

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

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20 January 2021

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NOTICE OF MEETING - AUDIT AND GOVERNANCE COMMITTEE 28 JANUARY 2021

A meeting of the Audit and Governance Committee will be held on Thursday, 28 January 2021 at 6.30 pm as an Online Meeting via Microsoft Teams. The Agenda for the meeting is set out below.

	<u>WARDS AFFECTED</u>	<u>Page No</u>
1. DECLARATIONS OF INTEREST		
2. MINUTES OF THE PREVIOUS MEETING HELD ON 12 OCTOBER 2020		5 - 10
3. QUESTIONS		
4. INTERNAL AUDIT QUARTERLY PROGRESS REPORT		11 - 74
	This report provides an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report.	
5. ANNUAL TREASURY MANAGEMENT REVIEW 2019/20	BOROUGH WIDE	75 - 86
	This report reviews the Treasury Management activity which took place from 1st April 2019 to 31st March 2020.	
6. TREASURY MANAGEMENT STRATEGY MID-YEAR REVIEW 2020/21	BOROUGH WIDE	87 - 100
	This report provides an update on the activity of the Treasury Management function during the first half of the year for the period 1st April 2020 to 30th September 2020.	

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7. INFORMATION GOVERNANCE QUARTERLY UPDATE	BOROUGH WIDE	101 - 106
This report outlines the actions in progress to improve the Council's policies, systems and processes for better Information Governance.		
8. DRAFT AUDIT PLANNING REPORT 2018/19	BOROUGH WIDE	107 - 154
The report provides members with a basis to review EY's proposed audit approach and scope for 2018/19. The Provisional Audit Plan summarises the initial assessment of an effective audit for the Council and outlines EY's planned audit strategy in response to those risks.		
9. INDEPENDENT REVIEW INTO THE OVERSIGHT OF LOCAL AUDIT AND THE TRANSPARENCY OF LOCAL AUTHORITY FINANCIAL REPORTING ("REDMOND REVIEW")	BOROUGH WIDE	155 - 166
This report seeks to provide the Audit and Governance Committee with a summary of the Redmond Review report, the recommendations made to the Government, along with the Government's response.		
10. CLOSING FINANCIAL ACCOUNTS UPDATE	BOROUGH WIDE	167 - 170
This report updates the Committee on progress with the completion of the Council's Final Accounts for 2018/19 and 2019/20.		
11. IMPLEMENTATION OF THE FINANCE IMPROVEMENT PROGRAMME - PROGRESS UPDATE	BOROUGH WIDE	171 - 176
This report provides an update on progress of the Programme workstreams and their deliverables against the Plan since the last meeting.		
12. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER	BOROUGH WIDE	177 - 206
This report sets out a summary of those high and medium risk Internal Audit recommendations which remain outstanding together with an updated management response.		
13. HOUSING BENEFIT & COUNCIL TAX SUPPORT SCHEME - RISK BASED VERIFICATION POLICY 2021/22	BOROUGH WIDE	207 - 210
This report proposes the continued use of the Council's Risk Based Verification process in 2021/22.		
14. EXCLUSION OF PRESS & PUBLIC		

The following motion will be moved by the Chairman (if necessary):

"That, pursuant to Section 100A of the Local Government Act 1972 (as amended) members of the press and public be excluded during consideration of the following items on the agenda, as it is likely that there would be disclosure of exempt information as defined in the relevant Paragraphs of Part 1 of Schedule 12A (as amended) of that Act"

- | | | | |
|------------|---|---------------------|------------------|
| 15. | HOUSING BENEFIT & COUNCIL TAX SUPPORT SCHEME - RISK BASED VERIFICATION POLICY 2021/22 - APPENDICES | BOROUGH WIDE | 211 - 218 |
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Agenda Item 2

AUDIT AND GOVERNANCE COMMITTEE MINUTES - 12 OCTOBER 2020

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

Apologies: Councillor Edwards;

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

9. MINUTES

The Minutes of the meeting of 14 July 2020 were confirmed as a correct record and would be signed by the Chairman.

10. CLOSING 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 almost complete and it was anticipated that they would be signed off by the end of October 2020. The update by Ernst and Young (EY), the Council's external auditors (see also Minute 11 below) provided further information on the residual steps required to enable the 2017/18 Accounts to be signed off. Additionally, the draft 2018/19 Accounts were complete and had been handed over to the Auditors in mid-February 2020. Preliminary pieces of work relating to the Audit of this set of Accounts had now commenced with the planning meeting having taken place on 28 September 2020. Finally, the Committee was advised that officers had also almost completed the 2019/20 accounts. At this stage, it was anticipated that the draft 2019/20 accounts would be completed and handed over to EY by the end of October 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 and that they be circulated to the Committee once they were finalised;
- (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;
- (3) That the progress being made in closing the 2019/20 Accounts, be noted;
- (4) That the Audit of the 2018/19 Accounts had commenced in September 2020, be noted.

11. EXTERNAL AUDITOR UPDATE

Maria Grindley and Adrian Balmer, EY, presented their draft Audit Results report, which summarised the preliminary conclusion in relation to the audit of Reading Borough Council for 2017/18.

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The Committee was advised that the previous audit year, 2016/17, was challenging for the Council, with EY's audit opinion being qualified in four areas, Debtors, Creditors, I&E and Pensions. The value for money conclusion had been an adverse report and statutory recommendations had been issued to the Council highlighting areas for improvement. The Council had implemented changes to address EY's recommendations in relation to processes, documentation and controls. However, the 2017/18 year was well underway as these changes were being implemented. Therefore, EY's report highlighted those matters where improvements were being made but were not yet embedded by 31 March 2018. It was anticipated that these improvements would be reflected in the 2018/19 financial statements. The Committee was also advised that EY had been unable to obtain assurance from the auditors of the Royal Berkshire Pension Fund for 2017/18 due to a timing issue between the closure of the Council's 2016/17 audit and the change in auditors at the Pension Fund. EY had made it clear in the report that the circumstances for lack of assurance were beyond the control of the Council in this instance.

It was 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. EY had not identified any significant deficiencies in the design or operation of an internal control that might result in a material mis-statement in the financial statements of which the Council was not aware. However, the audit did reveal some control 'risks' to be addressed in relation to: Payroll; MOSAIC; Exit Packages; Employee Recharging; NNDR Appeals Provision; Council Tax Bad Debt Provision; and NNDR Impairment of Debt, which had been drawn to the Council's attention.

During the general debate, the Committee discussed the position of Reading Transport Limited and the impact of the COVID-19 pandemic on the financial position of the Company, due to the likely reduction in passenger numbers that would have been experienced over recent months. The Committee requested a report to the next meeting on the financial implications of COVID 19 on Reading Buses.

It was reported that EY had substantially completed the audit of Reading Borough Council for the year ended 31 March 2018 and subject to concluding the outstanding matters listed in the report, EY confirmed that it expected to issue a qualified audit opinion on the financial statements.

Resolved:

- (1) That the draft Audit Results report, which provided a summary of the preliminary audit conclusion, be noted;
- (2) That the control 'risks' identified in relation to: Payroll; MOSAIC; Exit Packages; Employee Recharging; NNDR Appeals Provision; Council Tax Bad Debt Provision; and NNDR Impairment of Debt be noted and action taken to mitigate the risks be reported to the Committee to provide assurance that these areas of concern were being adequately addressed;

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- (3) That a report be submitted to the next meeting on 28 January 2021 on the financial implications of COVID 19 on Reading Buses to be considered in Part 2 of the agenda (closed session).

12. 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 July 2020. The report stated that a total of eight audit reviews had been completed in the period between July and September 2020, five of which had received a positive assurance opinion and three a negative assurance opinion.

The report set out a summary of the audit reports in respect of Local Transport Capital Funding; Bus Subsidy Specific Grant Determination; Rent Guarantee Scheme; External Stores; ESFA Grant; Intercompany Transfers; Staff Vehicle Documentation (Grey Fleet); and Government's Transparency Code.

In relation to Intercompany Transfers, the report 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. The Audit recommended that clear and regular reconciliations should be undertaken to ensure payments were processed on a timely basis and were complete and accurate. Mike Hirst, Chief Accountant, confirmed that RBC Officers and colleagues at BFFC had thoroughly reviewed the intercompany transfers and he was confident that the issues identified in the Audit had been successfully resolved.

In relation to Staff Vehicle Documentation, it was reported that the audit had flagged a number of areas of concern that needed to be resolved to ensure that the Council was adequately responding to and addressing the various potential risks in this area. Significantly, there was no up-to-date and agreed Grey Fleet policy in place and consequently this had created a lack of clarity and common understanding of roles and responsibilities. Failure to address the audit's concerns could have significant legal implications for senior officers and the Council corporately.

In relation to Government's Transparency Code, the audit highlighted that the Council was not complying with the publication and statutory requirements of the Transparency Code in all instances. There was a lack of clarity on individual responsibilities, with no overarching corporate oversight and a lack of guidance over the whole process. The process created additional work in replying to Freedom of Information (FOI) requests, which could otherwise have been averted by the publication of this information.

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 September 2020.

Resolved:

That the Internal Audit recommendations set out in the report be endorsed and in particular those that applied to Intercompany Transfers; Staff Vehicle

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Documentation (Grey Fleet); and Government's Transparency Code and the full reports on these three audits be circulated to the Committee for information.

13. DRAFT ANNUAL GOVERNANCE STATEMENT 2019/20

Mike Graham, Assistant Director of Legal & Democratic Services, submitted a report setting out the updated action plan for the 2019/20 Annual Governance Statement (AGS), which was attached to the report at Appendix 1. The Council was required to prepare and publish an AGS each year as an accompaniment to the authority's financial statements. The Council was responsible for ensuring that its financial management was adequate and effective and that it had a sound system of internal control, which facilitated the effective exercise of the Council's functions, including arrangements for the management of risk. The AGS was a record of the overall effectiveness of governance arrangements within the Authority; it reflected the latest guidance from CIPFA/SOLACE on a strategic approach to governance and demonstrated how the key governance requirements had been met.

Assistant Directors and Executive Directors had completed Annual Assurance Statements in respect of governance and internal control arrangements for their respective areas. The improvements to governance arrangements and internal control, which had been identified, were set out in the AGS and included measures to respond to the Covid-19 pandemic. Having undertaken this review, the Council was satisfied that suitable and appropriate governance arrangements were in place but identified further improvements that were set out in the conclusion of the AGS.

The Committee reflected on the content of its agendas and the predominance of audit-related items. It was agreed that the balance of business should be reviewed with the aim of including more items about the Council's governance arrangements at future meetings.

Resolved:

- (1) That the draft Annual Governance Statement for 2019/20 be approved for publication with the Council's accounts;
- (2) That the Chief Executive, in consultation with the Leader and Chair of the Audit & Governance Committee, be authorised to make any necessary amendments before final publication;
- (3) That the business of the Committee be reviewed with the intention of increasing the number governance-related items on future agendas.

(Councillor Davies declared a non-pecuniary in this item: Nature of interest Councillor Davies had received support from the Small Business Grant Fund).

14. STRATEGIC RISK REGISTER

Paul Harrington, Chief Auditor, submitted a schedule updating the Committee on the Q2 status of the Council's 2020/21 Strategic Risk Register (SRR), in line with the

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requirements of the Council's Risk Management Strategy. The SRR was attached to the report at Appendix 1.

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

The SRR highlighted fourteen risks, five of which were rated as 'red' as follows: 'The Council does not create and deliver a sustainable Medium-Term Financial Plan and/or achieve a balanced budget; Provider Failure & Market Sustainability Issues and Failure of major contract causes financial, service delivery, legal and H&S issues which directly impact the Council; Insufficient vision and strategy for sustainable economic development and resilience; BFFC - Failure of the new Children's Company to improve service levels and financial overspend; and Cyber-attack results in service disruption, data loss or damage, financial loss and/or reputational damage'.

Resolved: That the Council's Strategic Risk Register, as at September 2020, be noted.

15. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER

Further to Minute 6 of the meeting held on 14 July 2020, Jackie Yates, Executive Director of Resources, presented a report setting out, at Appendix 1, the Implementation of Audit Recommendations tracker report. An update on progress with the implementation of Internal Audit Recommendations in relation to Adult Social Care Financial Assessments (lines 97 & 98 of January 2020 tracker) were also included at Appendix 2, at the request of the Committee.

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 122 high and medium risk recommendations from Internal Audit, of which 50 (41%) were currently green, 48 (39%) were amber and 24 (20%) were red. Twenty-six recommendations had now been completed and would be removed from the next report.

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In relation to the Internal Audit Recommendations 15 & 16, Mike Graham, Assistant Director of Legal & Democratic Services, reported that he would be chairing the Information Governance Board, which would be overseeing the implementation of the action required. The Committee requested a progress report on the work of the Board to the next meeting.

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 15 and 16, which were aimed at improving the Council's information governance management arrangements, a report be submitted to the next meeting on 28 January 2021 on the Information Governance Board's work to develop an action plan to address the deficiencies in this area that had been identified.

16. FINANCE IMPROVEMENT PROGRAMME UPDATE

Further to Minute 4 of the meeting held on 14 July 2020, Chris Tidswell, CIPFA, presented a report providing an update on progress of the Finance Improvement Programme (FIP) against the plan for each workstream and their deliverables. The report explained that the FIP had two key phases: Phase I was responding to the historic and current issues identified to ensure a sound foundation and 'getting the basics' right. The second phase would concentrate on embedding Phase I delivery and developing the financial management culture and governance framework across the Council. The FIP was being led and overseen by the Finance Transformation Board chaired by the Executive Director of Resources. The Board received updates and reports ensuring appropriate challenge and stewardship and monitored progress of delivery against the Project Plan and signed off key deliverables across the six Phase I workstreams, as follows: Accounts payable; Accounts receivable; Chart of accounts; Reconciliations; Final accounts; and Finance system (general ledger and associated modules). The process was also coordinated to respond to the 'Audit Tracker' recommendations (see Minute 15 above). The report summarised the timescale for delivering the FIP and highlighted each workstream's terms of reference and progress against the improvement plan.

Resolved: That the progress being made to implement the Finance Improvement Programme be noted and the action being taken to achieve the 'deliverables' be endorsed.

(The meeting commenced at 6.30pm and closed at 8.26pm).

Agenda Item 4

EXECUTIVE DIRECTOR OF RESOURCES

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	28 January 2021		
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 October to the 31 December 2020.
- 1.2 The following documents are appended:

Appendix 1 - Internal Audit & Investigations Update Report
Appendix 2 - Purchase Cards Internal Audit Report
Appendix 3 - Community Infrastructure levy (15% Local Schemes) Internal Audit Report
Appendix 4 - Records Management Internal Audit Report

2. RECOMMENDATIONS

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

3. SUMMARY

3.1 Substantial Assurance Opinion Reviews

- 3.1.1 No reviews were assigned a substantial assurance opinion.

3.2 Reasonable Assurance Opinion Reviews

- 3.2.1 Whilst our audit of Licensing found governance and business processes to be working well, we did note that based on 2019/2020 performance it is unlikely that all licensed premises will be checked over a three-year period. we identified some areas that needed further improvement, but as these were considered to have a low or medium impact should those risks be realised a reasonable audit opinion could still be given.

3.2.2 An audit of Council Car Parks concluded that there were satisfactory controls in place for monitoring income collection (including electronic card payments). We would like to see regular, timely and a full reconciliation of income posted in Oracle Fusion

3.3 Limited Assurance Opinion Reviews

3.3.1 Our audit of Purchase Cards found adherence to policies and procedures were to be poor. We found controls not to have been followed, for example the cards were being shared or used by someone other than the card holder and purchase cards were not being returned when the card holder had left employment but continuing to be used by the service. These are basic controls which protect the Council and its employees against misuse and fraud.

3.3.2 A review of compliance of Records Management flagged several areas of concern that need appropriate consideration, decisions and implementation, to ensure that the Council is adequately responding to and addressing the risks in this area. The fundamental issue is a lack of an up-to-date, agreed records management and document retention policy, which clearly details roles and responsibilities, and incorporates the areas highlighted in ICO guidelines.

3.3.3 Following concerns raised by Members about the timely delivery of certain **Community Infrastructure Levy (CIL) - 15% Local Schemes**, the Deputy Director of Planning, Transport & Regulatory Services requested an audit of a sample of projects. The audit found an absence of a complete control framework being in place to facilitate the timely use of 15% Local CIL money, and as a result schemes were not being delivered on a timely basis. Broadly no single reason or obstacle was identified for the poor delivery of schemes, rather it is the conclusion that there was a combination of system weaknesses and factors that meant they were not achieved.

3.3.4 statutory requirements of the Transparency Code in all instances.

3.4 No Assurance Opinion Reviews

3.4.1 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

APPENDIX 1

1.0 OVERVIEW

1.1 Purpose & Scope of Report

- 1.1.1 This report provides the Audit & Governance Committee with an update on those audits completed and finalised in quarter 3 of the 2020/2021 financial year.

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	"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.

APPENDIX 1

2.0 HIGH LEVEL SUMMARY OF AUDIT FINDINGS			
		Recs	Assurance
2.1	Purchase Cards	0 12 3	Limited
2.1.1	<p>Purchase Cards operate in a similar way to credit cards and are used by selected staff to purchase supplies and services on behalf of the Council. The risks associated with using a purchase card should be relatively low and having purchase cards available for use as an alternative method of payment for certain types of transaction has proved convenient and cost effective. However, adherence to the visa purchasing card policies and procedures were found to be poor. Whilst this is not a criticism of the Finance staff who chase returns and do their very best to maintain some form of oversight, the business process is cumbersome and resource intensive. It's effectively a paper-based system replicated over email. The general conclusion from our audit was that processes would benefit from digitisation, which is possibly something the Bank could offer and to this end we recommended that procurement cards are added to the finance transformation workstream for review.</p>		
2.1.2	<p>There are 61 purchasing cards in use, with the financial value of usage approximately £230k in the 2019/2020 financial year. Whilst the overall value and number of transactions processed appears to be declining from a monthly average value of £27.5k in 2018 to a current monthly average spend of £13.9k, the average transaction spent has increased from £94.87 to £102.03. Although this doesn't seem excessive, over a 4-year period 25% of individual transactions were found to be over £500 in value.</p>		
2.1.3	<p>Purchase Cards are most suitable for high volume, low value transactions (e.g. less than £500) where the goods or services can be easily defined. The main benefit is that they reduce the traditional activities associated with the ordering process, in particular the number of invoices that need to be matched to the purchase order. However, testing identified expenditure through a purchase card, which should have been paid via a purchase order or through payroll, such as travel and subsistence.</p>		
2.1.4	<p>In some instances, we found controls not to have been followed, for example the cards were being shared or used by someone other than the card holder and we found two instances where purchase cards were not returned to Finance when the card holder had left employment, but were continuing to be used by the service. These are basic controls which protect the Council and its employees against misuse and fraud.</p>		
2.1.5	<p>As well as reviewing the work flow processes, we recommended a review and update of procedures. As well as the individual card holder business case, expenditure categories and card value limits for all cards.</p>		

APPENDIX 1

- 2.1.6 Although we are satisfied there are supporting controls in place which assist with the chasing of missing receipts and invoices from the card holder and budget holder, monitoring and reporting controls need to be introduced to detect and prevent late returns from happening in the first place, as on occasions receipts can take months to collect.
- 2.1.7 Corporate monitoring and reporting controls need to be introduced to ensure expenditure on the visa purchasing card is appropriate and is conducted in accordance with the Council's procurement policies and procedures, as it was evident that in some instances cards have been used to circumvent purchase orders and travel and subsistence through payroll.
- 2.1.8 Although there are satisfactory audit trails in place between the transactions recorded on Fusion and the supporting records held by Finance, reconciliation controls need to be introduced to ensure the claim totals, Fusion total and the bank statement are reconciled for the period.
- 2.1.9 The full report is attached at appendix 2

		Recs		Assurance
2.2	Records Management	2	3	3

- 2.2.1 Under the Data Protection Act 2018 and the General Data Protection Regulation (GDPR), personal information cannot be retained for longer than is necessary for the purposes that it is required. A Data Retention Policy should also be in place to detail how long information should be retained for and how to safely and securely dispose of information.
- 2.2.2 The purpose of the audit was to determine whether teams understood and were complying with the Council's document retention and disposal policies.
- 2.2.3 The audit flagged several areas of concern that need appropriate consideration, decisions and implementation, to ensure that the Council is adequately responding to and addressing the risks in this area. The fundamental issue is a lack of an up-to-date, agreed records management and document retention policy, which clearly details roles and responsibilities, and incorporates the areas highlighted in ICO guidelines. This will help ensure that the Council is meeting relevant statutory and legal requirements. Once agreed, there needs to be a means for the policy to be rolled out and widely understood across the Council, to ensure common understanding and consistency. Appropriate training and support is also required to support the policy and ensure that it is fully embedded.
- 2.2.4 There also needs to be clear links between Information Governance, Modern Records and individuals across the Council responsible for records management on a day-to-day basis, in addition to a centralised register of all records held.

APPENDIX 1

2.2.5 Risks relating to records need to be clearly documented and Data Protection Impact Assessments updated to reflect changes in ways of working. Services also need to be aware of and action their responsibility to review records at the end of the retention period and either retain or dispose, as appropriate.

2.2.6 The full internal audit report is attached in appendix 4.

		Recs		Assurance
2.3	Car Parks (Off Street)	0	3	0

2.3.1 The purpose of this audit was to review the operational controls and processes with regards to income collection (including electronic card payments).

2.3.2 The tariff setting approval process is well documented and transparent. A description of the objectives that have driven the tariff setting process are recorded within the Car Park Tariff Review reports, that are presented annually to the Traffic Management Sub-Committee and it was possible to see that this had been the case across multiple years. However, we did recommend that working papers or analysis that support proposals, are in future retained to support tariff setting proposals.

2.3.3 The Finance Business Partner has demonstrated that the Council is able to adequately report and account for the use of transport related income for the support of transport related activity.

2.3.4 We found reconciliations to be incomplete in that they do not include a regular, timely and full reconciliation of income posted in Oracle Fusion. Income collected via car parks (off street) is paid to RBC electronically whether it is in the form of cash collected by the security provider and transferred electronically or income collected via season tickets, Credit Call, Simple Pay or credit cards. It was noted in reviewing the reconciliation documents that they did not record the income received and recorded within Oracle.

2.3.5 The reconciliation document as it is constituted shows the detection of variances between the reports generated by machines collecting income within car parks to the reports provided by the security company that has been contracted to make collections from machines on behalf of the Council. It is further noted that the documents do not show the timeliness of its completion nor the identification of the preparer and reviewer of the document.

2.3.6 We do acknowledge that Finance have commenced work on a reconciliations template that could be utilised for reconciliations with respect to car parks (off street) income. Internal Audit would encourage the Service manager to work with Finance colleagues in the development of the reconciliation process in order to ensure that the approach implemented is consistent and rigorous.

