RG1 1YE

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Reading Borough Council ("the Group and Council") for the year ended 31 March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Reading Borough Council as of 31 March 2018 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 for the Group and Council.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 for the Group and Council.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 for the Group and Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. The unadjusted audited differences, attached in the accompanying schedule, and accumulated by you during the current audit are immaterial, both individually, and in aggregate, to the financial statements.



Appendix E

Draft Management representation letter

Management Rep Letter (cont.)

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Group or Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and council financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on 28 September 2020.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Draft Management representation letter

Management Rep Letter (cont.)

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. No guarantees have been given to third parties.

E. Subsequent Events

1. Other than those described in Note 1 to the consolidated and council financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

F. Group audits

1. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst Council, subsidiary undertakings and associated undertakings.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Going Concern

1. Accounting policy a) General Principles to the consolidated and council financial statements discloses all of the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the consolidated and council financial statements.

J. Reserves

1. We have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the asset valuations and net pension liability valuation and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Asset Valuation Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 for the Group and Council.
2. We confirm that the significant assumptions used in making the asset valuation estimates appropriately reflect our intent and ability to carry out planned uses of assets valued.

Draft Management representation letter

Management Rep Letter (cont.)

3. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 for the Group and Council.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events, including due to the COVID-19 pandemic.

M. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

Executive Director of Resources

Chair of the Audit Committee

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