APPENDIX 1

		Recs	Assurance
2.4	Licensing	0 3 9	Reasonable

- 2.4.1 Licensing generated around £750k of gross income during 2019-20 from licensing fees, with both premises and private hire being the biggest areas of income. There are 3358 licences recorded on FLARE, the Council's system for managing licences, made up of 1219 driver licenses, 1245 premises licenses and 894 vehicle licenses.
- 2.4.2 Generally, governance and business processes are appropriate and, in most cases, working well. However, we identified some areas that needed further improvement, but as these were considered to have a low or medium impact should those risks be realised a reasonable audit opinion could still be given.
- 2.4.3 The Council has fulfilled its legal responsibility in having a considered and ratified Licensing Policy Statement in place, having previously undergone a public consultation. The effective period is clearly detailed as October 2018 until October 2023.
- 2.4.4 Fees and charges were found to have been agreed annually, but whilst legislation allows for some discretion to apply exemptions and reductions, there was nothing explaining the reductions that have been applied.
- 2.4.5 A comprehensive Criminal Convictions Policy is also in operation and evidence of application was found during the audit review.
- 2.4.6 Generally, supporting documentation was found to be well evidenced for premises, driver and vehicle applications, as it was for the processing and recording of enforcement action. The FLARE system is the licence register and is utilised to manage and evidence the application and enforcement processes, although it is cumbersome to obtain information from it, as the user must access several search screens relating to the same licence / licence holder.
- 2.4.7 It is the service's intention to inspect all licenced premises over a three-year cyclical basis. However, with only 17% of premises checked during 2019-20, this is unlikely to be achieved. 64% of the premise licences sampled were non-compliant, 23% of vehicles inspected had issues recorded and 12% of public hire drivers received penalty points.
- 2.4.8 The importance of licensing enforcement action should not be disregarded; indeed, the results may indicate more resource may be required for the Council to have confidence that it is compliant with the four licensing objectives.
- 2.4.9 There was a lack of cohesion in the monitoring and the evidencing of hearings and appeals. The spreadsheet used for the monitoring and the evidencing of hearings

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was found to be incomplete and missing key dates, although the information could be located in documents and information found in individual folders on the shared drive and some within the FLARE system. We recommended that this element be reviewed to establish a more cohesive approach.

		Recs		Assurance
2.5	CIL - 15% Local Schemes	1	4	2

- 2.5.1 The Community Infrastructure Levy (CIL) is a levy that local authorities can choose to charge on new developments in their area. The money received from the levy can be used to support and manage the impacts of development by funding infrastructure that the Council, local community and neighbourhoods want - for example road improvement schemes, open space improvements or new schools. Reading Borough Council's Community Infrastructure Levy Charging Schedule came into effect on 1 April 2015.¹ The CIL protocol setting out how CIL receipts are to be used was approved at the July 2018 Policy Committee and in November 2018 Policy Committee agreed the formal allocation of 15% Local CIL to a number of projects following a public consultation.
- 2.5.2 This audit was not originally scheduled as part of the 2020/21 Audit Plan but was specifically requested by the Deputy Director of Planning, Transport & Regulatory Services following concerns raised by Members about the timely delivery of certain 15% Local CIL projects.
- 2.5.3 It is important that there is visible and timely use of 15% Local CIL money as this demonstrates accurate and prudent use of developer levy income for the express benefit of the local community and neighbourhoods. The audit revealed an incomplete control framework and that as a result schemes were not being delivered on a timely basis. Broadly no single reason or obstacle was identified for the poor delivery of schemes, rather it is the conclusion that there was a combination of system weaknesses and factors that meant they were not achieved.
- 2.5.4 In response to concerns raised by Members, action has been latterly taken by management to introduce a range of different measures to address these weaknesses, and these in conjunction with the supplementary controls recommended in this report, should help to tighten controls and improve the effective delivery of 15% Local CIL schemes in future.
- 2.5.5 There are a number of procedures on the main website relating to the Community Infrastructure Levy, although only one refers to the use of the 15% element for use on local schemes. Some of these procedures date from 2015 and whilst obviously a technical assessment of these could not be made, they could benefit

¹ [RBC CIL advice to applicants](#)

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from being reviewed more regularly in future and updated as necessary, including reference to the 15% aspect.

- 2.5.6 The audit revealed variable levels of awareness of the roles and responsibilities of staff in delivering 15% funded schemes. This is likely to be due in part to a similar lack of documented procedures setting these out, which is important because there should be total transparency and accountability over the timely use of developers' contributions generally and of the 15% schemes more specifically. In particular there should be transparency over the progress of 15% local schemes and moreover that officers should be accountable for the delivery of these within agreed timescales.
- 2.5.7 Despite the shortcomings referred to above, action has been taken to address some of these and various measures have been recently introduced by the Executive Director of DEGNS. Chief amongst these has been the introduction of both a Member focused and an officer working group. The value and benefit of both has been seen in the governance over, and full delivery of, some of the overdue schemes, addressing some of the obstacles blocking progress, as well as generating some momentum towards progressing others. One of the main reasons for this has been the contribution of both the Infrastructure Monitoring Officer and the Assistant Director of Environmental & Commercial Services in particular, together with the contribution of others, including the Assistant Director of Legal & Democratic Services. However more work needs to be done in developing awareness and the contribution of assigned officers as well services that provide support functions, chiefly Legal and Finance.
- 2.5.8 Given the stagnant status of some of the schemes, considerable officer (and Member) time has been necessary to achieve this improvement in delivery and so the challenge will be to ensure this becomes accepted and standard practice for officers, so that there will be no repetition, especially once the degree of recent intervention is inevitably scaled back. To this end, it is crucial that all parties are aware of and deliver against their assigned roles and responsibilities. In the event of any reasonable problems arising that hinder the delivery of schemes, then this must be raised to the appropriate relevant senior manager(s). Any failure to do so should be considered as part of the Council's performance management process.
- 2.5.9 The internal audit report is attached in appendix 3

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Audit reviews scheduled for 2020/2021

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Contract Management	X				Jan-20	Feb-20	Oct-20	0	4	0	Limited
Car Parks (off street)	X				May-20	Dec-20	Jan-21	0	3	0	Reasonable
Investment Properties	X				Jun-20						
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	Dec-20	Jan-21	2	3	3	Limited
Transparency Code Compliance	X				Jun-20	Aug-20	Oct-20	0	4	1	Limited
Additional Payments		X			Sep-20	Dec-20		0	5	1	Reasonable
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
Licensing		X			Jun-20	Sep-20	Dec-20	0	3	9	Reasonable
Stores Contract		X			May-20	Jul-20	Aug-20	0	4	1	Reasonable
Feeder system interface and reconciliation*		X			Jan-21						
Budgetary Control		X			Sep-20						
MOSAIC payment controls (Finance Module)		X			Nov-20						
PCN**			X		Nov-20	Dec-20	Jan-21	1	3	2	Limited
CIL 15% local projects**			X		Oct-20	Nov-20	Dec-20	1	4	2	Limited

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Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Housing Revenue Account			X								
Accounts Payable*			X		Feb-21						
Purchasing cards			X		Aug-20	Oct-20		0	12	3	Limited
Collection Fund			X								
Payroll (inc HR/Itrent processes)			X		Nov-20						
Adults Short Stay Placements & Respite Care			X		Oct-20						These audits have been deferred to 2021/2022 due to COVID-19 and associated workloads of service
Out of area contracts (placements)			X								
Contract Management (Adults)			X		Dec-20						
Sundry Debtors			X								
General Ledger				X	Jan-21						
Corporate Governance Review			X		Jan-21						

* Delayed or possibly delayed due to Finance Transformation project

** Added to plan following specific request

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3.0 INVESTIGATIONS (APRIL - DECEMBER 2020)

3.1 Small Business Grant Fund - Spotlight Checks

- 3.1.1 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.
- 3.1.2 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.
- 3.1.3 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.

3.2 Grant Funding Schemes Assurance work

- 3.2.1 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).
- 3.2.2 The investigations team began sample checks in Nov 2020, to provide post-payment assurance on risk of error and/or fraud and over payment. To date 277 cases have been reviewed, with two cases subject to further investigation. Two false claims were investigated and both files have been sent to our criminal lawyers to advise on potential fraud charges.
- 3.2.3 One further claim was investigated, which turned out to be simply a scam. The claim appeared to originate from a genuine Company requesting grant relief, however following checks it was established that it was in fact bogus and from someone impersonating the Company. No grant monies were paid.
- 3.2.4 To date the 2285 separate grants have been awarded at a value of £28,494,300.

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3.3 Council Tax Support Investigations

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

3.4 Single Person Discount

4.3.1 Combined Council tax savings for 2020/2021 stands at £25,000. Work on SPD data matching has been commissioned to start in January 2021.

3.5 Housing Tenancy Investigations

3.5.1 Since 1st April 2020 officers have commenced investigation into a number of referrals of tenancy fraud. There are 26 cases still ongoing. And a further 3 cases are listed with the County courts awaiting hearing. Six properties have been returned to stock to date. Five 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.

3.5.2 The notional saving is £558,000, adopting the notional savings multiplier used by the Cabinet Office in its National Fraud Initiative report.

3.6 Social Care Fraud & Investigations

5.6.2 There is one ongoing direct payment investigation which commenced in August, linked to potential money laundering offences.

5.6.3 We have worked with the financial recovery team to recover income owned to the Council. We were able to trace funds to a bank account held by an individual who owes the Council in excess of £34,000. The file is with the legal recovery team to apply for these funds to be released to cover this debt.

5.6.4 The team have also been working with Brighter Future for Children on two complex investigations. Both are now with BFFC and await legal updates.

3.7 Disabled Persons Parking Badges (Blue Badges)

3.7.1 Since April 2020 work on civil enforcement was suspended. We currently have a total of 12 cases with Legal awaiting charging decisions. There are currently 5 cases awaiting further investigation and decision. In November 2020 two cases of Blue Badge fraud were heard by Reading Magistrates, both defendants pleaded guilty to the offences. A total notional saving of £675.00 was recorded on each case.

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Purchase Cards Internal Audit Report

Internal Audit Report

PURCHASE CARDS

To: Jackie Yates, Executive Director Resources
Peter Robinson, Interim Head of Finance
Annette Trigg, Chief Accountant
Jenny Bruce, Financial Systems Manager

From: Robert Dunford, Senior Auditor

Date: 17/12/20



Limited
Assurance

EXECUTIVE SUMMARY

1. BACKGROUND

- 1.1 Procedure rules have been produced by Corporate Finance, to ensure that all Purchase Card Users understand the rules and regulations governing the use of Purchase Cards. Purchase Cards operate in a similar way to credit cards and are used by selected staff to purchase supplies and services on behalf of the Council.
- 1.2 Purchase Cards are most suitable for high volume, low value transactions (e.g. less than £500) where the goods or services can be easily defined. In the case of many low value items, the cost of the purchase, requisitioning, obtaining quotes, issuing purchase orders and processing invoices outweighs the value of the items purchased. The main benefit of Purchase Cards is that they reduce the traditional activities associated with the ordering process, the number of invoices that need to be matched to the purchase order.
- 1.3 At the time of the audit there were 61 purchasing cards in use with just over £230,000 being spent in 2019/2020.

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2. OBJECTIVES & SCOPE OF THE AUDIT

- 2.1 The main objective of the audit was to review the following key controls:
- i. Policies and procedures govern the procurement of goods and services, which both the budget holder and card holder acknowledge responsibility for.
 - ii. The allocation of purchasing cards is authorised by the appropriate budget holder and there are controls to limit expenditure and categories of spend are set prior to the card being issued.
 - iii. Monitoring of purchasing cards expenditure is undertaken and supporting receipts are retained.
 - iv. There is a full audit trail to support all expenditure
 - v. Card holders complete their returns accurately and promptly
 - vi. Purchasing cards are not used if there are corporate contract arrangements already in place
 - vii. Payments made using purchasing cards do not include payments that should be paid through payroll, most notably for travel and subsistence claims.
 - viii. There is corporate oversight of supplier spend for commercial purposes
- 2.2 This audit (and report) was undertaken in accordance with the Public Sector Internal Audit Standards ([PSIAS](#)).

3. CONCLUSIONS

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- 3.1 The risks associated with using a purchase card should be relatively low and having purchase cards available for use as an alternative method of payment for certain types of transaction has proved convenient and cost effective. The most significant issues relating to purchasing cards is user compliance with the Council's procedures, but there is also a need to review business processes to ensure they are fit for purpose.
- 3.2 Adherence to the visa purchasing card policies and procedures is poor and whilst this is not a criticism of the Finance staff who chase returns and do their very best to maintain some form of oversight, the business process is cumbersome and resource intensive as this remains in principle a paper-based system. The general conclusion from the audit is that processes would benefit from digitisation, which is possibly something the Bank could offer and to this end it is advised that procurement cards are added to the finance transformation workstream.
- 3.3 Whilst the overall value and number of transactions processed appears to be declining from a monthly average value of £27,541.76 in 2018 to a current monthly average spend of £13,887, the average transaction spent has increased from £94.87 to £102.03. Although this doesn't seem excessive, over a 4-year period 25% of individual transactions were found to be over £500 in value.
- 3.4 Purchase Cards are most suitable for high volume, low value transactions (e.g. less than £500) where the goods or services can be easily defined. In the case of many low value items, the cost of the purchase, requisitioning, obtaining quotes, issuing purchase orders and processing invoices outweighs the value of the items purchased. The main benefit of Purchase Cards is that they reduce the traditional activities associated with the ordering process, in particular the number of invoices that need to be matched to the purchase order. However, testing identified expenditure which should have been paid via a purchase order or through payroll, such as travel and subsistence.
- 3.5 In some instances, we found controls not to have been followed, for example the cards were being shared or used by someone other than the card holder and purchase cards were not being returned when the card holder had left employment but continuing to be used by the service.
- 3.6 The visa purchasing card rules and governance framework should be reviewed annually to ensure these are fit for purpose in maintaining operational compliance should be published to ensure the most up to date version is

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available. Although sub-routine procedures have been developed for those staff with emergency planning responsibilities, we need to ensure there is no procedural disparity where staff have dual service and emergency planning responsibilities.

- 3.7 The business case, expenditure categories and card value limits for all cards should be reviewed periodically together with the line reports to ensure the allocation, authorisations of cards are appropriate. Bank system reports should be used to confirm the completeness and accuracy of these requirements and as the basis for confirming the completeness of governance documentation in the event legal action is required. Comparable to the local purchase order system, this needs to consider structural and managerial changes together with the employment statuses of staff.
- 3.8 Although we are satisfied there are supporting controls in place which assist with the chasing of missing receipts and invoices from the card holder and budget holder, monitoring and reporting controls need to be introduced to detect and prevent this from happening in the first place.
- 3.9 Corporate monitoring and reporting controls need to be introduced to ensure expenditure on the visa purchasing card is appropriate and is conducted in accordance with the Councils procurement policies and procedures, as it was evident that cards have been used to circumnavigate purchase orders and travel and subsistence through payroll.
- 3.10 Although there are satisfactory audit trails in place between the transactions recorded on Fusion and their supporting records held by Finance, reconciliation controls need to be introduced to ensure the claim totals, Fusion total and the bank statement are reconciled for the period.
- 3.11 A total of 15 recommendations have been made in respect of this review, of which none are now considered high priority following discussions with both finance and audit management. We agree that the recommendation priorities should be kept under review, so these are implemented in context and unison with Finance's other deliverables.

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
PROCEDURES					
<i>RISK: Governance arrangements are insufficient to ensure sound financial management through occurrence of different practices of use.</i>					
1	<p>Although it is our opinion VPC Rules provide a good compliance framework, these should be reviewed periodically to ensure these are fit for purpose and published for generally information for all staff.</p> <p>We would advise the responsibilities for this could be placed under the joint jurisdiction of the AD for Contracts & Procurement and the AD of Finance.</p>	Priority 3	<p>Agreed. The current procedures are in the process of being reviewed and the updated procedures and responsibilities will be shared with all card holders and their managers. This will be completed by Finance in consultation with Contracts and Procurement.</p>	Exchequer Manager/ Chief Accountant in consultation with Procurement	31 st March 2021
Page 31	<p>In conjunction with recommendation 1, the VPC Rules should be reviewed to ensure there are no contradictory instructions, and that clear guidance is provided concerning the use of the card for travel i.e. third party claims only, and staff travel should be prevented and recuperated via expenses system.</p>	Priority 3	<p>Agreed. There will be some exceptions for staff travel payments due to the cost e.g. air fares. Any travel costs charged to a card should be subject to prior approval from their budget manager. The list responsibilities included in the VPC documentation will include clear guidance regarding staff travel for card holders and managers authorising the returns.</p>	Chief Accountant	31 st March 2021
3	<p>An exercise should be carried out to ensure all the appropriate agreements are held and that these are relevant to the current service i.e. an agreement is held for all new budget holders with existing VPC in the service.</p> <p>In conjunction with recommendation 4, a periodic exception report should be produced to monitor the completeness of these records.</p>	Priority 2	<p>Agreed. A review of all current card holders and the associated agreements held is currently in progress. As part of a planned update to remind card holders and their managers authorising the payments of their responsibilities, any missing agreements or agreements which need to be reviewed will also be sent out for authorisation.</p>	Chief Accountant	26 th February 2021

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Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
BUSINESS CASE & CONTROL OF CIRCULATION					
RISK:					
4	<p>In conjunction with recommendation 3, an up to date list officers should be maintained to validate both approval of the business case and authorisations of expenditure.</p> <p>We also recommend that a statement of satisfaction should added to the authorisation template confirming that they are satisfied that all the necessary checks have been undertaken.</p>	Priority 2	<p>Agreed. The list of all card holders and the authorising managers will be reviewed on a six-monthly basis in addition to updating the list throughout the year as we are advised of changes.</p> <p>Agreed. The authorisation template changes to confirm the necessary checks have been undertaken will be added to the revised documents that are sent out with the update's guidance and procedures.</p>	Exchequer Manager / Chief Accountant	26 th February 2021
Page 32 5	<p>In conjunction with recommendations 3 & 4, there should be an annual/periodic revision of the business case and merchant categories for the cards in circulation to ensure these remain appropriate and relevant to service needs.</p> <p>Special consideration needs to be given to those cards which are used in interaction with the requirements from Emergency Planning.</p>	Priority 2	<p>Agreed. This recommendation will be covered by the review of all current card holders and the card categories they have/need. This will be completed in conjunction with budget managers approving the card transactions. Staff with Emergency Planning responsibilities will also be considered.</p> <p>The review of the business case and categories will be completed annually subject to other service priorities and staff availability.</p> <p>Due to the nature of this work and the requirement to work across departments this work will take time, this has been reflected in the target completion date.</p>	Exchequer Manager / Chief Accountant/ Department Budget Managers	31 st March 2021
6	Bank confirmations on the set up of spend limits and expenditure categories should be placed on file to substantiate the applications of those authorised.	Priority 2	Agreed. The credit card system holds information regarding the spend limit and expenditure categories. An electronic copy of these details will be stored alongside the card holder's agreement document in electronic folders.	Exchequer Manager	31 st March 2021

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Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
MONITORING & ACCOUNTING					
<i>RISK: There are insufficient controls to highlight inappropriate use of the VPC which could expose the Council to the risk of financial loss.</i>					
7	Procedures should be established to highlight the cancellation requirements of VPC due to staff leaving or changing role. This should coincide with the usage monitoring controls to identify those cards which are not being used because the cardholder has left the employ of the Council.	Priority 2	Agreed. The review of procedures and responsibilities will highlight the cancellation requirements of VPC. Usage monitoring controls will be completed as part of the monthly process and any staff who have not used their card in the last six months will be contacted to ensure that they still need a card. The cardholder's manager will also be contacted to confirm the card is required.	Exchequer Manager	31 st March 2021
Page 33	<p>Corporate monitoring systems should be established to highlight VPC Holder and Budget Holder areas of non-compliance. An exception report should be produced on a periodic basis for management for continuous improvement purposes. This should include highlighting for management attention:</p> <ul style="list-style-type: none"> • Claims which have not been authorised at all or inappropriately. • Expenditure which has occurred after the cardholder has left the employ of the Council. • Material expenditure which isn't supported by a VAT compliant receipt or invoice. • Material expenditure which exceeds the general-purpose value of £500 in accordance with the VPC policy. • Any extraordinary expenditure which could give rise to concern i.e. of public interest or HMRC taxation risks. 	Priority 2	<p>Agreed. A quarterly report will be provided to management to highlight any instances included in the categories listed in the recommendation and will include a note of action taken.</p> <p>The staff resource to support this work going forward needs to be considered to that all essential work and other priority work is not affected.</p>	Exchequer Manager/Chief Accountant	31 st March 2021

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Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
USAGE					
<i>RISK: VPCs are being used in some instances to circum-navigate the established ordering controls to regulate and account for expenditure.</i>					
9	A reconciliation between the Fusion system total, the claim total and the Lloyds bank statement should be carried out on a regular basis. This reconciliation should be appropriately substantiated and certified.	Priority 2	<p>Agreed. A monthly reconciliation will be carried out by the Accountancy team which reconciles the Fusion system to the bank statement balance, and this will be certified by the Technical Accountant Lead or the Chief Accountant.</p> <p>The journals completed to allocate the transactions to service codes from the control account will also be checked and authorised by the Accountancy Team.</p>	Technical Accountant/ Chief Accountant	26 th February 2021
10	In conjunction with recommendation 8, the VPC should be monitored to ensure it is not being used to circum-navigate the local purchase order policy and procedures. Areas of concern should be raised with the card holder and budget holder.	Priority 2	<p>It is the intention of Procurement & Contracts to commission an external tail-spend analysis across the Council, which would include Purchase Card spend data, to determine any possibility for better spend management controls, specifically (in conjunction with recommendation 10) to address where should or could otherwise be routed through a corporate contract or more cost-effective arrangement. This is dependent on funding for the analysis work.</p>	AD of Procurement & Contracts	31 st March 2021
11	<p>In conjunction with recommendation 8, the VPC expenditure categories and respective providers should be monitored to ensure purchases are not being made outside an existing corporate contract, or to ascertaining if there would be a benefit to developing a contract.</p> <p>Prevention controls should be applied to re-enforce the protocols of use in the VPC Rules. Appropriate consideration should be given to the different uses by the general services and those purchased for emergency planning.</p>	Priority 2	<p>It is the intention of Procurement & Contracts to commission an external tail-spend analysis across the Council, which would include Purchase Card spend data, to determine whether spend should or could otherwise be routed through a corporate contract or more cost-effective arrangement. Such analysis and work will be shared with Finance to determine if refinement of Purchase Card controls and/or policy is required. This is dependent on funding for the analysis work.</p>	AD of Procurement & Contracts	31 st March 2021

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Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
AUDIT TRAILS TO SUPPORTING DOCUMENTS & AUTHORISATIONS					
<i>RISK:</i>					
12	Receipts and invoices should be obtained and attached for all purchases as proof of purchase to substantiate the charge on the bank statement and to support the correct recovery of VAT.	Priority 2	Agreed. All card holders and authorising budget managers will be reminded of the importance of ensuring that all transactions are supported with appropriate evidence. This will be included in the guidance sent out to remind card holders and managers of their responsibilities and the deadlines.	Exchequer Manager/Chief Accountant	31 st March 2021
13	Because of the failure to ensure all emails are retained, we strongly recommend that the claim form is physically certified by the VPC card holder and VPC approver. In conjunction with recommendation 5, the VPC Administrator should ensure the claim is certified by the correct officer.	Priority 2	Agreed regarding certification of documents being retained. As part of reviewing the VPC process we intend to change the current process so that all documents and authorisation is submitted via the Firm step system which includes all documentation for the claim and workflow for the authorisation of claims. This will avoid the need for a physical certification of the documents and a copy of the workflow authorisation will be retained with the card transaction documentation. Agreed the VPC administrator will check that the claims have been appropriately certified.	Exchequer Manager)	31 st March 2021
14	The Council should review the operational platform for managing and accounting for VPC expenditure e.g. an integrated management system that manages the authorisations, records and payments in conjunction with existing/future accounts payable and contract requirements.	Priority 2	Agreed. Consideration will be given to this recommendation as part of the implementation of a new finance system, however it is important to note that this area may be a lower priority when considering finance systems functionality compared with other essential system requirements. The process changes and agreed actions included in this report will result in improved processes and will reduce the financial risks for this area of expenditure.	Chief Accountant	December 2021
15	Whilst supporting a person's identification rights, for clarity purposes where possible we recommend the VPC holders name on the card and the payroll should be the same.	Priority 3	Agreed. In the set-up documentation we will request that the card is set up as the same name as on the payroll record. We will also seek legal advice regarding the name of the card holder should there be any instances where legal action is required.	Exchequer Manager	31 st March 2021

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4. FINDINGS

4.1 PROCEDURES

- 4.1.1 Procedure Rules for the Visa Purchase Card (VPC) have not been reviewed since 2015, and it should be noted that unless requested the rules are not issued to card holders. Neither are they published for general reference i.e. for new and temporary managers with VPC responsibilities (See Rec 1).
- 4.1.2 Although the VPC Rule 13.9 prohibits the reimbursement of staff travel and expenses in accordance with the Council's Expense policy and procedure in order to comply with HMRC requirements², the rule is undermined by permitting senior managers to overrule this, which has led to confusion and the potential HMRC taxation penalties. The travel and subsistence merchant category should only be used to pay third parties (See Rec 2).
- 4.1.3 Sub-routine procedures have been produced by Emergency Planning for those staff with existing VPC responsibilities who help with the immediate acquisition of goods and services during times of emergency with the suspension/removal of the expenditure restrictions imposed by the general rules.
- 4.1.4 VPC users are required to formally certify their compliance with both these rules and Lloyds terms and conditions of use. A sample examination of 5 VPC holders records found that although a signed copy of the card holders' agreement is held, a copy of the budget holder's agreement could only be found for 3 out 5 cards. We note that the confirmation of responsibilities is only obtained for the instigating manager and are not refreshed for incoming or change of management (See Rec 3).

4.2 BUSINESS CASE & CONTROL OF CIRCULATION

- 4.2.1 Although Finance do not hold a list of approved budget holders to clarify the proper authorisations of new cards, they are required to hold a scanned copy of the business case which has been authorised by the Head of Service (Assistant Director). As part of the certification procedure, the application form requires the approver to print their name and position, prior to the validation and authorisation of the Head of Finance (Chief Accountant).

² HMRC Requirements: Expenses & Benefits – Travel & Subsistence. "As an employer paying your employees' travel costs, you have certain tax, National Insurance and reporting obligations. This includes costs for: providing travel, reimbursing travel, accommodation (if your employee needs to stay away overnight), meals and other 'subsistence' while travelling. Public Transport: As an employer covering your employees' public transport costs, you have certain tax, National Insurance and reporting obligations. Public transport costs include: season tickets provided for employees season ticket costs reimbursed to employees: loans made to employees to buy season tickets: contributions to subsidised or free public bus transport."

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- 4.2.2 We note, the approval form still excludes any statement confirming all approving parties approve the application, and that the necessary checks have been carried and that they agree a VPC is appropriate (See Rec 4).
- 4.2.3 Applicants are required to substantiate the business case in order to obtain a VPC alongside the necessary merchant categories and expenditure limits as part of approval process. We are satisfied that the application form requires the positive activation of automatically barred merchant categories. We note:
- a) There is no annual revision of the business case or the merchant categories for the cards in circulation. Finance do not hold a record of the end date of each card as this is administered by Lloyds (See Rec 5).
 - b) Revisions to merchant categories and expenditure limits are progressed via email which are held on file by Finance, but we were unable to find confirmations from the bank confirming these had been applied (See Rec 6).
- 4.2.4 The procedures and systems for ensuring the timely cancellation and recovery of VPC held by staff leaving the Council's employment need to be strengthened (See Rec 7). We found: -
- a) The Lloyds bank statement records the use of two cards by departments³ after the named person had left the employment of the Council contrary to VPC Rule 2.2.1⁴. These cards have since been cancelled and we are satisfied that the expenditure was appropriate to the service and had been authorised by the Budget Holder.
 - b) Even though the payroll system records the respective leaver date for those staff members working their notice period, Finance remain reliant upon the Budget Holder to notify them the VPC requires cancelling. Testing identified a further two⁵ VPCs that had remained active after the named users had left the employment of the Council. We are satisfied that these cards had not been used after the staff had left and have since been cancelled on the system.
 - c) We found two incidents where the name on the card were different to those people due to a change in name and the use name by which they wished to be known (See Rec 15).

³ Legal Services & Town Hall

⁴ VPC Rule 2.2.1 "d) Ensuring the card is only used by the named card holder. On no account should the card be used by other persons other than named card holder and details should not be shared, lent or disclosed to parties other than those with whom you are conducting a transaction with."

⁵ Sheltered Housing & Registrar's Office

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4.3 MONITORING & ACCOUNTING

- 4.3.1 Although the VPC Rules provide satisfactory provision to monitor usage at corporate and budget holder level, in practice this is only carried out by the budget holder when VPC submissions are submitted for authorisation (See Rec 8): -
- a) VPC Rule 6.1.3 stipulates "the Principal Budget Holder is responsible for enforcing the VPC procedures and monitoring the cardholder's expenditure and use of their VPC".
 - b) The Accounts Payable and VPC Administrator are corporately responsible for the monthly monitoring VPC usage under VPC Rules 7.1.2 and 13.15. The VPC Administrator confirmed that other than confirming the accuracy of the claim against the supporting documentations, there is no proactive corporate monitoring⁶ (see 4.4.2). As an example, the Accounts Payable Manager highlighted VAT compliance remains an on-going risk that is difficult to quantify.
- 4.3.2 No reconciliation is carried out between the VPC claims and the journals processed on Fusion against the Lloyds bank statement report to confirm the completeness of records. We noted there is a £1,600.80 credit variance between the total sum of payments of £872,048.50 and the sum of VPC transactions totalling £870,447.70 for the period 16/7/2017 to 16/6/20, which requires investigation as to the reason (See Rec 9).
-

4.4 USAGE

- 4.4.1 There are strong indicators that the VPC is being used to circumnavigate the use of a local purchase orders. A 4-year trend analysis (table 1) shows the usage of the VPC has declined, however we would highlight that although 98% of expenditure transactions are below the VPC expected usage value of £500⁷, we noted 9%⁸ of transactions account for 25%⁹ of the total sum, which is due to several exceptionally high valued payments, the highest being £8,373.00 (See Rec 10).

⁶ The VPC Administrator highlighted the Council is dependent upon the limited monitoring reports produced by Lloyds.

⁷ VPC Rule 3.1- "Purchase Cards are most suitable for high volume, low value transactions (e.g. less than £500) where the goods or services can be easily defined. In the case of many low value items, the cost of the purchase, requisitioning, obtaining quotes, issuing purchase orders and processing invoices outweighs the value of the items purchased. The main benefit of Purchase Cards is that they reduce the traditional activities associated with the ordering process, in particular the number of invoices that need to be matched to the purchase order."

⁸ Transactions above £500: 56 (<£1,000) +162 (<£500) =218/9,107 transactions x 100 =2.39%

⁹ Transaction value £113,768.29 (<£1,000) + £108,760.74 (<£500) =£222,529.08/£870,447.70 x 100 =25.5%

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Calendar Year	Total Spent (Statement)	Average Spent Per Month	No. of Transactions	Average Transaction Value
2017	£ 160,702.35	£ 17,855.82	1,694	£94.87
2018	£ 330,501.13	£ 27,541.76	3,428	£96.41
2019	£ 254,255.72	£ 21,187.98	2,760	£92.12
2020	£ 124,988.50	£ 13,887.61	1,225	£102.03
Total:	£ 870,447.70	£ 18,134.33	9,107	£95.58

- 56 transactions totalling £113,768.29 that exceed £1,000 (average value £2,031.57). This range of expenditure accounts for 13% of the sum for the 4-year period
 - 162 transactions totalling £108,760.74 between £500 and £1,000 (average value £671.36). This range of expenditure accounts for 12% of the sum for the 4-year period.
 - 3,717 transactions totalling £51,281.68 (average value £13.80) were below the £30¹⁰ purchase order consideration threshold. This range of expenditure accounts for only 6% of the sum for the 4-year period, which raises the concern that 94% of VPC expenditure should have been raised via purchase order.
- 4.4.2 There is no monitoring or analysis of expenditure categories or types of expenditure to ensure the VPC is being appropriately controlled and used; covering appropriateness to service needs, commercial, contractual and payment methodologies. For example, although groceries and goods purchased from supermarkets account for 26% of merchant category expenditure, our analysis found there are several purchase areas which should have been made through either a purchase order or expenses. The reasons for which should be investigated and where appropriate mitigated by Contracts & Procurement. Please note that transaction types were evaluated over a 4-year period and are summarised as follows (See Recs 8, 10 & 11): -
- a) Hotels: There were 281 transactions totalling £82,294.21. A sample examination found these had been purchased by a wide range services which may include staff involved with Emergency Planning. Emergency Planning explained that it is planned to develop contracts with the hotels they use. An examination of the total cost found Travelodge accounted for 37% of transactions which had been commissioned by Housing Needs, Rents, Homes for Reading, Resources and Internal Audit. Sample locality checks of two out-of-borough hotels found that both had been purchased by Housing Needs.

¹⁰ VPC Rule 4.1 - "You should use your Visa Purchase Card when the value of the order is below £30."

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- b) Flights & Holidays: There were 25 transactions totalling £12,372.03, 8 of which totalling £7,149.56 relate to holidays. An examination of the holiday purchases found these had been purchased by either the Joint Legal Team, Deputies Office, Events & Engagement Team or Children's Services (pre BFFC). A sample test of 4 holiday purchases found 3 had been purchased by Children's Services and 1 had been purchased by the Deputies Office to assist a client, for which we confirm the Council was reimbursed for.
 - c) Food: There were 27 transactions totalling £2,219.82 £2,206.37 and included both eat in and takeaway eateries. Our analysis found a wide range of reasons from corporate entertainment (55% of cost) to minor ad hoc purchases of coffee by staff.
 - d) Travel: There were 236 transactions totalling £9,731.09. Sample enquiries found 73% of costs related to GWR train tickets purchased by staff for business travel, which should have been reimbursed via the payroll in accordance with the Council's expenses policy. A further 17% were incurred with Reading Buses.
 - e) Digital Marketing: There were 326 transactions totalling £52,2353.97. These costs were incurred with Arts & Leisure, Revenues & Benefits and Corporate ICT with Facebook, Google Ads and Mailchimp reportedly due to the providers own invoicing restrictions.
 - f) Government Agencies: 18 payments totalling £18,557.00 were made by a previous Revenue & Benefits Manager during 2017 and 2018 to the HM Courts & Tribunal Service, but this has now ceased. It should be noted the HMCT accounted for the highest payments on the VPC, the highest being £8,373.00 made on the 4/6/2018. The VPC was also used by Children's Services to make high valued payments to Ofsted Internet and the UK Boarder Agency during the same period.
 - g) Local Convenience Store: 185 transactions during the 4-year period totalling £18,295.96 had been spent at a local convenience store by Housing to top up newly installed gas meters.
-

4.5 AUDIT TRAILS TO SUPPORTING DOCUMENTS & AUTHORISATIONS

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- 4.5.1 We found there are good audit trail protocols in place between the records of VPC payments of Fusion and their supporting documentations. VPC expenditure is identified on Fusion through the referencing the journal name and description, and the VPC card holders name and date of the transaction is recorded on the 'line description' field on Fusion as reference to Finance's corresponding server file which holds copies of the bank statement, signed claim form, receipts/invoices and emails. As a common observation, we noted:
-
- a. There are regular emails held on the server file informing VPC holders that their bank statements are not available.
 - b. Although the supplier details for the VPC transaction cannot be recorded in the "supplier" field on Fusion, as a work around this information is added to the 'line description' in order the supplier can be identified.
 - c. Although not quantified, we note the copies of the bank statement, the claim form and supporting receipts and invoices are not always held on file (See Rec 12).
 - d. There are method inconsistencies in the way claim forms are authorised i.e. some claim forms are physically certified by the VPC holder and the budget holder prior to forwarding by email, whilst others are simply forwarded by email uncertified by the VPC approver (See Rec 13).
- 4.5.2 There is no feedback to senior management on the number of claims that have been returned or queried due to lack of supporting documentations or authorisation. We acknowledge the high-volume transactions makes this currently difficult, but we would highlight managerial support to improve card holder behaviour would be more beneficial than rejection as both the VPC Administrator and approvers review is retrospective. This is of increased concern especially because of the high number of valued payments which would otherwise be paid via a local purchase order (See Rec 8).
- 4.5.3 Sample testing confirmed the substantiation of the authorisations and legitimacy of VPC expenditure is poor. Supporting documentations are not stored under a single repository which is due to the legacy filing system for the period and the fact that some documents are retained by the Deputies Office to support their financial records. Although not quantified, we noted regular email reminders from the VPC administrator requesting receipts and invoices are held on file (See Rec 14).
- 4.5.4 A summary of our findings are as follows: -

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Sample selected on basis of public interest and/or HMRC benefit in kind risk

- a) Sample locality checks of two hotels found that both had been purchased by Housing Needs during 2018/19. Although we were able to find the supporting documentation for the Hillingdon Prince claim in April 2018, we were unable to find the supporting documentation for the Jury Inn Manchester payment incurred in November 2018. We are satisfied that the April claim had been appropriately authorised and the costs related to a Housing Needs client.
- b) A sample test of 4 holiday payments found the supporting documentation for the Deputies Office had been retained by them to support the financial transaction for their client whom they had assisted. Of the 3 other holidays, supporting documents could only be found for 1 holiday, which had been authorised by the children's Service Solution Panel in July 2018. The remaining 2 payments were also instigated by Children's Services during 2017 and 2018.
- c) We were unable to find any supporting documentations for either the restaurant or coffee shop purchases test sampled.

Sample selected on basis of high value

- a) ICT equipment totalling £2,495.00 was purchased outside of Northgate contract on the 9/4/2020 by Transport. Although the purchase was supported by an invoice the claim had been self-authorised.
- b) PPE equipment totalling £2,415.11 was purchased by the Chief Auditor on behalf of the Emergency Operations Centre on the 8/4/2020. Although the claim was not physically authorised, satisfactorily a copy of the approval email from the Assistant Director for HR and Organisational Development is held on file. We noted that although a copy of the provider's order is held on file, a copy of the invoice is not held on file.
- c) 1,000 litre water containers totalling £2,334.00 were purchased by the Safer Community Unit on the 26/5/2020. A copy of the invoice and authorised claim is satisfactorily held on file.
- d) 4 property meter recharge cards with EDF and Scottish & Southern Energy totalling £80.00 were purchased from Niki Stores by Housing Property Services on the 26/6/20. Although the claim was not physically authorised, a copy of the email was approval email from the Projects Team Leader together with copies of the receipt for each property. Although immaterial, no receipt was provided for the additional £1 paid and claimed on the VPC.

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- e) 10 GWR payments totalling £541.00 were submitted on a monthly claim by the Joint Legal Team for October 2019. We are satisfied the receipts are held to support the claim and that an approved copy of the claim is held but these payments should have been claimed via the payroll.

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Internal Audit Report - 15% CIL schemes

Internal Audit Report - 15% local CIL schemes

To: Frances Martin, Executive Director, DEGNS
Giorgio Framalicco, Deputy Director, DEGNS
Andy Edwards, Assistant Director of Environmental & Commercial Services



From: Kevin Parker, Principal Auditor

Limited Assurance

Date: 7 December 2020

EXECUTIVE SUMMARY

1. BACKGROUND

- 1.1 The Community Infrastructure Levy is a levy that local authorities can choose to charge on new developments in their area. The money received from the levy can be used to support and manage the impacts of development by funding infrastructure that the Council, local community and neighbourhoods want - for example road improvement schemes, open space improvements or new schools. Reading Borough Council's Community Infrastructure Levy (CIL) Charging Schedule came into effect on 1 April 2015.¹¹ The CIL protocol setting out how CIL receipts are to be used was approved at the July 2018 Policy Committee and in November 2018 Policy Committee agreed the formal allocation of 15% Local CIL to a number of projects following a public consultation.
- 1.2 This audit was not originally scheduled as part of the 2020/21 Audit Plan but was specifically requested by the Deputy Director of Planning, Transport & Regulatory Services following concerns raised by Members about the timely delivery of certain 15% Local CIL schemes.

¹¹ [RBC CIL advice to applicants](#)

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2. OBJECTIVES & SCOPE OF THE AUDIT

- 2.1 The audit primarily focussed on those projects listed in the Policy Committee Report of 26 November 2018 to determine why these projects weren't delivered. In order to inform this exercise, the audit evaluated the systems, records and controls in place and to verify:
- RBC's CIL scheme is up to date, in line with best practice and is visible via the website
 - Roles and responsibilities for the delivery, monitoring, management and reporting of CIL funded schemes are clearly documented, understood and adhered to
 - That there is a robust process in place for the recording and reconciliation of obligations and expenditure
 - That there is an appropriate and coherent governance structure in place to monitor the delivery of CIL funded schemes
 - Where there is slippage in the delivery of a CIL funded scheme, then the reasons for this are identified, appropriately justified, reported and agreed.
- 2.2 This audit did not review how CIL contributions are calculated or collected.
- 2.3 This audit (and report) was undertaken in accordance with the Public Sector Internal Audit Standards ([PSIAS](#)).

3. CONCLUSIONS

- 3.1 It is important that there is visible and timely use of 15% Local CIL money as this demonstrates accurate and prudent use of developer levy income for the express benefit of the local community and neighbourhoods. In respect of Reading Borough Council (RBC) it is plain that there was an absence of a complete control framework being in place to facilitate this, and as a result schemes were not being delivered on a timely basis. Broadly no single reason or obstacle was identified for the poor delivery of schemes, rather it is the conclusion that there was a combination of system weaknesses and factors that meant they were not achieved.
- 3.2 In response to concerns raised by Members, action has been latterly taken by management to introduce a range of different measures to address these weaknesses, and these in conjunction with the supplementary controls recommended in this report, should help to tighten controls and improve the effective delivery of 15% Local CIL schemes in future. It is important that all responsible officers fully understand their responsibilities to help achieve this.

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- 3.3 There are a number of procedures on the main website relating to the Community Infrastructure Levy, although only one refers to the use of 15% element for use on local schemes. Some of these procedures date from 2015 and whilst obviously a technical assessment of these could not be made, they could benefit from being reviewed more regularly in future and updated as necessary, including reference to the 15% aspect.
- 3.4 Through discussion with managers assigned to delivering the 15% CIL schemes, it was evident there was an uneven awareness of the roles and responsibilities among staff, especially in terms of delivering 15% funded schemes. This is likely to be due in part to a similar lack of documented procedures setting these out, which is important because there should be total transparency and accountability over the timely use of developers' contributions generally and of the 15% schemes more specifically. In particular there should be transparency over the progress of 15% local schemes and moreover that officers should be accountable for the delivery of these within agreed timescales.
- 3.5 However, while the uneven awareness about the roles and responsibilities is in part attributable to a lack of documented procedures, the Deputy Director of DEGNS has advised that there was a clear ask for responsible officers to take ownership of projects shortly after the Policy Committee's decision to award funding to certain projects in November 2018. Some of those projects were implemented without documented procedures being in place, while others have not been advanced despite regular requests to deliver. The Deputy Director has commented that officers responsible for those areas could have sought clarity, engaged with Planning colleagues and Members on their projects and so a degree of personal responsibility needs to be accepted.
- 3.6 Despite the shortcomings referred to above, action has been taken to address some of these and various measures have been recently introduced by the Executive Director of DEGNS. Chief amongst these has been the introduction of both a Member focused and an officer working group. The value and benefit of both has been seen in the governance over, and full delivery of, some of the overdue schemes, addressing some of the obstacles blocking progress, as well as generating some momentum towards progressing others. Chief amongst these has been the contribution of both the Infrastructure Monitoring Officer and the Assistant Director of Environmental & Commercial Services in particular, together with the contribution of others, including the Assistant Director of Legal & Democratic Services. However more work needs to be done in developing awareness and the contribution of assigned officers as well services that provide support functions, chiefly Legal and Finance.

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- 3.7 Given the stagnant status of some of the schemes, considerable officer (and Member) time has been necessary to achieve this improvement in delivery and so the challenge will be to ensure this becomes accepted and standard practice for officers, so that there will be no repetition, especially once the degree of recent intervention is inevitably scaled back. To this end, it is crucial that all parties are aware of and deliver against their assigned roles and responsibilities. In the event of any reasonable problems arising that hinder the delivery of schemes, then this must be raised to the appropriate relevant senior manager(s). Any failure to do so should be considered as part of the Council's performance management process.
- 3.8 A total of 7 recommendations have been made in respect of this review, of which one is considered high priority. The recommendations and corresponding management action plan are set out below.

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Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
POLICIES & PROCEDURES					
<p>a) <i>RISK: unless policies and procedures are periodically reviewed and be up to date, there is a risk that these may not reflect local or national standards</i></p> <p>b) <i>RISK: if RBC staff involved in the implementation and delivery of 15% Local CIL schemes do</i></p>					
1	<p>It is recommended that policies and procedures governing CIL, including the 15% aspect, are periodically reviewed and updated to ensure these reflect both the latest local and legislative requirements and that these are updated on the website.</p>	Priority 2	Agreed.	Planning Policy Manager / CIL Officer	End of March 2021
2	<p>The discrete roles and responsibilities of Planning staff and other staff responsible for the delivery of 15% Local CIL schemes need to be reviewed, understood and adopted by all parties. It is recommended that these are reviewed, documented, approved and then adopted. These should include reference to the work of other services used in the delivery of such schemes, i.e. Legal Services. In particular these should concisely address and include responsibility for:</p> <ul style="list-style-type: none"> • roles and activities of the different services and officers involved • the early capture and recording of the purpose and cost of schemes • the coordination and monitoring of schemes • the timely delivery and reporting of schemes. <p>These guidelines should also define the role(s) of each project officer in respect of their responsibilities for 15% CIL schemes and their commitment to work with and to respond to other officers' enquiries as necessary.</p> <p>Once documented, these roles and responsibilities should be agreed and authorised as appropriate by the CIL Working Group(s) and then copied to 15% CIL scheme managers</p>	Priority 1	<p>Agreed that a formal process as described would have provided governance and oversight to the projects. Noted that some of the projects have been implemented without the need for detailed governance and that it is disappointing that in some areas responsible officers did not feel that they had sufficient clarity over the task to bring forward the project in a timely way.</p>	<p>Planning Policy Manager / CIL Officer/ Support from relevant project management team.</p> <p>To be agreed and authorised as appropriate by the CIL Working Group</p>	End of March 2021

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Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
GOVERNANCE					
<i>RISK: Without clear terms of reference there is a risk the focus and purpose(s) of the distinct 15% CIL review forums could be confused and so not achieved, as intended.</i>					
3	It is recommended that simple, clear terms of reference are established for both the Officer and Member 15% Working groups and that these are periodically reviewed and updated, if necessary. In particular the terms should specify the purpose and frequency of meetings and composition of membership.	Priority 3	Agreed	AD of Environment al & Commercial Services / Deputy Director of Planning, Transport & Regulatory Services	March 2021
Page 50	In order to ensure that the required outcomes are clearly defined at the earliest stage possible, it is recommended that a simple Project Initiation Document (PID) is completed and agreed for each 15% CIL scheme and a copy held by the Infrastructure Monitoring Officer. This should include the following suggested details and inform the regular monitoring by the respective officer / Member working groups: a) The purpose for each scheme or project and a brief narrative or overview b) Details of the Member approval process c) Details of assigned responsible officer(s) and their roles d) Budget and scope of the scheme (details of what is to be achieved) e) Any potential risks or obstacles f) Start / finish target dates g) Any reporting milestones.	Priority 2	Agreed	CIL Officer	PID to be used for remaining outstanding projects (complete by end of Feb 2021) and for new projects.

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Ref	Recommendation	Rec	Management Action Plan				
			Management Response	Responsible Officer(s)	Target Date		
GOVERNANCE							
<i>RISK: Without clear terms of reference there is a risk the focus and purpose(s) of the distinct 15% CIL review forums could be confused and so not achieved, as intended.</i>							
5	It is recommended that a record of notification of each assigned officer is retained and that additionally it is recommended that the Service Manager of the assigned responsible officer (see recommendation 4c above) is also notified so that they can / should monitor delivery of the scheme(s).	Priority 3	Agreed	CIL Officer	to be used for remaining outstanding projects (complete by end of Feb 2021) and for new projects.		
ACCOUNTING AND ACCOUNTABILITY OF 15% CIL INCOME AND EXPENDITURE AND PROJECT ACTIVITY							
6	Issues around accurate financial reporting and the Infrastructure Monitoring Officer having the necessary reporting or access to Oracle Fusion need to be resolved, in order to be able to provide required financial accountability and reporting of 15% local area CIL funded schemes. It is recommended this is followed up with the support of the Assistant Director of Environmental & Commercial Services.	Priority 2	Agreed	Assistant Director of Environmental & Commercial Services	31.3.2021		
7	It is explicitly recommended that in the Infrastructure Monitoring Officer experiences either poor or no assistance from the managers of the 15% CIL schemes that this should be reported to the Planning Manager and /or Deputy Director of Planning, Transport & Regulatory Services for their intervention, support and follow up.	Priority 2	Agreed. To be referred to in the roles and responsibilities referred to under action 2	Planning Policy Manager / CIL Officer/ Support from relevant project management team.	31.12.20		

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4. FINDINGS

4.1 RBC'S CIL SCHEME IS UP TO DATE, IN LINE WITH BEST PRACTICE AND IS VISIBLE VIA THE WEBSITE

- 4.1.1 There are various documents and policies relating to the CIL and S106 schemes on the Council's website under the Planning page.¹² In particular under the Help with planning area, there is specific reference to the Community Infrastructure Levy Charging Schedule, as well as a detailed procedure to applicants and RBC's current CIL rate summary together with the 'CIL Regulation 123 List'. The latter however is the only one to refer to the 15% element.
- 4.1.2 Given the technical and legislative nature of much of this documentation, it was not possible to assess whether the content and / or detail was necessarily up to date in terms of being reflective of legislative requirements, but as a general comment it was clearly set out and straightforward to locate.
- 4.1.3 Notwithstanding the above, it was noted that on the Planning page of the RBC website that:
- a) the CIL Charging Schedule is dated January 2015; and
 - b) The CIL Guidance for Applicants and Developers is dated February 2015.
- (REC. 1)

4.2 ROLES AND RESPONSIBILITIES FOR THE DELIVERY, MONITORING, MANAGEMENT AND REPORTING OF CIL FUNDED SCHEMES ARE CLEARLY DOCUMENTED, UNDERSTOOD AND ADHERED TO

- 4.2.1 The principal weakness identified around the use and delivery of the 15% local area CIL funded schemes is around roles and responsibilities. Through interviews with managers and staff responsible for delivering CIL funded projects, it was apparent that there is no consistency in their understanding of the roles and responsibilities of the different parties involved, and in particular around the planning and delivery of schemes. This main reason for this is the absence of a documented framework that sets out these discrete roles and responsibilities.
- 4.2.2 Managers specifically commented that as well as not being fully clear (or having received any instruction or training) about roles and responsibilities in respect of this, they were uncertain about balancing and prioritising of these 15% local area CIL schemes against delivery of their core work requirements or functions. (REC 2)

¹² <https://www.reading.gov.uk/planning/help-with-planning/>

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- 4.2.3 One of the main concerns identified by CIL scheme delivery managers, was a frustration about not having an early input at the initial decision and allocation determination stage(s). In particular, to contribute suggestions as to timings and also as to whether potential schemes could be run in parallel or adjacent to planned mainstream work(s), as this could have potential savings advantages and / or reduction in disruptions of service to users or the public. (REC. 2 & 4)
 - 4.2.4 In the case of one of the largest of the 15% CIL schemes, the assigned project managers had limited detailed knowledge or understanding of the required outcomes, because they had recently taken over responsibility for its delivery with minimal apparent briefing. This is important as it is understood that its delivery involves an application for planning permission, as well as close working partnership with the NHS as well as a community partner. (REC. 4)
-

4.3 THERE IS A ROBUST PROCESS IN PLACE FOR THE RECORDING AND RECONCILIATION OF OBLIGATIONS AND EXPENDITURE

- 4.3.1 The Infrastructure Monitoring Officer provides a key control function in the day to day record keeping administration and accountability over 15% CIL schemes (as well as for S106 income and expenditure). To this end the Infrastructure Monitoring Officer maintains a key spreadsheet that documents progress and financial activity of schemes.
 - 4.3.2 To be able to maintain control and accountability the Infrastructure Monitoring Officer has sometimes been frustrated about the engagement of other officers to respond to his requests for updates and information, in order that full and complete records can be maintained. (REC. 2 & 7)
 - 4.3.3 Another obstacle to the Infrastructure Monitoring Officer being able to provide a complete, up to date and consolidated record of activity, has been a problem in getting consistent financial information from or access to Oracle Fusion codes that would allow him to account for and identify all related income and expenditure. This was previously also the situation for S106 schemes, although access to the specific range of codes was eventually enabled. In respect of the 15% CIL schemes however, this is not the case and has been an ongoing matter that it is known to have been raised with various financial managers in the past, yet still remains unresolved. (REC. 6)
-

4.4 THERE IS AN APPROPRIATE AND COHERENT GOVERNANCE STRUCTURE IN PLACE TO MONITOR THE DELIVERY OF CIL FUNDED SCHEMES

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- 4.4.1 The issue about roles and responsibilities is addressed in more detail in section 4.2 above, but one of the main practical obstacles hindering the efficient delivery of these schemes was identified as being an absence of a simple terms of reference or standard Project Initiation Document (PID) or equivalent, that sets out some specific details and parameter(s) for each 15% Local CIL scheme. This would have the benefit of establishing a consistent yet simple framework of governance. This could simply set out:
- a) The purpose for each scheme or project and a brief narrative or overview
 - b) Details of the Member approval process
 - c) Details of assigned responsible officer(s), their roles and confirmation of their participation
 - d) Budget and scope of the scheme (details of what is to be achieved)
 - e) Any potential risks or obstacles
 - f) Start / finish target dates
 - g) Any required reporting milestones. (REC. 4)
- 4.4.2 Since the Member Strategic Briefing in the summer, the Executive Director for Economic Growth & Neighbourhood Services had appointed the Assistant Director of Environmental & Commercial Services to head up a CIL Working Group to review the status of the 15% Local CIL schemes and it is evident (and positively acknowledged by contributors to this audit) that this measure has introduced energy, impetus and control to the overall management, governance and delivery of schemes.
- 4.4.3 The CIL officer working group is made up from the following and currently meets each week:
- the Assistant Director of Environmental & Commercial Services
 - the Infrastructure Monitoring Officer
 - the Area Planning Team Leader
 - the Regulatory Services Manager
 - 15% Local CIL scheme project managers
- 4.4.4 In addition to the CIL Working Group there is a Member CIL 15% Working Group that has met every 4 - 6 weeks and that includes:
- the Executive Director (DEGNS)

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- the Deputy Director of Planning, Transport & Regulatory Services
 - the Assistant Director of Environmental & Commercial Services
 - Councillors
 - the Infrastructure Monitoring Officer
 - the Area Planning Team Leader
 - 15% Local CIL project officers, as required.
- 4.4.5 Agendas and minutes for both forums are documented and have been seen as part of this review. These appear sufficiently detailed and produced on a timely basis by the Executive Assistant. As far as can be ascertained there are no specific terms of reference for these forums. (REC. 3)
- 4.4.6 The format of the meetings is specifically focused on schemes as recorded on a control or master spreadsheet as well as being the forums at which future CIL 15% allocations are discussed.
- 4.4.7 Certain managers spoken to as part of this review reported that there have been occasions where there has been an issue with the availability and timeliness of legal advice from the assigned officer with Legal Services' team. This issue was followed up with the Assistant Director of Legal & Democratic Services as part of this review, and who commented that this had not previously been brought to his attention, but that when it was an additional temporary resource was provided together and since then a long(er) term replacement has been arranged. (REC. 7)
-

4.5 WHERE THERE IS SLIPPAGE IN THE DELIVERY OF A CIL FUNDED SCHEME, THEN THE REASONS FOR THIS ARE IDENTIFIED, APPROPRIATELY JUSTIFIED, REPORTED AND AGREED

- 4.5.1 The Infrastructure Monitoring Officer advised that as well as experiencing issues about accessing financial information, there have also been occasions

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when certain 15% CIL schemes project managers have been slow in providing information or updates on the progress or status of 15% CIL schemes, although this has improved with the stewardship of the two CIL working groups. (REC. 7)

- 4.5.2 Staff and managers assigned to the delivery of the 15% schemes have commented that these initiatives have helped to reinvigorate progress on these schemes, identifying any blockages and then working to resolve these so that schemes can progress and be delivered. It is evident from review of documentation that this has helped to progress schemes and drive through changes. In particular the Group(s) have helped to identify areas / aspects contributing to delays and to directly intervene, where appropriate.
 - 4.5.3 One of the issues identified through meeting the staff and managers responsible for delivering CIL 15% projects, was that some were not fully aligned or aware of the original scope, timescales or required outcomes as they were not engaged in the original process, indeed some commented that had they been engaged they could have given proactive advice about the likely cost(s) and timing of schemes, as well as seeking a steer about the prioritisation of the tasks, when considering mainstream and planned works. (REC. 5)
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Internal Audit Report - Records Management & Document Retention

Final Internal Audit Report RECORDS MANAGEMENT AND DOCUMENT RETENTION POLICY

To: Michael Graham - Assistant Director of Legal and Democratic Services
Nayana George - Information Governance and Compliance Manager
Ricky Gill - Information Governance Officer
Donna Pentelow - Assistant Director of Culture
Jackie Yates - Executive Director of Resources

From: Kirsty Hancock

Date: 15th January 2021



Limited
Assurance

EXECUTIVE SUMMARY

4. BACKGROUND

- 1.1 Under the Data Protection Act 2018 and GDPR, personal information cannot be retained for longer than is necessary for the purposes that it is required. A Data Retention Policy should also be in place to detail how long information should be retained for and how to safely and securely dispose of information.
- 1.2 The Council's Records Management Policy dates back to 2009 and is available on the Council's previous intranet (IRIS). There is a draft Information and Records Management Policy that has yet to be formally approved and implemented.
- 1.3 Due to the current situation in relation to coronavirus, audit testing has been restricted and, where undertaken, was conducted remotely, mainly via interviews with a selection of managers. As a result, some of the information supplied or reported to us has not been physically verified.

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5. OBJECTIVES & SCOPE OF THE AUDIT

2.1 The purpose of the audit was to determine whether teams understood and were complying with the Council's document retention and disposal policies.

The review encompassed the following areas:

- Ensuring that there was a Records Management and Document Retention Policy in place
- Ensuring that there was appropriate records management support
- Ensuring that Information Asset Registers were in place
- Ensuring that there was appropriate records tracking / filing
- Ensuring that individual Directorate and Team Retention Schedules were in place
- Ensuring that document retention was in line with retention schedules and policy
- Ensuring that there was appropriate information sharing protocol
- Ensuring that there was adequate training and advice

2.2 Archiving was not specifically covered as part of the audit.

2.3 This audit (and report) was undertaken in accordance with the Public Sector Internal Audit Standards ([PSIAS](#)).

6. CONCLUSIONS

6.1 The audit has flagged a number of areas of concern that need appropriate consideration, decisions and implementation, to ensure that the Council is adequately responding to and addressing the various potential and significant risks in this area. Failure to address these could have financial and reputational implications for the Council.

6.2 The fundamental issue is a lack of an up-to-date, agreed records management and document retention policy, which clearly details roles and responsibilities, and incorporates the areas highlighted in ICO guidelines. This will help ensure that the Council is meeting relevant statutory and legal requirements.

6.3 Once agreed, there needs to be a means for the policy to be rolled out and widely understood across the Council, to ensure common understanding and consistency.

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- 6.4 Appropriate training and support is also required to support the policy and ensure that it is fully embedded.
- 6.5 There also need to be clear links between Information Governance, Modern Records and individuals across the Council responsible for records management on a day-to-day basis, in addition to a centralised register of all records held.
- 6.6 Risks relating to records need to be clearly documented and Data Protection Impact Assessments updated to reflect changes in ways of working.
- 6.7 Services need to be aware of and action their responsibility to review records at the end of the retention period and either retain or dispose, as appropriate.
- 6.8 A total of eight recommendations have been made in respect of this review, of which two are considered high priority. The recommendations and corresponding management action plan are attached at Appendix 1.

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Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
RECORDS MANAGEMENT AND DOCUMENT RETENTION POLICY					
<i>RISK:</i> Inconsistent understanding of roles and responsibilities and lack of consistency of approach across the organisation leaving the Council potentially exposed to legal and reputational challenge and / or censure					
Page 61	<p>The revised policy needs to be reviewed in conjunction with ICO guidelines (to ensure all areas are covered or reference made to relevant associated policies and legislation). It also needs to clearly define roles and responsibilities, include Council systems and records for obsolete teams, link to the Council's corporate plan, and take an integrated approach to records, regardless of their format.</p> <p>The policy then needs to be formally approved, made available to all staff and included as part of induction for new starters, with regular reviews conducted to ensure compliance.</p> <p>The policy also needs to be fully supported by senior management, with regular updates on progress against the policy provided to them.</p> <p>Where responsibility is delegated to teams and services, there needs to be appropriate local policies/guidelines in place.</p>	Priority 1	<p>This is agreed. A review of the Records Management Policy reveals that it needs further details as identified and that it needs to be formally agreed and steps taken to operationalise it. Some of this work overlaps with existing workstreams under the Smarter Working Project (unstructured electronic data) and Information Governance Board (other data).</p> <p>Immediate actions have been identified:</p> <ul style="list-style-type: none"> (A) - Ricky Gill to engage Mark Stephens - determine position of Document Retention Policy. (B) Chris Marr /Ricky Gill - use ROPA documents as core feeds into overall policy. (C) Update of Policy - based on summation of ROPA docs, alignment of Information Asset Owners, and regular reviews of individual service areas. (D) Policy not limited to Smarter Working - other localised systems (and data contained) need to be factored in also. (E) Discuss with Donna Pentelow the role of Records Management in Information Governance Board. 	Michael Graham, Assistant Director of Legal and Democratic Services	End March 2021

Management Action Plan

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Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
RECORDS MANAGEMENT SUPPORT					
<i>RISK: There is a lack of consistent application and implementation of records management and document retention</i>					
2 Page 62	<p>There needs to be clearly defined links between the Information Governance team, Modern Records and individuals responsible for records management and document retention across the Council. All staff need to be aware of this and consideration also given to documenting this role in relevant job descriptions.</p> <p>Consideration needs to be given to reviewing and rationalising records management risks at corporate and directorate level, distinguishing between strategic risks (reflected at corporate level) and operational risks (reflected at service/team level).</p>	Priority 2	<p>This is agreed.</p> <p>Immediate actions have been identified:</p> <ul style="list-style-type: none"> A) Initially - extend IG Board to Modern Records - (A) Nayana George B) IG Policy Alignment with Modern Records (to ensure following same approach) necessary C) Chris Welfare - check ISO - to identify any information lifecycle best practices we can use to apply to the policy generally and discuss with Modern Records. D) Determine consistent data classifications between IG and Modern Records E) Develop an Information Governance Strategy/Mandate - requesting input to improved local information management/strategy. (template and example) - Raise in IG Board - development of a business-level information management strategy - with a view to empowering local teams to 'own' their proposed improvements and identify local risks. F) Re-engineer cross-authority IG network to share best practices, issues and knowledge support. (Mike Graham to initiate early 2021, follow up with Ricky Gill) G) Engage HR regarding the inclusion of IG responsibilities in job descriptions. 	Michael Graham, Assistant Director of Legal and Democratic Services	End Sept 2021

Management Action Plan

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Ref	Recommendation	Re	Management Response	Responsible Officer(s)	Target Date
INFORMATION ASSETS REGISTER					
<i>RISK: Lack of clarity and oversight over all records, including that appropriate action is taken when the end of retention periods are reached</i>					
3 Page 63	<p>There should be a centralised register, detailing records held across the Council, their format, location and responsible officer.</p> <p>Consideration also needs to be given to clearly documenting and addressing risks associated to records.</p> <p>Data Protection Impact Assessments (DPIAs) need to be reviewed and updated as necessary to reflect any changes to processes. Where processes have changed (as a result of coronavirus or for other reasons), any associated risks need to be identified and addressed (for example issuing guidance to, and ensuring adherence of, panel members now meeting remotely, on the need for timely, secure destruction of personal sensitive information).</p> <p>Risks relating to records remaining useable need to be identified and appropriate controls put in place.</p>	Priority 1	<p>This is Agreed.</p> <p>The creation of an Information Asset Register is part of IGAP project.</p> <p>ROPA collation will identify retention for all directorates/business level - which will feed into Smarter Working Information Architecture - outlining classification, retention, and post-retention activities.</p> <p>Status report for CMT based on progress towards improved Records management compliance, and risks (as best understood, based on current understanding/documentation) for further granularity. Based from interpretation of current status (RAG) - (A) - Ricky Gill to create.</p> <p>DPIA's relate to new initiatives - undertake collation of DPIA index - summarising all current DPIA's</p> <p>For other risks - an approach to be developed following review of ROPA and Information Asset Registers - this will be under auspices of IGB</p>	Michael Graham, Assistant Director of Legal and Democratic Services	End Sept 2021
4	Consideration to be given to including particular reference that electronic records are regularly backed up and specifically identifying critical records for teams to be able to function in Business Continuity Plans (BCPs).	Priority 3	Agreed - Business Continuity - Restore of data from offsite backups is likely to be slower than services anticipate - could be revisited as result of new Service Provider. There is learning from Pandemic response which we need to pick up and bring into revised business continuity plans to make sure service level information is collated into a corporate management approach which feeds back into business continuity documents.	Michael Graham, Assistant Director of Legal and Democratic Services	End Dec 2021

Management Action Plan

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Ref	Recommendation	Re	Management Response	Responsible Officer(s)	Target Date
RECORDS REFERENCING, INDEXING AND FILING					
<i>RISK: Records are unable to be located when required</i>					
5	<p>There should be a clear understanding regarding roles and responsibilities in relation to old and closed records and action required at the end of retention periods, including for those held in the Modern Records Office and Mosaic.</p> <p>Where possible, retention periods for records should be set on document management systems so that records are automatically destroyed once the end of this period is reached.</p>	Priority 2	<p>This is agreed.</p> <p>Modern Records:</p> <ul style="list-style-type: none"> A) Initially - extend IG Boards to Modern Records - (A) Nayana George B) IG Policy Alignment with Modern Records (to ensure following same approach) necessary <p>Mosaic</p> <ul style="list-style-type: none"> A) ROPA being developed by Wendy Everett B) Determine status/remediation activities required on document retention/labelling 	Nayana George, Data Protection Officer	End June 2021
DIRECTORATE AND TEAM RETENTION SCHEDULES					
<i>RISK: Records are retained indefinitely, contrary to various legislation and best practice, and hence subject to disclosure for Freedom of Information/Subject Access Requests even when disposal deadlines have passed</i>					
6	<p>Retention schedules need to have clear version control / detail when they were last updated. They also need to be updated to reflect the current structures within the Council and either be specific enough to cover teams or teams have their own schedules.</p> <p>There needs to be a clear process in place, with clearly defined roles and responsibilities, for retaining and disposing of records in line with retention schedules and ensuring timeframes in schedules are adhered to.</p>	Priority 3	<p>Agreed.</p> <p>Needs to be reflected in Records Management Policy. ROPA and retention activities fulfilled.</p>	Nayana George, Data Protection Officer	End March 2021

Management Action Plan

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Ref	Recommendation	Re	Management Response	Responsible Officer(s)	Target Date
INFORMATION SHARING					
<i>RISK: Information shared is used inappropriately, causing damage to the Council's reputation and potential financial loss</i>					
7	The revised records management policy needs to include reference to information sharing protocols and/or reference to the relevant documentation and where this is addressed.	Priority 2	<p>Agreed.</p> <p>ROPA docs summarises what is being shared and should be associated Data Sharing Agreements/Privacy Notices.</p> <p>Subsequent Records Management policy will reinforce approach for longevity.</p>	Nayana George, Data Protection Officer	End June 2021
TRAINING AND ADVICE					
<i>RISK: Staff are unaware of appropriate action to take in relation to records management and document retention or from whom to seek advice</i>					
Page 65	Awareness of appropriate training and refresher training needs to be fully embedded across the Council, with all staff, temporary and agency workers being required to undertake it. It also needs to be included within the new starters' induction checklist.	Priority 3	<p>Agreed</p> <p>ROPA training will be precursor to scheduling annual reviews of ROPA/local remediation activities. (Ricky Gill to progress).</p> <p>Review of relevant documents/policies to ensure easy signposting for IA owners to access.</p>	Nayana George, Data Protection Officer	End Sept 2021

4. FINDINGS

4.4 RECORDS MANAGEMENT AND DOCUMENT RETENTION POLICY

- 4.4.1 A records management policy is essential as it determines how an organisation creates, retains and manages its information and records.
 - 4.4.2 The policy currently in place (approved by the now defunct Document Management Board) dated from 2005. There was a revised version, which had yet to be approved, dated from 2017. It was noted that the current version did not include consideration of data held on various service-specific systems such as Mosaic or treatment of records for obsolete teams/departments. Neither policy covered all areas specified by the Information Commissioners Office (ICO) (Rec 1), for example identifying risks associated with records management as part of the risk management process, the need for regular review of records security against the policy, the need for access controls and business continuity plans.
 - 4.4.3 Both policies contained details of roles and responsibilities, including those of heads of service and staff in the current version. However, more detail was required in terms of high-level responsibility of the Modern Records and Information Governance teams and the Board and updating was necessary to reflect current roles and practices relating to records management across the Council (Rec 1).
 - 4.4.4 The policy was not available on the new intranet (however, it was available on Iris, the old intranet), although there was a dedicated records management section that referred to the policy. In addition, the new starters' workplace induction checklist did not explicitly include the records management policy. Discussion with a sample of managers across the Council identified that many thought this policy was the retention schedule (Rec 1).
 - 4.4.5 It was also identified from discussions with a sample of managers that in two thirds of cases (8/12), no review of adherence to the records management and document retention policy was conducted, with the remaining third (4/12) having conducted a review (Rec 1).
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4.5 RECORDS MANAGEMENT SUPPORT

- 4.5.1 Records management support is required to help interpret the records management and document retention policy, assist with queries and help ensure consistency of treatment of records and documents across the Council.
- 4.5.2 There was a disconnect between the Modern Records, Information Governance (and Legal and Committee Services) teams. Discussion with a sample of managers from across the Council identified that in approximately a third of cases (9/13), they had no links with the Modern Records/Information Governance team (as appropriate) (Rec 2). A recent restructure had led to the appointment of an Information Governance and Compliance Manager, which should help to address this.
- 4.5.3 There is an Information Governance Board, whose remit included this area. The Board has a commitment statement as well as terms of reference detailing their strategic objectives. Their aim is to set and monitor information governance standards across the Council, including establishing an appropriate tone at the top, promoting awareness, coordinating information governance policies and ensuring a consistent approach across the Council.
- 4.5.4 A Smarter Working Group has also been established, whose remit includes moving Council information held on various legacy applications and storage devices to Office 365 applications such as SharePoint and One Drive. This will help to address various policy requirements, including ensuring consistency and structure to how data is managed.
- 4.5.5 Managers sampled were clear as to who was responsible in their team for records management, although a review of directly related roles job descriptions identified that this was not necessarily defined within them (approximately one third of those sampled (4/14) did not have it included) (Rec 2).
- 4.5.6 A review of risk registers identified that the corporate risk register detailed the risk of information not being handled in accordance with relevant legislation and local policies. Records and information management was also included in the Directorate of Adult Care and Health Services and the Directorate of Resources risk registers, although this was again at a more strategic level, in line with what was included on the corporate level (Rec 2).

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4.6 INFORMATION ASSET REGISTER.

- 4.6.1 An Information Asset Register helps to ensure that all documents and records across the organisation are identified, together with their locations and owners.
 - 4.6.2 It was identified that there was no centralised register detailing records held across the Council, although four out of thirteen areas sampled identified that they either had a Record of Processing Activity (ROPA) or Data Protection Impact Assessment (DPIA) in place, which detailed some of this information (Rec 3). There were plans in place to compile ROPAs for each service.
 - 4.6.3 In the majority of cases sampled (9/11), managers were able to identify risks relating to their records, mainly focused around access control, although these were not necessarily documented (Rec 3). Also, where relevant, managers ensured that records remained useable (for example by checking records after transfer to a new system) using a test system and saving documents in standard formats. However, there were two instances where control issues were identified, namely documents being saved on staff members' personal drives that subsequently became inaccessible once staff members left the employment of the Council and also microfiche documents, where there was no reader to view them within the service (although another service did possess the necessary equipment) (Rec 3).
 - 4.6.4 There was one instance identified where a process had changed as a result of coronavirus, with panels that were previously held in person, now being held remotely instead. This meant that control over document destruction had changed as associated panel documentation was unable to be collected in at the end of the session, leading to panel members being responsible for destroying these in an appropriate manner (Rec 3). It was also noted that the DPIA had not been updated to reflect the change in process (Rec 3).
 - 4.6.5 The majority (80%) of teams sampled had Business Continuity Plans (BCPs) in place, with about half identifying the need for regular back up of information and critical records required for their service to function (Rec 4).
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4.7 RECORDS REFERENCING, INDEXING AND FILING

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- 4.7.1 All managers approached and who responded indicated that there was a clear system in place for referencing, indexing and saving documents within their services, which helped to ensure consistency. In many instances, this was aided by various document management systems, which imposed various parameters on documents to ensure consistent naming and filing conventions. In addition, they also identified that records were stored securely, access to them was restricted and an audit trail of access was available. It should be noted that this was not physically verified by Audit.
- 4.7.2 Records on Ohms, the Council's housing management system, were in one of three formats - associated to a unique PIN, associated to a unique property reference number (UPRN) or associated to a unique account number. Letter templates were autosaved on accounts with autogenerated references, with ad hoc letters saved on information@work (i@w).
- 4.7.3 Individuals on Mosaic, the Council's social care system, were allocated a unique reference number, automatically generated by the system, with relevant documents attached. Access to Mosaic was restricted by username and password, only issued after relevant training had been completed and an application form completed by the user and authorised by their manager.
- 4.7.4 Records held on Academy, the Council's revenues, benefits and debt management system, were consistently referenced, titled and indexed due to system parameters in place. Access was limited by username and passwords which were only provided on completion of an approved user set up form and declaration of interests. There was an audit trail of all processes carried out in the system.
- 4.7.5 Access to Ohms was also restricted by unique usernames and passwords, with different levels of access rights and various audit trails. Access was requested by a user's manager and was regularly reviewed, with access locked and then accounts autodeleted if the password was not reset within 90 days.
- 4.7.6 Records held on information@work, the Council's document management system, were security rated on a scale, together with users. Users could only access documents up to the same security rating as they already possessed.
- 4.7.7 Records held on iShare, the Council's mapping system, were accessible to all users. Whilst there was the option to set up profiles to restrict access, this had not been taken up to date as the system did not hold any sensitive information.
- 4.7.8 In approximately half of the cases sampled, old records were archived/disposed of as appropriate. However, it was noted that it was unclear if a retention period was set on all Mosaic records, and all information on Ohms was retained

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indefinitely, as there was no option to delete information held on the system (Rec 5). However, the replacement system for Ohms should address this issue.

- 4.7.9 Similarly, records held on In-Tend, the Council's electronic procurement system, could not be deleted and therefore were also held indefinitely. However, annual deletion of records held on Academy, where the end of the retention period had been reached, occurred. Information held on iShare was generally held indefinitely as teams needed to refer to it; however, records would be deleted if requested by the relevant service. This default retention of documents indefinitely has implications in terms of meeting statutory and legal requirements, the need to disclose information if requested under subject access requests, as well as the amount of storage required and the associated cost.
- 4.7.10 From discussions with a range of services, it was apparent there was a disconnect in understanding between services and Modern Records as to what should happen when the end of retention period was reached. Services should be contacted to confirm next action - whereas services often assumed that once the end of the period was reached, records were automatically destroyed. It was also noted that records held at Modern Records without a retention period detailed would be retained until informed otherwise (Rec 5).
- 4.7.11 There was also a similar lack of consistent understanding in relation to Mosaic records. It was identified that it was the user's responsibility to set and amend retention periods to cases within the system. Once the end of the retention period was reached, users should contact ICT to arrange deletion (Rec 5). Work was being carried out within Adult Social Care to ensure that old records that had passed their retention period were destroyed and that retention periods were set on Mosaic.
- 4.7.12 Information@work possessed a document retention module where retention periods for records could be set and records automatically deleted once the end of the period was reached. However, this function was not widely used by services, meaning that services needed to individually review records, identify retention periods and manually delete records once the end of the retention period was reached. This had led to some records being retained indefinitely by default, in addition to a lack of consistent understanding between the i@w team and services as to whether documents were automatically deleted once the end of retention periods was reached (Rec 5).
- 4.7.13 A recent review of i@w by a consultant¹³ had identified that there were no consistent information lifecycle management processes, best use was not being made of the system and the versions used were out of support, with known defects and vulnerabilities.

¹³ Review conducted by Channel 3 Consulting in August 2020

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4.8 DIRECTORATE AND TEAM RETENTION SCHEDULES

- 4.5.1 Retention schedules identify the types of records held, together with how long they should be retained, in line with relevant statutory and legal requirements and good practice.
 - 4.5.2 It was generally observed that retention schedules were in place for services, although they did not have clear version control, detail when they were last updated or reflect the current structure of the Council (Rec 6). However, they did take account of relevant statutory and legal requirements as detailed on LG Inform Plus and were produced by the Senior Information Governance Officer, with input from some service staff.
 - 4.5.3 In all cases where there was a retention schedule in place, there were details of how long records should be retained and what records should be retained permanently, and in most cases when records should be destroyed. In discussion with a selection of managers, it was noted that whilst some teams did have their own retention schedules, where this was not the case, service ones were sometimes not specific enough (Rec 6). Generally, all records were covered by retention schedules.
 - 4.5.4 As detailed in section 4.4, records held in various Council systems and at Modern Records were not necessarily being destroyed when the end of the retention period was reached.
 - 4.5.5 Discussion with a selection of managers identified that in about half the cases either some or regular checks/disposal were carried out to ensure compliance with retention schedules, with a third indicating there either was no regular review or records were not kept in line with retention policy (Rec 6).
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4.9 DOCUMENT RETENTION

- 4.9.1 In the majority of cases sampled, managers indicated that relevant records were retained permanently, and these were verified to the relevant retention schedules. However, there was one case where records were kept permanently by default as records were unable to be deleted from the system they were

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stored in (In-Tend, the Council's electronic procurement system), as identified previously (4.4.6). This was also the case for Ohms, the Council's housing management system and for information@work, the Council's document management system, where services were not making use of the document retention module.

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- 4.9.2 As detailed earlier, this default permanent retention of records has statutory and legal implications (as information should not be retained for longer than necessary), as well as then necessitating disclosure for relevant subject access requests, and financial implications as storage requirements are increased.
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4.10 INFORMATION SHARING

- 4.10.1 The Information Commissioners Office detailed that there should be clear policies, procedures and guidance for data sharing. Review of the existing records management policy identified that this was not included in it. There is however a small section in the proposed revised policy about information sharing, referring to the Information Security policy and individual teams' responsibilities to create protocols for data sharing (Rec 7).
 - 4.10.2 However, discussion with a sample of managers identified that in the majority of cases where information was shared, they were aware of agreements in place.
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4.11 TRAINING AND ADVICE

- 4.11.1 Training and advice is key to ensuring that staff are aware of and implementing relevant policies in a consistent manner, and are able to access assistance as and when required, which also helps ensure that the Council is meeting statutory and legal requirements.

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- 4.11.2 It was identified that information governance training on Learning Pool included a section on records management, covering the lifecycle of data, its storage, retention and disposal, as well as appropriate labelling and an agreed filing system, recording details of it in an information asset register and regular review of records. This training should be covered as part of the induction that new starters need to complete within the first week of commencing employment at the Council, although it was noted that it was not explicitly included in the new starters' induction checklist. There was also face-to-face training on Information Assets Ownership (IAO) for the Public Sector held for Heads of Service in 2018 to promote an understanding of IAO and its use on a day-to-day basis.
- 4.11.3 However, discussion with a selection of managers identified that in approximately half the cases, they were not aware of or had not received any records management training (Rec 8).

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REPORT BY EXECUTIVE DIRECTOR OF RESOURCES**TO: AUDIT & GOVERNANCE****DATE: 28th JANUARY 2021****TITLE ANNUAL TREASURY MANAGEMENT REVIEW 2019/20****LEAD COUNCILLOR: COUNCILLOR EMBERSON****PORTFOLIO: CORPORATE & CONSUMER SERVICES****SERVICE: FINANCIAL SERVICES****WARDS: BOROUGHWIDE****LEAD OFFICER: PETER ROBINSON****JOB TITLE: ASSISTANT DIRECTOR FINANCE****E-MAIL:**peter.robinson@reading.gov.uk**1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1 The Council adopted a Treasury Management Strategy and an Annual Investment Strategy for 2019/20 at its meeting on 26th February 2019.
- 1.2 The Treasury Management Strategy requires an Annual Outturn Report reviewing the Treasury Management activity which took place during the year. This report covers the period from 1st April 2019 to 31st March 2020. This report has been delayed due to officers having prioritised the finalisation of the 2017/18 Statement of Accounts audit process.
- 1.3 The Council has continued to finance capital expenditure through maximising the use of capital receipts, capital grants and internal borrowing. In order to take advantage of low borrowing rates that were considered to be good value and to reduce the refinancing risk associated with existing internal borrowing, the Council took out £45.000 million of external borrowing (from the PWLB) in 2019/20 at an average interest rate of 1.80%
- 1.4 Overall, the Council was under borrowed by £185.607 million as at 31st March 2020, after taking account of the £45.000 million new loans. This has avoided the Council having to budget for and pay out external interest costs in the order of £6.069 million, based on the average rate for the existing debt portfolio of 3.27%.
- 1.5 Against the 2019/20 General Fund budget there was an overall net General Fund underspend in respect of interest receivable/payable of £0.579 million as reported in the 2019/20 Quarter 4 Performance report to Policy Committee on 22nd June 2020.
- 1.6 The Council did not breach any of its treasury management performance indicators during 2019/2020.

2. RECOMMENDED ACTION**That the Committee notes:**

- 2.1 The Treasury Management Outturn Report for 2019/20.

APPENDICES

- Appendix 1 - Borrowing Portfolio
- Appendix 2 - Investment Portfolio

3. POLICY CONTEXT

- 3.1 The Council is required by regulations issued under the Local Government Act 2003 to review and report on its treasury management activity and achievement against its prudential and treasury indicators on an annual basis. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).
- 3.2 The regulatory environment places responsibility on Members for the review and scrutiny of the Council's Treasury Management Policy and activities. This report facilitates that process providing details of the Council's 2019/20 treasury management activity.

4. CAPITAL EXPENDITURE AND FINANCING

- 4.1 The Council undertakes capital expenditure on long-term assets. This expenditure may either be:
 - Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which have no impact on the Council's borrowing need; or
 - Financed by borrowing. This is funded either through actual external borrowing for example from the PWLB or through internal borrowing from the Council's own cash resources.

4.2 The table below shows the Council's actual capital expenditure and how this was financed.

Table 1. Capital Expenditure and Financing - General Fund

General Fund	2018/19 Actual (£m)	2019/20 Original Budget (£m)	2019/20 Actual (£m)
Capital Expenditure	53.941	98.291	85.462
Financed by:			
Capital Receipts	(3.183)	(12.077)	(7.424)
Government Grants & Other Contributions	(19.069)	(34.784)	(24.095)
Direct Revenue Financing	(0.022)	0.000	(0.139)
Net Borrowing Requirement	31.667	51.430	53.804

Table 2. Capital Expenditure and Financing - Housing Revenue Account (HRA)

HRA	2018/19 Actual (£m)	2019/20 Original Budget (£m)	2019/20 Actual (£m)
Capital Expenditure	15.481	15.780	14.504
Financed by:			
Capital Receipts	(8.078)	(1.264)	(3.462)
Government Grants & Other Contributions	0.000	(0.437)	(0.014)

Direct Revenue Financing	0.000	(0.111)	0.000
Major Repairs Reserve	(7.403)	(9.264)	(10.041)
Net Borrowing Requirement	0.000	4.704	0.987

5 THE COUNCIL'S BORROWING NEED

- 5.1 The Council's underlying need to borrow, or net borrowing requirement is termed the Capital Financing Requirement (CFR).
- 5.2 In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2018/19) plus the estimates of any additional capital financing requirement for the current (2019/20) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

Table 3. Gross Borrowing and the CFR

	31 st March 2019 Actual (£m)	31 st March 2020 Original Estimate (£m)	31 st March 2020 Actual (£m)
Gross Borrowing	399.396	411.442	406.981
PFI Liabilities	27.233	26.260	26.244
Total Gross Borrowing	426.629	437.702	433.225
CFR - General Fund	361.886	403.375	406.958
CFR - HRA	185.643	191.504	185.630
Total CFR	547.529	594.879	592.588
(Under)/Over Funding of CFR	(120.900)	(157.177)	(159.363)
(Under)/Over Borrowing (exc PFI)	(148.133)	(183.437)	(185.607)

- 5.3 The movement in gross borrowing in 2019/20 is outlined in paragraphs 6.3-6.5.
- 5.4 The 2019/20 prudential indicators for gross borrowing were set as part of the Treasury Management Strategy report to Council on 26th February 2019 and revised as part of the Treasury Management Strategy report to Council on 25th February 2020. The Council's performance against these indicators is set out below, neither the Authorised Limit or Operational Boundary were breached in 2019/20:

Table 4. Gross Borrowing v Operational Boundary and Authorised Limit

Authorised Limit (£m)	Operational Boundary (£m)	Maximum Gross Borrowing Position During the Year (£m)	Average Gross Borrowing Position (£m)
654.879	614.879	413.381	397.711

- 5.5 Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue budget. This indicator for 2019/20, revised as part of the Treasury Management Strategy report to Council on 25th February 2020, was set at 11.60%. The actual performance against this indicator for 2019/20 was 11.08% which reflects the reported underspend on the revenue Capital Financing budget reported at Outturn.

6 DEBT AND INVESTMENT PORTFOLIO

- 6.1 The Council's treasury management debt and investment position is managed by the Treasury Management Team to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting to Audit and Governance Committee and through officer activity detailed in the Council's Treasury Management Practices.

Outturn Position

- 6.2 At the end of 2019/20 the Council's treasury position (excluding borrowing by PFI and finance leases) was as follows:

Table 5. Treasury Position as at 31st March 2020

General Fund & HRA	31 st March 2019			31 st March 2020		
Debt Portfolio	Principal (£m)	Average Rate %	Average Life Years	Principal (£m)	Average Rate %	Average Life Years
Fixed Rate Loans						
PWLB	321.575	3.45	34.56	362.160	3.26	38.75
Market	73.000	2.43	29.43	40.000	3.71	54.34
Variable Rate Loans						
PWLB	4.821	0.92	10.01	4.821	0.48	10.01
Total Debt	399.396	3.15	32.81	406.981	3.27	40.42
Total Investments	58.086	3.05		75.536	3.42	
Net Debt	341.310			331.445		

Borrowing

- 6.3 Six new long-term loans totalling £45.000 million were drawn during 2019/20 to fund the net borrowing requirement and naturally maturing debt. A further short-term loan of £10.000 million was drawn for a month over the year-end period to assist in managing the cashflow position. The borrowing portfolio is detailed in full at Appendix 1.
- 6.4 During 2019/20 principal repayments, including final payments on eleven naturally maturing loans, totalling £47.415 million were made.
- 6.5 The net change in the gross borrowing position between 31st March 2019 and 31st March 2020 was therefore an increase of £7.583 million, including the temporary £10.000 million short-term loan. Long-term borrowing therefore decreased by £2.417 million during 2019/20.

Borrowing in Advance of Need

- 6.6 The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

Debt Rescheduling

- 6.7 No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

- 6.8 The maturity structure of the debt portfolio as at 31st March 2020 is set out in the table below. The limits are set to control the Council's exposure to refinancing risk.

Table 6. Maturity Structure of the Debt Portfolio

General Fund	31 st March 2019 Actual (£m)	2019/20 Original Upper Limit (%)	2019/20 Original Lower Limit (%)	31 st March 2020 Actual (£m)	2019/20 Actual (%)
Under 12 months	47.415	25%	0%	12.540	3%
12 months and within 2 years	2.540	25%	0%	7.261	2%
2 years and within 5 years	11.941	25%	0%	6.680	2%
5 years and within 10 years	20.500	25%	0%	20.000	5%
10 years and within 20 years	28.000	100%		27.500	
20 years and within 30 years	151.000	100%		155.000	
30 years and within 40 years	118.000	100%		103.000	
40 years and within 50 years	20.000	100%		75.000	
Total	399.396			406.981	

Investments

- 6.9 The Council's Investment Policy is governed by MHCLG investment guidance, which has been implemented in the Annual Investment Strategy approved by the Council on 26th February 2019. This Policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data.
- 6.10 The investment activity during the year conformed to the approved Strategy, and the Council had no liquidity difficulties.
- 6.11 Treasury investments, including property funds, earned an average rate of 1.27%. The comparable performance indicator is the average bank rate, which was 0.72%.
- 6.12 The Council's budgeted General Fund investment return for 2019/20 was £1.603 million, actual General Fund interest received from investments in 2019/20 was £2.224 million, a £0.621 million positive variance compared to budget.
- 6.13 The position on interest income must be compared with external interest costs payable. The Council paid General Fund external interest costs of £8.123 million against a budget of £8.081 million; a £0.043 million overspend against the General Fund budget. The net General Fund net position on interest receivable/payable is an underspend of £0.579 million. This has been accounted for in the overall revenue General Fund outturn position for 2019/20.
- 6.14 The Council's investment position as at 31 March 2020 is detailed at Appendix 2 and summarised as follows:

Table 7. Investment Portfolio

	31 st March 2019 (£m)	31 st March 2019 (%)	31 st March 2020 (£m)	31 st March 2020 (%)
Treasury Investments				
Banks	1.250	4%	1.000	2%
Building Societies - rated	0.000	0%	0.000	0%
Building Societies - unrated	0.000	0%	0.000	0%
Local Authorities	0.000	0%	0.000	0%
DMADF (HM Treasury)	0.000	0%	0.000	0%
Money Market Funds (MMF)	18.475	53%	23.915	60%
Total Managed In-house	19.725	57%	24.915	62%
Total Managed Externally - Property Funds	15.000	43%	15.000	38%
Total Treasury Investments	34.725	100%	39.915	100%
Non-Treasury Investments				
Subsidiaries/Companies	23.361	100%	35.621	100%
Total Non-Treasury Investments	23.361	100%	35.621	100%
Total - All Investments	58.086	100%	75.536	100%

6.15 The maturity structure of the investment portfolio as at 31st March was as follows:

Table 8. Maturity Structure of the Investment Portfolio

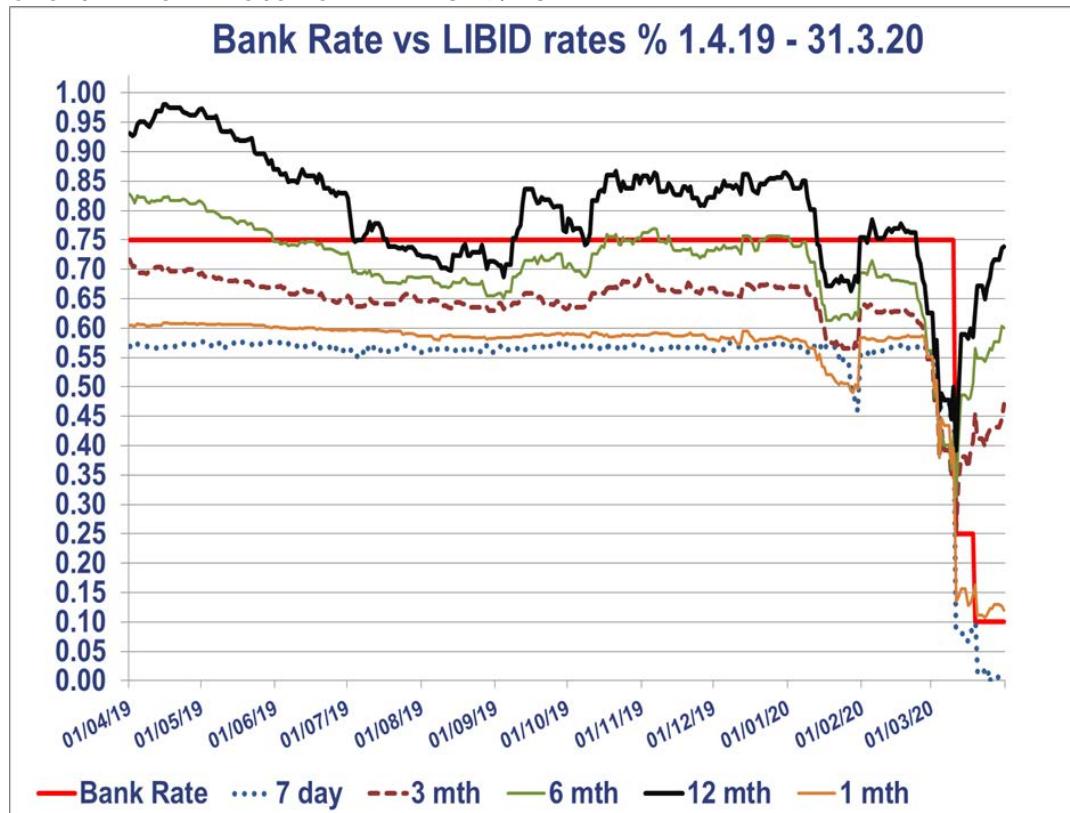
	31 st March 2019 (£m)	31 st March 2020 (£m)
Up to 1 year	19.725	24.915
Longer than 1 year	38.361	50.621
Total	58.086	75.536

7 TREASURY MANAGEMENT STRATEGY 2019/20

Investment Strategy and Control of Interest Rate Risk

- 7.1 Investment returns remained low during 2019/20. The expectation within the Treasury Management Strategy was that Bank Rate would rise to 1.25% in 2019/20 as advised by the Council's treasury advisors at the time, Arlingclose. In reality, investment interest rates were flat during most of the year until the two cuts in Bank Rate in March 2020 caused investment rates to fall sharply, firstly to 0.25% on 10th March 2020 and to 0.10% on 19th March 2020 as a response to the Covid-19 pandemic.
- 7.2 Other than providing additional loans to the Council's wholly owned companies (non-treasury investments), the Council did not add to its long-term investment portfolio in 2019/20, as the levels of surplus cash were relatively low in year due to its strategy of using cash funds to fund the Capital Programme ahead of external borrowing. Therefore, any surplus cash was invested on a short-term basis to ensure that it was accessible for in-year cash flow requirements.
- 7.3 The following graph illustrates the interest rate trend throughout 2019/20:

Chart 1. Bank Rate vs LIBID 2019/20



Borrowing Strategy and Control of Interest Rate Risk

- 7.4 As set out above, during 2019/20 the Council maintained an under-borrowed position, i.e. the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow were used as an interim measure. This strategy was prudent as available investment returns were lower than the cost of borrowing and therefore a cost of carry was avoided. An additional benefit was that an increased counterparty risk was avoided by not having to place additional investments.
- 7.5 The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review by the Treasury Management team and the Executive Director of Resources to ensure the Council's financial position in overall terms was protected.
- 7.6 Additional long-term borrowing of £45.000m at an average borrowing rate of 1.80% was taken out from the PWLB during the year to mitigate against future re-financing risk and to meet cashflow requirements. Capital borrowing interest rates were forecast to peak at 3.15% in 2019/20 per the assumptions made in the 2019/20 Budget report approved in February 2019.
- 7.7 PWLB rates are based on, and are determined by, gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. Gilt yields were on a generally falling trend up until March 2020 when the Coronavirus crisis hit western economies. Since then, gilt yields have fallen to unprecedented lows as investors have panicked in selling shares in anticipation of impending recessions and moved cash into safe haven assets i.e. government bonds. At the close of the day on 31 March, all gilt yields from 1 to 5 years were between 0.12 - 0.20% and 25-year yields were 0.83%.
- 7.8 However, HM Treasury imposed two changes to the margins over gilt yields for PWLB rates in 2019/20 without any prior warning; the first on 9 October 2019, added an additional 1% to all PWLB rates. That increase was then partially reversed for some forms of borrowing

on 11 March 2020, at the same time as the Government announced in the Budget a programme of increased spending on infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this ended on 31 July 2020. As at 31st March 2020, the Council was able to borrow 50-year money from the PWLB at 2.38% (General Fund) and 1.38% (HRA) based on the maturity certainty rate. The outcome of the consultation was announced as part of the Spending Review 2020 in November 2020 and effectively reversed the additional 1% that was added in October 2019. However, the PWLB will no longer lend to local authorities who continue to invest in commercial property with the primary aim of generating a financial return. As at 31st December 2020, the Council was able to borrow 50-year money from the PWLB at 1.40% (General Fund & HRA) based on the maturity certainty rate.

- 7.9 There is likely to be little upward movement in PWLB rates over the next two years as interest rates are forecast to remain low due to the need to kickstart the economy in response to the impact of Covid-19. Inflation is also likely to remain low during this period.

8 OTHER ISSUES

International Financial Reporting Standard (IFRS) 9 Financial Instruments - Fair Value of Investments

- 8.1 Local Authorities were required to apply IFRS 9 from 1st April 2018. The aim of this standard is for all financial instruments to be reported on a fair value basis. Following a consultation undertaken by the Ministry of Housing, Communities and Local Government (MHCLG) on IFRS 9, the Government introduced a mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds, following implementation of this standard. The statutory override is effective for all English Local Authorities and applies for five years from 1st April 2018. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.
- 8.2 In 2019/20, the Council had a net unrealised loss of £0.541 million relating to the £15.000 million investment in the CCLA Property Fund. Due to the override being in place, there was no impact on the General Fund.

9 CONTRIBUTION TO STRATEGIC AIMS

- 9.1 The Council's vision is to ensure that Reading realises its potential – and to ensure that everyone who lives and works in Reading can share the benefits of its success. The Council has six priorities which contribute to delivering this vision. The priorities are:
- 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 health, education, culture and wellbeing; and
 - Ensuring the Council is fit for the future.
- 9.2 Delivery of the Council's revenue and capital budgets is essential to ensuring the Council meets its strategic aims and remains financially sustainable going forward. The treasury

management functions are crucial in ensuring that the Council has access to funds when required and in investing surplus funds in secure investments.

10 COMMUNITY ENGAGEMENT AND INFORMATION

10.1 Budget-related communications and consultations will continue to be a priority over the next three years as we work to identify savings.

11 ENVIRONMENTAL AND CLIMATE IMPLICATIONS

11.1 None have been identified as arising directly from this report.

12 EQUALITY IMPACT ASSESSMENT

12.1 None have been identified as arising directly from this report.

13 LEGAL IMPLICATIONS

13.1 None have been identified as arising directly from this report.

14 FINANCIAL IMPLICATIONS

14.1 The financial implications are set out in the body of the report.

15 BACKGROUND PAPERS

- Treasury Management Strategy 2019/20 to Council 26th February 2019
- Treasury Management Strategy 2020/21 to Council 25th February 2020
- Quarter 4 Performance Report 2019/20 to Policy Committee 22nd June 2020

Appendix 1 - Borrowing Portfolio as at 31st March 2020

Loans taken out during 2019/20 are highlighted in yellow.

Lender	Start Date	Maturity Rate	Amount £m	Interest Rate	Annual Interest* £m
Public Works Loan Board (PWLB)					
PWLB	01/10/19	02/10/62	5.000	1.6400%	0.0820
PWLB	01/10/19	01/10/63	5.000	1.6300%	0.0815
PWLB	07/10/19	07/10/66	5.000	1.6300%	0.0815
PWLB	07/10/19	08/10/68	5.000	1.6300%	0.0815
PWLB	11/03/20	25/09/69	15.000	2.0700%	0.3105
PWLB	26/03/18	25/03/68	15.000	2.2800%	0.3420
PWLB	01/04/19	01/04/64	10.000	2.2000%	0.2200
PWLB	13/05/05	25/09/51	2.000	4.1500%	0.0830
PWLB	11/01/06	25/09/55	5.000	3.9000%	0.1950
PWLB	23/01/06	25/09/55	5.000	3.7000%	0.1850
PWLB	23/05/06	25/09/47	2.000	4.2000%	0.0840
PWLB	19/07/06	25/03/52	20.000	4.2500%	0.8500
PWLB	20/09/06	25/09/51	5.000	4.2000%	0.2100
PWLB	28/09/06	25/09/52	10.000	4.0500%	0.4050
PWLB	08/03/07	25/03/53	10.000	4.2500%	0.4250
PWLB	08/03/07	25/03/54	10.000	4.2500%	0.4250
PWLB	05/08/08	25/03/58	2.000	4.4800%	0.0896
PWLB	15/08/08	25/09/57	6.000	4.3900%	0.2634
PWLB	02/12/08	25/09/58	10.000	4.1200%	0.4120
PWLB	17/02/09	25/09/21	0.300	3.0700%	0.0092
PWLB	20/08/09	25/03/59	5.000	4.2000%	0.2100
PWLB	19/08/10	25/03/24	1.360	2.7000%	0.0367
PWLB	31/08/10	25/03/60	10.000	3.9200%	0.3920
PWLB	14/07/11	25/03/26	3.000	3.5900%	0.1077
PWLB	15/09/11	25/03/31	5.500	3.3500%	0.1843
PWLB	28/03/12	25/03/51	12.000	3.5300%	0.4236
PWLB	28/03/12	25/09/26	12.000	2.9700%	0.3564
PWLB	28/03/12	25/03/50	15.000	3.5300%	0.5295
PWLB	28/03/12	25/03/41	15.000	3.4900%	0.5235
PWLB	28/03/12	25/03/61	15.000	3.4800%	0.5220
PWLB	27/09/18	25/09/43	15.000	2.8200%	0.4230
PWLB	27/09/18	27/09/49	15.000	2.7900%	0.4185
PWLB	11/03/19	11/03/66	15.000	2.3800%	0.3570
PWLB	13/03/19	13/03/37	5.000	2.4200%	0.1210
PWLB	13/03/19	13/03/57	5.000	2.4200%	0.1210
PWLB	28/03/12	25/03/32	12.000	3.3000%	0.3960
PWLB	28/03/12	25/09/41	15.000	3.4900%	0.5235
PWLB	28/03/12	25/09/51	3.000	3.5200%	0.1056
PWLB	28/03/12	25/03/62	15.000	3.4800%	0.5220
PWLB	28/03/12	25/03/41	21.000	2.9900%	0.6279
PWLB	28/03/12	28/03/22	4.821	0.4800%	0.0231
Total PWLB Loans			366.981		11.760

Lender	Start Date	Maturity Rate	Amount £m	Interest Rate	Annual Interest* £m
Temporary Short-term Loans					
Liverpool City Region Combined Authority	19/03/20	20/04/20	10.000	0.9000%	0.0900
LOBO/Other Loans					
Eurohypotheken	19/05/05	19/11/54	5.000	4.3200%	0.2160
Barclays Bank plc	06/12/05	06/12/55	5.000	3.9900%	0.1995
Bayerische Landesbank	20/09/07	20/12/77	5.000	4.1800%	0.2090
Bayerische Landesbank	20/09/07	20/12/77	5.000	4.1800%	0.2090
Eurohypotheken	24/09/07	24/09/77	5.000	4.2000%	0.2100
Dexia	30/01/08	31/01/78	5.000	4.1900%	0.2095
Total LOBO/Other Loans			30.000		1.253
Total - All Loans			406.981		13.103

*Annual interest – Total amount of annual interest payable per loan outstanding as at 31 March 2020. This won't equal the amount of interest paid during 2019/20 – as the total loan portfolio has changed during the year.

Appendix 2 - Investment Portfolio as at 31st March 2020

Borrower	Amount £m	Interest rate	LAS Credit Rating
Treasury Investments			
Santander UK plc	1.000	0.40%	A
SLI Sterling Liquidity/CI 2	19.180	0.48%	AAA
Federated Prime Rate Sterling Liquidity 4	4.735	0.41%	AAA
CCLA Local Authorities Property Fund	15.000	4.82%	N/a
Total Treasury Investments	39.915		
Non-Treasury Investments			
Brighter Futures for Children Ltd	5.000	1.34%	N/a
Homes for Reading Ltd	0.600	2.92%	N/a
Homes for Reading Ltd	1.100	3.25%	N/a
Homes for Reading Ltd	0.400	3.38%	N/a
Homes for Reading Ltd	0.800	3.59%	N/a
Homes for Reading Ltd	0.700	3.58%	N/a
Homes for Reading Ltd	0.800	3.62%	N/a
Homes for Reading Ltd	0.800	3.57%	N/a
Homes for Reading Ltd	2.000	3.48%	N/a
Homes for Reading Ltd	3.000	3.41%	N/a
Homes for Reading Ltd	4.000	3.19%	N/a
Homes for Reading Ltd	2.000	3.38%	N/a
Homes for Reading Ltd	1.300	3.51%	N/a
Homes for Reading Ltd	7.000	3.75%	N/a
Reading Transport Ltd	4.609	5.00%	N/a
Reading Transport Ltd	0.500	5.00%	N/a
Reading Transport Ltd	0.490	5.00%	N/a
Reading Transport Ltd	0.207	5.00%	N/a
Reading Transport Ltd	0.164	5.00%	N/a
Reading Transport Ltd	0.151	5.00%	N/a
Total Non-Treasury Investments	35.621		
Total Investments*	75.536		

*Values above do not include lease agreements with Reading Transport Ltd.

REPORT BY EXECUTIVE DIRECTOR OF RESOURCES**TO: AUDIT & GOVERNANCE****DATE: 28th JANUARY 2021****TITLE TREASURY MANAGEMENT STRATEGY MID-YEAR REVIEW 2020/21****LEAD COUNCILLOR: COUNCILLOR BROCK****PORTFOLIO: ALL****SERVICE: FINANCIAL SERVICES****WARDS: BOROUGHWIDE****LEAD OFFICER: PETER ROBINSON****JOB TITLE: ASSISTANT DIRECTOR OF FINANCE****E-MAIL:****peter.robinson@reading.gov.uk****1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1 The Council adopted a Treasury Management Strategy and an Annual Investment Strategy for 2020/21 at its meeting on 25th February 2020.
- 1.2 The purpose of this report is to update Members on the activity of the Treasury Management function during the first half of the year for the period 1st April 2020 to 30th September 2020.
- 1.3 The Council has not taken out any new external long-term borrowing (loans) during 2020/21 as of 30th September 2020.
- 1.4 The Council has complied with all elements of its Treasury Management Strategy Statement (TMSS) as agreed by Full Council on 25th February 2020.

2. RECOMMENDED ACTION**That the Committee note:**

- 2.1 The Treasury Management Mid-Year Report for 2020/21.

APPENDICES

Appendix 1 - Economics Update

Appendix 2 - Investment Criteria & Limits

3. INTRODUCTION

3.1 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An Interest Rates Forecast
- A review of the Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2020/21;
- A review of the Council's borrowing strategy for 2020/21;
- A review of any debt rescheduling undertaken during 2020/21;
- A review of compliance with Treasury and Prudential Limits for 2020/21;
- An economic update for the first half of the 2020/21 financial year (Appendix 1).

4 INTEREST RATES FORECAST

4.1 The coronavirus outbreak has had a significant economic impact on both the UK and global economies. The Bank of England took emergency action in March to cut Bank Rate to 0.10%, and it has remained unchanged since then following subsequent meetings of the Monetary Policy Committee (MPC) in August and September 2020. No increase in Bank Rate is expected within the forecast horizon ending on 31st March 2023 as economic recovery is expected to be a prolonged and gradual process.

Gilt Yields/PWLB Rates.

- 4.2** After gilt yields spiked during the initial phases of the Covid pandemic in March 2020, yields have fallen to unprecedented lows as major western central banks took rapid action to deal with excessive stress in financial markets and started massive quantitative easing purchases of government bonds. Bond yields have also reduced due to the significant increase in issuance to finance Government expenditure. At the close of trading on 30th September 2020, all gilt yields between 1 to 6 years were negative, while 25-year yields were at only 0.76% and 50 year at 0.60%.
- 4.3** As part of the Spending Review in November 2020, the Government announced; following consultation earlier in the year, that it will reform the Public Works Loan Board (PWLB) lending terms, effectively reversing the additional 1% over gilts it had imposed in October 2019. However, the PWLB will no longer lend to local authorities who invest primarily with the aim of generating a financial return.
- 4.4** Current UK interest rate forecasts (including the 20-basis point certainty rate reduction) are outlined in the following table:

Table 1. Interest Rate Forecasts

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
	%	%	%	%	%	%	%	%
Bank Rate	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
5-year PWLB	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90
10-year PWLB	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20
25-year PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70
50-year PWLB	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50

4.5 As Table 1 above shows, there is likely to be little upward movement in PWLB rates over the next two years as it will take economies, including the UKs, a prolonged period to recover the momentum lost as a result of the coronavirus pandemic. Similarly, inflation is also likely to be very low during this period.

The Balance of Risks to the UK

4.6 The Bank of England has effectively ruled out the use of negative interest rates in the near term and as set out above, increases in Bank Rate are likely to be several years hence given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and thus PWLB rates), in the UK.

4.7 Downside risks to current forecasts include the impact of:

- Further national lockdowns
- Significant economic disruption caused by Brexit and associated trade deals.
- A resurgence of the Eurozone sovereign debt crisis.
- Minority EU governments: Germany, Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium have vulnerable minority governments dependent on coalitions which could prove fragile which may adversely impact both their own and the wider EU economy which will have ramifications for the UK.
- Geopolitical risks, for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

4.8 Upside risks to current forecasts include:

- A stronger than currently expected recovery in UK economy.
- The Bank of England being slow to revise Bank Rate resulting in inflationary pressures building up too strongly, which then necessitates a later rapid series of interest rate increases in Bank Rate faster than we currently expect in order to control inflation.

5 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY UPDATE

5.1 The Treasury Management Strategy Statement, (TMSS), for 2020/21 was approved by Full Council on 25th February 2020.

- 5.2 There are no policy changes required to the TMSS. This report sets out the Council's position compared to the TMSS in the light of the updated economic position, budgetary changes already approved and revised in-year forecasts of capital expenditure.

6 THE COUNCIL'S CAPITAL POSITION (PRUDENTIAL INDICATORS)

Prudential Indicators for Capital Expenditure

- 6.1 Tables 2 and 3 below show the Council's forecast capital expenditure compared to the Capital Programme agreed in February 2020, including the removal of the £80.000m budget in respect of Purchase of Commercial Property which was recommended as part of the Quarter 2 Monitoring Report, subsequently agreed by Policy Committee at its December meeting.

Table 2. General Fund Capital Programme

General Fund	2020/21 Original Budget	2020/21 Forecast (30 th September 2020)
	£m	£m
Adult Social Care & Health Services	1.405	1.022
Economic Growth & Neighbourhood Services	52.797	43.355
Economic Growth & Neighbourhood Services - Education Schemes	19.024	15.104
Resources	8.051	8.658
Corporate	89.169	6.321
Total General Fund	170.446	74.460

Table 3. HRA Capital Programme

Housing Revenue Account	2020/21 Original Budget	2020/21 Forecast (30 th September 2020)
	£m	£m
Housing Revenue Account	34.974	21.360
Total Housing Revenue Account	34.974	21.360

Changes to the Financing of the Capital Programme

- 6.2 Tables 4 and 5 below identify the expected financing arrangements of the Council's capital expenditure plans. The Borrowing Requirement increases the underlying indebtedness of the Council by increasing the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). It should be noted that borrowing may also need to be taken out to replace maturing debt or for cashflow purposes.

Table 4. Financing of the General Fund Capital Programme

General Fund	2020/21 Original Budget	2020/21 Forecast (30 th September 2020)
	£m	£m
Total Capital Expenditure	170.446	74.460
Financed by:		
Capital Receipts	11.004	5.550
Capital Grants and other Contributions	55.652	49.343
Total Financing	66.656	54.893
Net Borrowing Requirement	103.790	19.567

Table 5. Financing of the HRA Capital Programme

Housing Revenue Account	2020/21 Original Budget	2020/21 Forecast (30 th September 2020)
	£m	£m
Total Capital Expenditure	34.974	21.360
Financed by:		
Capital Receipts	2.300	2.166
Capital Grants and other Contributions	4.712	2.000
Capital Reserves	8.064	8.064
Revenue	0.604	0.327
Total Financing	15.680	12.557
Net Borrowing Requirement	19.294	8.803

Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

- 6.3 Table 6 shows the Council's CFR, which is its total underlying indebtedness. It also shows the maximum expected debt position over the period, which is termed the Operational Boundary. The main reason for the significant reduction in the estimated CFR is the approved removal of the £80.000m budget relating to the purchase of commercial property from the Capital Programme as recommended in the Quarter 2 Performance and Monitoring Report to Policy Committee (14th December 2020).

Table 6. Capital Financing Requirement and Operational Boundary

	2020/21 Original Estimate	2020/21 Forecast (30 th September 2020)
	£m	£m
Prudential Indicator - Capital Financing Requirement		
CFR - General Fund	495.865	418.611
CFR - HRA	210.798	194.433
Total CFR	706.663	613.044
Prudential Indicator - Operational Boundary for External Debt		
Borrowing	706.663	613.044
Headroom	20.000	20.000
Total Debt	726.663	633.044

Limits to Borrowing Activity

- 6.4 Over the medium term, net borrowing (borrowings less investments) should only be for capital purposes. Gross external borrowing should not, except in the short term, exceed the total of the Council's CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent. However, as stated above the Council's Capital Programme has been significantly scaled back in-year as the purchase of commercial property scheme has been removed and other capital schemes have had delivery impacted by Covid-19, so it is unlikely in the current year.

Table 7. Capital Financing Requirement and Actual Borrowing

	2020/21 Original Estimate	2020/21 Forecast (30 th September 2020)
	£m	£m
Borrowing	469.458	395.711
Other Long-Term Liabilities	25.401	25.401
Total Debt	494.859	421.112
CFR (year end position)	706.663	613.044
Over/(under) Borrowing		(191.932)

- 6.5 The Authorised Borrowing Limit is the expected maximum borrowing need with some headroom for unexpected movements. This is a statutory limit determined under section 3 (1) of the Local Government Act 2003 and sets the limit beyond which borrowing is prohibited without Member approval. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. Table 8 below sets out the current forecast against the Authorised Limit.

Table 8. Authorised Limit

	2020/21 Original Indicator	2020/21 Forecast (30 th September 2020)
	£m	£m
Borrowing	726.663	633.044
Other Long-Term Liabilities	40.000	40.000
Total Authorised Limit	766.663	673.044

7 BORROWING

- 7.1 The Council's estimated capital financing requirement (CFR) for 2020/21 as at 30th September 2020.9 is £613.044m. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing) to fund capital expenditure. The balance of external and internal borrowing is generally driven by market conditions. Table 7 above shows that the Council has external borrowing (including prior year borrowing) of £421.112m and has utilised £191.932m of cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring in the event that any upside risk to gilt yields prevails and further borrowing becomes more advantageous.

7.2 Due to the increase in PWLB rates in October 2019, the subsequent consultation on these rates by HM Treasury - which ended on 31st July 2020 and the significant reduction in the Council's Capital Programme in respect of commercial property investment, the Council has not undertaken any new long-term PWLB borrowing during 2020/21. It is possible that the Council may need to borrow at the end of the financial year, however the current expectation is that this would be met by temporary or short-term borrowing. The Council's Borrowing Strategy will be reviewed and revised as part of the Treasury Management Strategy Statement 2021/22 in order to achieve optimum value and risk exposure in the long-term.

8 DEBT RESCHEDULING

8.1 Debt rescheduling is currently not attractive due to the associated high cost premiums of rescheduling PWLB loans outweighing any potential savings. No debt rescheduling has therefore been undertaken to date in the current financial year.

9 COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS

9.1 During the half year ended 30th September 2020, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2020/21. The Executive Director of Resources reports that no difficulties are envisaged for the current or future years in complying with these indicators.

9.2 All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

10 ANNUAL INVESTMENT STRATEGY

10.1 The Treasury Management Strategy Statement (TMSS) for 2020/21, which includes the Annual Investment Strategy, was approved by the Council on 25th February 2020. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

10.2 The Council aims to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep treasury investments short term to cover cash flow needs, but also to seek out value available in periods up to twelve months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including minimum sovereign credit rating and Credit Default Swap (CDS) overlay information. As shown by the interest rate forecasts in section 4, it is now impossible to achieve the level of returns on investments commonly seen in previous decades as all investment rates are barely above zero now that Bank Rate is at 0.10%, while some entities, including more recently the Debt Management Account Deposit Facility (DMADF), are offering negative rates of return in some shorter time periods. Given increases in Bank Rate are unlikely to occur before the end of the current forecast horizon of 31st March 2023, investment returns are expected to remain low. In large part this is due to the fact that as part of the response to the pandemic and lockdown, the Bank of England and Government have provided financial markets and businesses with plentiful

access to credit, either directly or through commercial banks. In addition, the Government has provided significant grant funding to local authorities to help deal with the Covid crisis; this has caused some local authorities to have sudden large increases in cash balances, albeit temporarily, searching for an investment home.

- 10.3 Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has led to significant sums of money being invested at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short-term maturities. This is not universal, and Money Market Funds are still offering a marginally positive return, as are a number of financial institutions.
- 10.4 Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash in the system and authorities natural forecasting prudence.

Creditworthiness

- 10.5 Although the credit rating agencies changed their outlook on many UK banks from stable to negative outlook during the quarter ended 30th June 2020 due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings remained unchanged due to the continuing strong credit profiles of UK banks. However, during Q1 and Q2 of 2020, banks made provisions for expected credit losses and the rating changes reflected these provisions. Rating agencies will review their initial rating adjustments throughout the remainder of the current year, and these adjustments could be negative or positive, although it should also be borne in mind that UK banks went into this pandemic with strong balance sheets. Indeed, the Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.
- 10.6 All three rating agencies have reviewed banks around the world with similar results in many countries of most banks being placed on negative watch, but with a small number of actual downgrades.
- 10.7 Link, the Council's treasury management advisors, have conducted some stress testing on their credit methodology-based list of counterparties supplied to clients, to test for the results of a 1 notch downgrade to all Long-Term Ratings from all agencies. Under such a scenario, only Commerzbank, Norddeutsche Landesbank, NatWest Markets Plc (non-ring-fenced entity), Leeds, Skipton and Yorkshire Building Societies moved from Green (maximum suggested duration of 100 days) to No Colour (not to be used). While there are a further 17 drops in other entities' suggested durations, in these instances, these entities still remain potentially available for use. (Note that this scenario excludes any additional impact from relative movement in CDS pricing).
- 10.8 The current investment counterparty criteria selection approved in the TMSS, and attached as Appendix 2, is meeting the requirement of the treasury management function.

Investment Balances

- 10.9 The average level of funds available for investment purposes during the year to 30th September 2020 was £17.136m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and Capital Programme expenditure.

Table 9. Investment Performance Year to Date as at 30th September 2020

Period	LIBID Benchmark Return	Council Performance	Investment Interest Earned
	%	%	£m
7 Day	(0.06)	0.22	0.037

- 10.10 The Council also has £15.000m invested in the CCLA Property Fund which is a long-term investment and has received an income of £0.300m over the six-month period to September 2020. The total return on the fund is 3.95%.
- 10.11 Officers can confirm that the approved limits within the Annual Investment Strategy (attached as Appendix 2) were not breached during the quarter ended 30th September 2020.

11 CONTRIBUTION TO STRATEGIC AIMS

- 11.1 The Council's vision to ensure that Reading realises its potential – and to ensure that everyone who lives and works in Reading can share the benefits of its success. The Council has six priorities which contribute to delivering this vision. The priorities are:
- 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 health, education, culture and wellbeing; and
 - Ensuring the Council is fit for the future.

- 11.2 Delivery of the Council's revenue and capital budgets is essential to ensuring the Council meets its strategic aims and remains financially sustainable going forward. The treasury management functions are crucial in ensuring that the Council has access to funds when required and in investing surplus funds in secure investments.

12 COMMUNITY ENGAGEMENT AND INFORMATION

- 12.1 Budget-related communications and consultations will continue to be a priority over the next three years as we work to identify savings.

13 ENVIRONMENTAL IMPACT

- 13.1 None have been identified as arising directly from this report.

14 EQUALITY IMPACT ASSESSMENT

- 14.1 None have been identified as arising directly from this report.

15 LEGAL IMPLICATIONS

- 15.1 None have been identified as arising directly from this report.

16 FINANCIAL IMPLICATIONS

16.1 The financial implications are set out in the body of the report.

17 BACKGROUND PAPERS

- Treasury Management Strategy 2020/21
- Quarter 2 Performance Report 2020/21

Appendix 1 - Economics Update

1. As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 6th August at 0.10%. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:
 - The fall in GDP in the first half of 2020 was revised from 28% to 23% (subsequently revised to -21.8%). This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services - an area which was particularly vulnerable to being damaged by lockdown.
 - The peak in the unemployment rate was revised down from 9% in Q2 to 7.5% by Q4 2020.
 - It forecast that there would be excess demand in the economy by Q3 2022 causing CPI inflation to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.
2. The MPC expected the £300bn of quantitative easing purchases announced between its March and June meetings to continue until the "turn of the year". This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.
3. In conclusion, this would indicate that the Bank could now just sit on its hands as the economy was recovering better than expected. However, the MPC acknowledged that the "medium-term projections were a less informative guide than usual" and the minutes had multiple references to downside risks, which were judged to persist both in the short and medium term. One has only to look at the way in which second waves of the virus are now impacting many countries including Britain, to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down of the initial generous furlough scheme through to the end of October is another development that could cause the Bank to review the need for more support for the economy later in the year. Admittedly, the Chancellor announced in late September a second six-month package from 1st November of government support for jobs whereby it will pay up to 22% of the costs of retaining an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the hospitality industry. However, this is a much less generous scheme than the furlough package and will inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid-September.
4. Overall, the pace of recovery is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more quantitative easing.
5. There will be some painful longer-term adjustments as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.

6. One key addition to the Bank's forward guidance was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate - until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate
7. The Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

Appendix 2 - Investment Criteria & Limits

	Credit Rating	Cash Limit	Time Limit
Banks and organisations and securities whose lowest long-term credit rating published by Fitch, Moody's or Standard & Poor is:	AAA	£20m each	5 Years
	AA+		3 Years
	AA		
	AA-		2 Year
	A+		
	A		
	A-		1 Year
The Council's current account, Lloyds Bank Plc should circumstances arise when it does not meet above criteria	N/A	£1m	Next Day
UK Building Societies without credit rating	N/A	£10m	1 Year
UK Government (irrespective of credit rating)	N/A	Unlimited	50 Years
UK Local Authorities (irrespective of credit rating)	N/A	£20m each	50 Years
UK Registered Providers of Social Housing whose published long-term credit rating is A- or higher	A-	£5m	2 Years
UK Registered Providers of Social Housing whose published long-term credit rating is lower than A- or without a long-term credit rating	N/A	£2m	1 Year
	Fund rating	Cash Limit	Time
Money Market Funds	AAA	£20m	liquid
Pooled Funds (including pooled property funds)	AAA	£20m	liquid

Other Limits

- a) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments at £20m maximum.
- b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch or equivalent.
- c) **Other limits.** In addition:
 - no more than £20m will be placed with any non-UK country at any time;
 - limits in place above will apply to a group of companies;
 - sector limits will be monitored regularly for appropriateness.

Upper limit for principal sums invested for longer than 365 days

	2020/21	2021/22	2022/23
Principal sums invested for longer than 365 days	£20m	£20m	£20m

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Agenda Item 7

READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR OF RESOURCES

TO:	AUDIT AND GOVERNANCE COMMITTEE		
DATE:	28 JANUARY 2021		
TITLE:	INFORMATION GOVERNANCE QUARTERLY UPDATE		
LEAD COUNCILLOR:	CLLR ELLIE EMBERSON	PORTFOLIO:	CORPORATE AND CONSUMER SERVICES
SERVICE:		WARDS:	ALL
LEAD OFFICER:	MICHAEL GRAHAM	TEL:	
JOB TITLE:	ASSISTANT DIRECTOR LEGAL AND DEMOCRATIC SERVICES	E-MAIL:	michael.graham@reading.gov.uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report outlines the actions in progress to improve the Council's policies, systems and processes for better Information Governance.
- 1.2 This is the first such report to Audit and Governance Committee and was requested at the last meeting.
- 1.3 In the last two years, the Committee has received a number of limited assurance reports in this field and work is needed to address the underlying issues:
 - Freedom of Information
 - Data Transparency
 - Records Management
- 1.4 Actions are in hand to address these issues and in this report members are advised on recent and future actions to improve our overall performance in Information Governance.

2. RECOMMENDED ACTION

Audit and Governance Committee is asked:

- 2.1 To note the progress outlined in this report.
- 2.2 To identify matters of interest for future reports.

3. POLICY CONTEXT

- 3.1 The Council has established six corporate priorities (which were refreshed in Spring 2019) and cover the period 2018-21. These priorities are:
 - 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 health, education, culture & wellbeing
 - Ensuring the Council is fit for the future
- 3.2 Full details of the Council's plan and the actions which will deliver these priorities are published on the [Council's website](#). These priorities and the Corporate Plan demonstrate how the Council meets its legal obligation to be efficient, effective and economical. This report concerns Information as a corporate resource and is relevant to the Corporate Priority, "Ensuring the Council is fit for the Future".
- 3.3 Data is playing an increasing role in designing, delivering and transforming public services to improve outcomes for customers and drive efficiencies within current financial constraints.
- 3.4 The Local Government Association describe the value of data to public services as facilitating:
- The design of services around user needs
 - The engagement and empowerment of citizens to build their communities
 - Efficiencies and public service transformation
 - Economic and social growth
 - Greater transparency and accountability
- 3.5 Effective information governance is a key requirement for the Council which has duties to be both open and transparent whilst at the same time protecting the confidential information it holds about people and businesses. How it collects, uses, stores, shares and destroys personal data is governed by the Data Protection Act. The Council also has to comply with Freedom of Information Act, the Environmental Information Regulations and the Access to Information Act in relation to its records. Compliance is monitored by the Information Commissioner who has wide ranging powers including the ability to impose considerable financial penalties for breaches of the Data Protection Act.

4. UPDATE

- 4.1 Historically, the Council has not paid enough attention to Information Governance as an over-arching concept and strategy. It has focussed on compliance with legal duties in areas such as data protection, confidentiality of customer information etc. It also concentrated on making sure its networks were secure and safe. However, it is fair to say that the Council did not employ a dedicated team to help it achieve a comprehensive approach to the management of information. Following on from the limited assurance report in relation to Freedom of Information Requests, such a team has now been brought together. A number of initiatives have been implemented in the last calendar year to assist the Council improve its Information Governance these are set out below.

Restructure

- 4.2 Following a report to this Committee in Sept 2019 which outlined limited assurance in answering Freedom of Information requests a restructure took place in Spring 2020 which brought together the Customer Relations Team and those staff from Legal working on Information Governance issues. This brought the oversight of all FOIs, Subject Access Requests, complaints, MP letters and Ombudsman matters together allowing for better management and oversight. The new team was operational from 22 June 2020.
- 4.3 A Customer Relations Team Leader has been recruited which will give additional capacity to the Customer Relations and Information Governance Manager to address

some of the longer-term information governance matters which are identified in the draft Information Management Strategy (which is discussed below).

- 4.4 The FOI and Subject Access service was temporarily stood down at the start of the first pandemic lockdown. The logic of this was to allow officers in front-line Services (who normally have to provide the answers to the requests) to concentrate on the response to the Pandemic. Customers' requests were still logged and acknowledged by the central team and customers were advised of the delay in responding. The Service resumed on 22 June 2020 and set about catching up with FOIs which had been logged. Staff caught up with the outstanding FOIs over the summer. Since June 2020 there has been no "pandemic effect" on the central service. However it is likely that officers in front-line services have experienced some additional pressures over the summer and autumn which has manifested itself in slower response times overall.
- 4.5 An Annual Report for the Audit and Governance Committee showing the performance in all such information requests (FOIs, Subject Access Requests, Complaints, Ombudsman queries, Cllr enquiries) in 20/21 will be presented at your April 2021 meeting. This will give a better view about performance response times during the year.

Information Governance Board

- 4.6 In April 2020, an officer Information Governance Board was established with the purpose of overseeing and implementing an Information Management Strategy. The Board is Chaired by the Assistant Director of Legal and Democratic Services as the Council's Senior Information Risk Owner. There is wide representation on the Board from different Services and Brighter Futures for Children Ltd. (The rationale for including BFFC is that the Council manages a great deal of their information. However, the Company is also now reviewing the steps it needs to take to oversee its own Information Governance arrangements. It is anticipated that there will still be strong alignment between the Council's Board and the Company going forward).

Information Management Strategy

- 4.7 The IG Board is currently preparing an Information Management Strategy and Action Plan which outlines the Council's proposed approach to information management and governance. This draft strategy identifies a number of workstreams. Resource has been provided from the Project Management Office to enable progress on these workstreams. The Project Manager is working with the Information Governance team in order to focus attention on a number of workstreams which are seen as priority and which will provide a good foundation and a springboard to work on the remaining workstreams thereafter. The initial workstreams relate to:
 - Records management and destruction
 - Security policies, hosting and guidance
 - Training and development
- 4.8 The Strategy and Action Plan will be presented to Policy Committee for approval. I will however bring an update to your April meeting for members information. This will allow members to consider their preferred ways to monitor the success of the Strategy and Action Plan.

Other Board Actions

- 4.7 The Board has reviewed the Breach Management Policy, for dealing with breaches of the Data Protection Act, and the Subject Access Request Policy which outlines how customers can access their data from the Council. These are viewed as internal operational policies and not signed off by Policy Committee. Work is currently in hand

to review the processes for dealing with Complaints handling, MP enquiries, councillor enquiries, and Freedom of Information Act Requests (in line with Audit recommendations).

- 4.8 The Board, meeting monthly, also reviews Cyber Security Incidents and possible breaches of the Data Protection Act which may need to be reported to the Information Commissioner. Where any subsequent actions are identified then these are monitored.
- 4.9 The Board approved the Cyber Security training which is currently rolled out for all staff and members through Learning Pool e-learning package. The Board is also monitoring the uptake of this training and will review its effectiveness in due course. The Board will also receive a report in due course on wider issues affecting the Council's Cyber Security.
- 4.10 For members information, as of the date of dispatch x% of clrs have completed their cyber security training and x% of officers have completed their training). These figures are too low and actions are in hand to improve the take-up of the training.
- 4.11 The Board has reviewed the Strategic and Directorate Risk registers as they relate to Information Governance risks. Discussion across the Board members concluded that the risks were not as catastrophic as currently described and therefore (i) the Strategic Risks would be adjusted and (ii) the Directorate Risk would be removed as it essentially a duplication of the Strategic Risk. The Board will keep the risk management of Information Governance under review. The preparation of an Information Management Strategy and Action Plan will help to inform the risks in this area.
- 4.12 The Board has also reviewed the Audit Tracker as it relates to Information Governance issues and satisfied itself that actions which are in hand to deliver the recommendations from past audits.
- 4.13 The Board is overseeing the Council's re-accreditation to the NHS IG Toolkit. This is a Department of Health (DH) Policy delivery vehicle that the Health and Social Care Information Centre (HSCIC) maintain. It draws together the legal rules and central guidance set out by Department of Health and presents them in a single standard as a set of information governance requirements. Organisations are required to carry out self-assessments of their compliance against these IG requirements before they are allowed to access NHS data. The Council has signed up to comply with the Tool-Kit by July 2021.

Next Steps

- 4.14 In addition to the Strategy and Action Plan which has been referred to, I will also review the resource and effectiveness of the Board and the new team to ensure that we can deliver for the future. We need to ensure we have the right expertise and capacity to deliver for the future. We have started to make traction in this field. However, there is a great deal more to accomplish if we are to hit the objectives suggested by the LGA (see para 3.4 above). We will also investigate assistance from peers in local government who may be able to help us review our current situation and progress.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 The purpose of Information Governance is cross-cutting and relevant to all Services of the Council and to all of our public facing services which collect and retain data about the public. The role of Information Governance contributes to the Corporate Priority of "Ensuring the Council is fit for the future".

6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 6.1 The Council declared a Climate Emergency at its meeting on 26 February 2019 (Minute 48 refers).
- 6.2 There is nothing within this report which is of relevance for the Council's strategic priority of Climate Change.

7. COMMUNITY ENGAGEMENT AND INFORMATION

- 7.1 Section 138 of the Local Government and Public Involvement in Health Act 2007 places a duty on local authorities to involve local representatives when carrying out "any of its functions" by providing information, consulting or "involving in another way".
- 7.2 It is not anticipated that there will be public consultation on the Information Management Strategy or Action Plan. It will however be in the public domain at Policy Committee and this Committee, and I anticipate members will wish to receive regular updates at this Committee. This will ensure that progress in this field is visible to residents.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 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;
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 8.2 An Equality Impact Assessment (EIA) is not relevant to this report. All citizens have rights to information and there is no evidence that any section of the community is disadvantaged in accessing those rights under the current service provision. There is no reason to think that any section of society will be adversely affected by the roll-out of better Information Governance and an Information Management Strategy within the Council.

9. LEGAL IMPLICATIONS

- 9.1 The Council is required to comply with a number of information governance regulations including the Data Protection Act and the Freedom of Information Act. Effective governance, policies and practices are essential to minimising the risk of data protection breaches and to help ensure the appropriate handling of information requests. Failure to do so could result in regulatory action being taken against the Council.

10. FINANCIAL IMPLICATIONS

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

11. BACKGROUND PAPERS

- 11.1 There are none

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Reading Borough Council and Group Draft audit planning report

Year ended 31 March 2019

15 January 2021



Private and Confidential

15 January 2021



Dear Audit & Governance Committee Members

We are pleased to attach our Draft Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This Provisional Audit Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council and outlines our planned audit strategy in response to those risks. Our planning procedures remain ongoing; we will inform the Audit & Governance Committee if there are any significant changes or revisions once we have completed these procedures and will provide an update to the next meeting of the Committee.

This report is intended solely for the information and use of the Audit & Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 28 January 2021 as well as understand whether there are other matters which you consider may influence our audit. At that meeting we will also be able to update you on the progress being made with the 2018/19 audit and our plans for completing the audit.

Yours faithfully

Maria Grindley

Associate Partner

For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The 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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit & Governance Committee and management of Reading Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit & Governance Committee, and management of Reading Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit & Governance Committee and management of Reading Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01

Overview of our 2018/19 audit strategy





Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit & Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud in revenue and expenditure recognition – incorrect capitalisation of revenue expenditure	Fraud risk/ Significant risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. 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. From our initial planning we believe this risk manifests itself in the incorrect capitalisation of revenue expenditure.
Qualified Accounts 2017/18 - Corporate Support Services, income; Environment and Neighbourhood Services, Income and expenditure; Short-term Creditors; IAS19 pension liability, employer costs and actuarial adjustments	Significant risk	Partial change in risk or focus	<p>The 2017/18 audit resulted in a qualified audit opinion on a number of different significant accounts listed in the left column and also Pensions (IAS 19) Scheme related amounts. The qualification arose, in the main, as a result of material errors and uncertainties arising from the audit in 2017/18. A number of these arose from historical system issues. We will need to revisit these areas as part of the 2018/19 audit and to understand any changes and improvements made. We also need to consider the opening balances on these accounts, where applicable, as the inability to gain assurance over the closing balances in 2017/18 will also have implications for the opening balances in 2018/19. We deal with the Pensions issue separately below as a separate Significant Risk.</p> <p>As part of the assurance process in place between auditors there is an agreed process for the provision of information between the auditors of the relevant Pension Fund and the auditors of admitted bodies of the Pension Fund. Reading Borough Council is an admitted body of the Royal Berkshire Pension Fund which in 2017/18 was audited by KPMG. At the time of our 2017/18 audit, KPMG were no longer the auditor of the Royal Berkshire Pension Fund and despite requests for their assistance from EY they confirmed they were not in a position to provide EY with the relevant IAS 19 Assurance Letter for 2017-18. This led to a qualification of the IAS19 pension liability and related amounts in the CIES. This was solely an issue with the ex-auditors of the Pension Fund. We will communicate with the new auditors of the Pension Fund to ensure that we can obtain the requisite assurances for 2018-19.</p>
IAS 19 Assurance Process, Pension liabilities and other related amounts	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme with administration provided by Royal Borough of Windsor and Maidenhead on behalf of the Royal Berkshire Pension Fund. The Council uses the services of Barnett Waddingham, an actuarial expert, to support them with the actuarial assumptions and disclosures supporting the IAS 19 figures. Due to the significant estimation and judgements involved, we assess the IAS19 figures to carry a higher inherent risk.



Overview of our 2018/19 audit strategy (continued)

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit & Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Valuations of Property, Plant and Equipment (PPE) and Investment Property (IP)	Inherent risk	No change in risk or focus	The carrying amount of PPE and the fair value of IP represent significant balances in the Council's accounts and are subject to impairment reviews, depreciation charges and valuation changes, respectively. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is an inherent risk of material misstatement.
PFI Long-Term Liabilities and Deferred Income	Inherent risk	No change in risk or focus	The Council's PFI Long-Term Liability is a material liability which is calculated by a modeller into which the Council inputs assumptions. The assumptions entered into the model are a form of management estimate, which triggers a higher inherent risk.
IFRS 9 and IFRS 15 implementation	Inherent risk	New area of audit focus	IFRS9 (Financial Instruments) and IFRS15 (Revenue from Contracts) came into effect for Local Authority Accounts in 2018/19. At the time of our 2017/18 final audit work, the Authority had not conducted any preliminary work to position itself for either standard and the impact was therefore unclear. A detailed impact assessment will therefore be needed for both new standards.
Group accounts: differences in accounting policies of the components	Inherent risk	New area of audit focus	We are aware that all the subsidiaries follow FRS102 for their accounts preparation, while the Council's group accounts follow the CIPFA Code, supported by IFRS. There is a higher inherent risk that the consolidated figures might not be harmonised to comply with the Group accounting policies.
Going concern disclosures	Inherent risk	No change in risk or focus	We consider that the unpredictability of the current environment gave rise to a risk that the Council would not appropriately disclose the key factors relating to going concern, underpinned by management's assessment with particular reference to Covid-19 and the Council's actual year end financial position and performance.



Overview of our 2018/19 audit strategy (continued)

Group Materiality

Planning materiality
£5.525m

Materiality has been set at £5.525m, which represents 1% of the group's gross expenditure on provision of services as per 2018/19 unaudited accounts. This is consistent with the threshold applied in the prior year.

Performance materiality
£2.763m

Performance materiality has been set at £2.763m, which represents 50% of group planning materiality. This is consistent with the threshold applied in the prior year.

Audit differences
£0.276m

We will report all uncorrected misstatements relating to the group statements (group comprehensive income and expenditure statement, group balance sheet, group movement in reserves statement, group cash flow statement) greater than £0.276m. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit & Governance Committee.



Overview of our 2018/19 audit strategy (continued)

Single-entity Materiality

Planning materiality
£5.291m

Materiality has been set at £5.291m, which represents 1% of the gross expenditure on provision of services as per 2018/19 unaudited accounts. This is consistent with the threshold applied in the prior year.

Performance materiality
£2.645m

Performance materiality has been set at £2.645m, which represents 50% of planning materiality. This is consistent with the threshold applied in the prior year.

Audit differences
£0.264m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, housing revenue account, collection fund) greater than £0.264m. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit & Governance Committee.



Overview of our 2018/19 audit strategy (continued)

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Reading Borough Council give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

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Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Reading Borough Council's audit, we will discuss these with management as to the impact on the scale fee.



02 Audit risks



Our response to significant risks

Risk of fraud in revenue and expenditure recognition - Inappropriate capitalisation of revenue expenditure

Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts.

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As identified in ISA (UK) 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 otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What is the risk?

Local authorities have a statutory duty to balance their annual budget and are operating in a financially challenged environment with reducing levels of government funding and increasing demand for services.

Achievement of budget is critical to minimizing the impact and usage of the Council's usable reserves and provides a basis for the following year's budget. Any deficit outturn against the budget is therefore not a desirable outcome for the Council and management, and therefore this desire to achieve the budget increases the risk that the financial statements may be materially misstated.

Whilst there is no more than normal pressure on the Council to meet the outturn position, due to the size of the capital programme there is a risk of inappropriate capitalisation of revenue expenditure.

What will we do?

- Review the capital programme to assess what schemes are included and identify anything unusual or unexpected;
- Review capital expenditure incurred by the Council to ensure that it has been correctly classified as capital rather than revenue; and
- We will specifically test Property, Plant and Equipment (PPE) additions with a specific focus on incorrect capitalisation of revenue expenditure.

In addition to the above, our audit procedures in relation to fraud and error also include review of:

- Journal entries; specifically manual journals posted by management in the preparation of the financial statements.
- Significantly unusual transactions entered into by management that are outside of the normal scope of business of the Council; and
- Management bias in key accounting estimates and judgements.



Audit risks

Our response to significant risks (continued)

Impact of Qualified Accounts from 2017/18 – Corporate Support Services, income; Environment and Neighbourhood Services, income and expenditure; and Short-term Creditors; IAS19 pension liability, employer costs and actuarial adjustments

Page 8

Financial statement impact

The relevant unaudited figures in the 2018/19 draft accounts are presented below:

Corporate Support Services, income: £74 m for the Council and the Group

Environment and Neighbourhood Services, income: £46 m for the Council and £44 m for the Group

Environment and Neighbourhood Services, expenditure: £104 m for the Council and £100 m for the Group

Short term Creditors: £80 m for the Council and £84 m for the Group

What is the risk?

The 2017/18 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 2018 was missed with final certification on the audit taking place in October 2020.

The audit opinion was also qualified across the key significant accounts listed in the column on the left. These specific accounts were qualified in 2017/18 as we were unable to obtain sufficient appropriate audit evidence to confirm that these accounts were materially correct.

IAS19 qualification in 2017/18 accounts

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.

The 2017/18 qualification of the IAS 19 related amounts was due to the fact that KPMG LLP, who acted as the auditor of the Royal Berkshire Pension Fund for 2017/18, was no longer its auditor at the time we performed our audit procedures and they had no access to the data. For 2018/19, the new auditor of the Royal Berkshire Pension Fund was Deloitte LLP. We sent a 2018/19 IAS19 letter request to Deloitte LLP and have received assurances that they will be able to provide us with the relevant information.

What will we do?

Our approach will focus on:

- Considering any brought forward closing balances from 2017/18 and the impact on qualification of opening balances for 2018/19, where appropriate;
- Designing our substantive testing procedures to understand how we can test these balances and obtain the appropriate audit evidence required. This will involve testing at appropriate thresholds which reflect the increased risk profile of these accounts and the associated significant risk.
- We will isolate areas of Income and Expenditure, such as grants and payroll, where we were able to obtain appropriate assurance in 2017/18 and focus our testing on areas where we had particular issues in 2017/18. This will include for example a focus on recharges and also on other service income and expenditure; and
- Seeking assurances from management as to what they have done since the 2017/18 audit to address the deficiencies highlighted in our prior year audit results report and following up on the status of any recommendations made as part of the prior year audit.

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?	What will we do?
<p>IAS 19 Assurance Process, Pension liabilities and the IAS 19 valuations</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Royal Borough of Windsor and Maidenhead.</p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2019 this totalled £454 million.</p>	<p>We will:</p> <ul style="list-style-type: none">• Liaise with the auditors of Royal Berkshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Reading Borough Council;• Assess the work of the Pension Fund's actuary (Barnett Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team;• Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19; and• Obtain evidence as to the impact of the McCloud ruling and Guaranteed Minimum Pension (GMP) on the 2018/19 accounts.

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?	What will we do?
<p>Valuation of Land and Buildings</p> <p>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.</p>	<p>We will:</p> <ul style="list-style-type: none">Consider 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 test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the CIPFA 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;Review assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;Consider changes to useful economic lives as a result of the most recent valuation; andTest that accounting entries have been correctly processed in the financial statements.
<p>PFI Long-Term Liabilities and Deferred Income</p> <p>The Council is engaged in two Private Finance Initiatives (PFI) contracts: one is with FCC (RE3 Limited) for the shared Waste PFI with Bracknell Forest Borough Council and Wokingham Borough Council and the other with Affinity (Reading) Limited for the North Whitley Housing PFI scheme. After an assessment under the requirements of IFRIC 12, it has been determined that both arrangements are controlled by the Council.</p>	<p>We will:</p> <ul style="list-style-type: none">Include a review of the assumptions used in the PFI accounting model to assess whether there have been any changes since our last review;Comment on adjustments, if any, by the Council; andreview the planned entries and disclosures for the Council's 2018/19 accounts and ensure that they are reported in line with the standards.

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?	What will we do?
<p>IFRS 9 financial instruments</p> <p>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none">• How financial assets are classified and measured;• How the impairment of financial assets are calculated; and• The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 9.</p>	<p>We will:</p> <ul style="list-style-type: none">• Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and accounting for 2018/19;• Consider the classification and valuation of financial instrument assets;• Review new expected credit loss model impairment calculations for assets; and• Check additional disclosure requirements.
<p>121 IFRS 15 Revenue from contracts with customers</p> <p>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year.</p> <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>The 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.</p> <p>The impact on local authority accounting is likely to be limited as large revenue streams like government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.</p>	<p>We will:</p> <ul style="list-style-type: none">• Assess the Council's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and accounting for 2018/19;• Consider application to the Council's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and• Check additional disclosure requirements.

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?	What will we do?
<p>Group accounts: differences in accounting policies of the components</p> <p>We performed the group scoping for the subsidiaries of Reading Borough Council and identified two new subsidiaries as being significant for our audit of the Council's group accounts for 2018/19: Brighter Futures For Children Limited and Homes for Reading Limited. Reading Transport Limited remains significant from our 2017/18 audit.</p> <p>We are aware that all the subsidiaries follow FRS102 for their accounts preparation, while the Council's group accounts follow the CIPFA Code, supported by IFRS.</p>	<p>We will:</p> <ul style="list-style-type: none">Identify material subsidiary balances and transactions consolidated in the Group accounts and assess whether the accounting treatment of those amounts complies with the Group accounting policies and also the CIPFA Code;Where exceptions are identified, we will request for management's assessment and will review it for reasonableness;Instruct the relevant component auditors to report to us under the group accounting policies;Check additional disclosure requirements in the Group accounts of the Council.
<p>Going concern disclosures</p> <p>This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.</p> <p>We believe the risk has increased following Covid-19. We consider the unpredictability of the current environment to give rise to a risk that the Council will not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19.</p>	<p>We will:</p> <ul style="list-style-type: none">Assess the adequacy of disclosures required in 2018/19, and the impact on our opinion, should these be inadequate;Discuss management's going concern assessment and consider any evidence of bias and consistency within the accounts;Ensure that an appropriate going concern disclosure has been made within the financial statements; andConsider the impact on our audit report and compliance with EY consultation requirements.



03

Value for Money risks



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 2018/19 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.

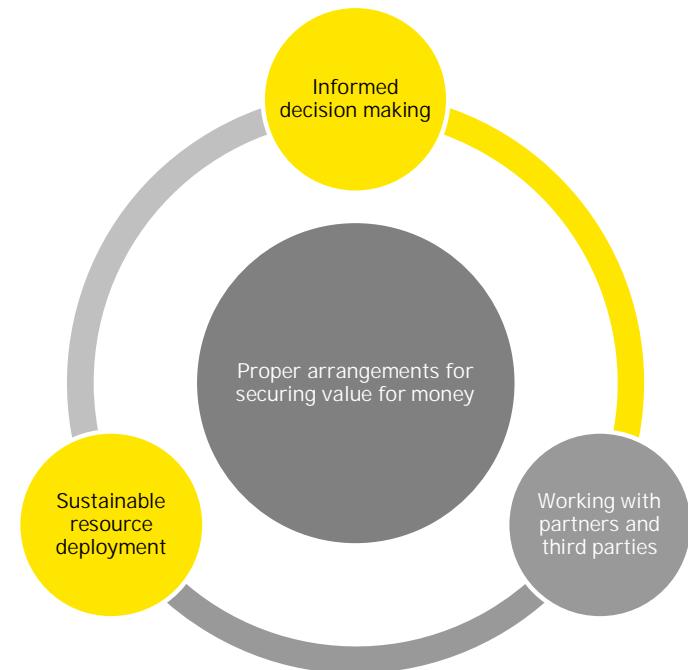
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines 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 sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level. In 2018/19 this has included consideration of the steps taken by the Authority to consider the impact of Brexit on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we anticipate that Authorities will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the significant risk noted on the following page which we view as relevant to our value for money conclusion.





Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
<p>In February 2017 we issued Section 24 Schedule 7(2) Statutory Recommendations covering a number of areas. In 2016/17 and 2017/18 the value for money conclusion was qualified due to the issues arising and identified in our report.</p> <p>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 2018/19 year and the impact on our report.</p>	<p>Take informed decisions / Deploy resources in a sustainable manner/ Work with partners and other third parties</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none">• Revisiting the recommendations made as part of the 2017/18 audit to understand the Council's progress against these;• Reviewing the financial resilience of the Council with reference to the Medium Term Financial Plan, considering any budget gaps in that period and considering the Council's position in respect of Usable Reserves.• Considering the Council's outturn position in 2018/19 and considering the impact of the financial outturn on the Reserves balances.• Considering any regulatory findings from key inspectorates, such as Ofsted, with a view to understanding other non-financial performance.



04 Audit materiality



Audit materiality

Materiality

Single-entity Materiality

For planning purposes, single-entity materiality for 2018/19 has been set at £5.291m. This represents 1% of the Council's 2018/19 unaudited gross expenditure on provision of services. It will be reassessed throughout the audit process.

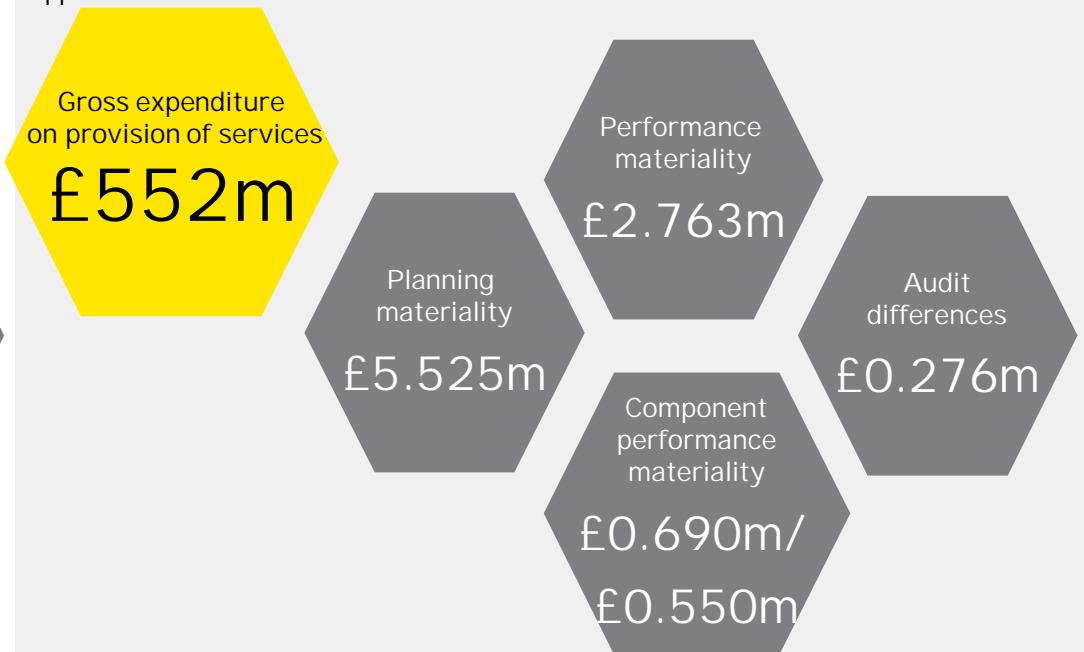


We request that the Audit & Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Group Materiality

For planning purposes, group materiality for 2018/19 has been set at £5.525m. This represents 1% of the Council's 2018/19 unaudited group gross expenditure on provision of services. It will be reassessed throughout the audit process.

Component performance materiality is allocated based on the relative size and risk identified at component level and it is calculated as a percentage of the group performance materiality. We set the performance materiality for Reading Transport Ltd at £0.690 m and for Brighter Futures for Children Ltd and Homes for Reading Ltd at £0.500m. We have provided supplemental information about audit materiality in Appendix D.



We request that the Audit & Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Audit materiality

Materiality

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £2.645m for the Council and £2.763 for the Group, which represents 50% of planning materiality. We have set the 50% threshold based on the issues noted in 2017/18 and also to reflect the anticipated errors in 2018/19.

Component performance materiality range – we determine component performance materiality for each component separately as a percentage of Group performance materiality based on risk and relative size to the Group.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee, or are important from a qualitative perspective.

Specific materiality – We may set a materiality lower than that specified for specific accounts for e.g. remuneration disclosures, related party transactions, and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this. If this is the case we will confirm this in our Audit Results Report.



05

Scope of our audit





Scope of our audit

Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
 - Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
 - Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement;

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

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.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2018/19 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit & Governance Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

1. Significant components: A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
2. Not significant components: The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

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Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below. We provide scope details for each component within Appendix D.

2	A	Full scope audits
2	B	Specific scope audits
0	C	Review scope audits
0	D	Specified procedures
0	E	Other procedures

Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit.

Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified Procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.

Scoping the group audit (continued)

Group audit team involvement in component audits

Auditing standards require us to be involved in the work of our component teams. We have listed our planned involvement below.

Location name	Planned involvement by the Group team
Full scope 1 – Reading Borough Council	The accounts of the parent and the largest component, Reading Borough Council, will be fully audited by us, representing the primary team. We assessed that the materiality levels applied for the audit of the separate accounts of Reading Borough Council are appropriate for the overall group accounts' audit.
Full scope 2 – Reading Transport Limited	We sent group audit instructions to the statutory auditor of Reading Transport Limited and will review the audit work described in their deliverables covering the significant risk areas. We will ensure consistency and sufficiency of audit procedures for our group audit purposes.
Specific scope 1 – Homes for Reading	We will perform full audit procedures in accordance with EY's methodology over the in-scope accounts identified at the subsidiary level. We determined the direct audit approach to be most suitable due to the nature of the in-scope accounts identified and the timing of the audit in relation to the reporting date.
Specific scope 2 – Brighter Futures for Children	We sent group audit instructions to the statutory auditor of Brighter Futures for Children and will review the audit work described in their deliverables covering the in-scope accounts identified by us. We will ensure consistency and sufficiency of audit procedures for our group audit purposes.



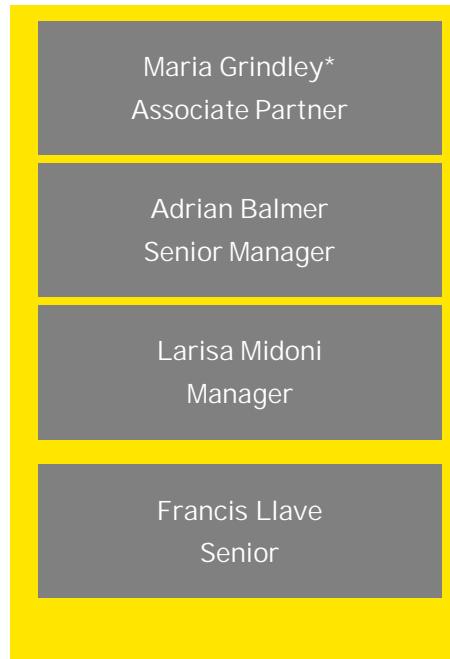
06 Audit team





Audit team

Audit team structure:



* Key Audit Partner



Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	Sanderson Wetherall (external valuers)
Pensions disclosure	EY Actuaries, Deloitte LLP, Barnett Waddingham
PFI	Arlingclose

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07 Audit timeline



Audit timeline

Indicative timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

From time to time matters may arise that require immediate communication with the Audit & Governance Committee and we will discuss them with the Audit & Governance Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

* Our audit of the 2018/19 accounts is progressing well. We are aiming to have substantially completed the majority of our audit work by the end of March 2021 with a view to completing final procedures and checks and issuing our audit opinion in April/May 2021 subject to satisfactory conclusion of all outstanding queries and internal consultation processes. As in previous years we would ask the Audit & Governance Committee to consider delegating, in line with the arrangements in effect, responsibility to the Chair of the Audit & Governance Committee and the Section 151 Officer to approve and sign the final audited accounts when these are complete at the end of the audit.

Audit phase	Timetable	Audit & Governance Committee timetable	Deliverables
Planning: Risk assessment and setting of scopes. Walkthrough of key systems and processes	September – November November		
Year end audit	December – March	Audit & Governance Committee	Audit Planning Report
Audit Completion procedures	April	Audit & Governance Committee	Draft Audit Results Report*
	July	Audit & Governance Committee	Audit opinions and completion certificates* Annual Audit Letter



08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<p>Page 140</p> <ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation] 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non -audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Maria Grindley, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, we are in the process of agreeing the final Scale Fee Variations for 2017/18 audit and have provided detail submissions to the Public Sector Audit Appointments Ltd as part of an agreed process for discussing Scale Fee Variations. We have also supplied further information to management as part of the agreement of the audit fee for 2017/18.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 12%. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Relationships, services and related threats and safeguards

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020: [EY UK 2020 Transparency Report](#).



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09 Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table below.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£	£	£
Total Fee - Code work	83,882 (Note 2)	83,882	£108,938 (Note 1)
Other - Housing Benefits '18/19	38,563*	38,563	34,591
Total audit	TBC	122,445	TBC
Other non-audit services: Housing Capital Receipts '17/18	6,500	6,500	TBC (Note 3)
Other non-audit services: Teacher's Pensions '18/9	12,500*	12,500	10,500
Total other non-audit services	19,000	19,000	TBC
Total fees	TBC	141,445	TBC

All fees exclude VAT

(1) We experienced extensive significant delays in completion of the 2017/18 accounts' audit. We have submitted our proposed additional fee to PSAA for consideration and will report this in future communication with the Audit & Governance Committee once agreed. The proposed additional fee is £419,366.

(2) For 18/19 the planned fee represents the base fee, i.e. not including any extended testing. For 2018/19, the scale fee will be impacted by a range of factors which will result in additional work.

(3) Certification of 2017/18 has not yet been completed due to some technical issues. We will provide an update when the claim is fully certified.

*The certification of the 18/19 Housing Benefits subsidy claim and also the Teacher's Pension were completed in line with the agreed deadlines for those returns and the fees noted above represent the final fees paid.

We are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

 Appendix B

Required communications with the Audit & Governance Committee

We have detailed the communications that we must provide to the Audit & Governance Committee.

Required communications	What is reported?	Our Reporting to you
		When and where
Terms of engagement	Confirmation by the Audit & 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	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
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 2021 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.	Draft Audit Results Report to be presented at the April 2021 Audit & Governance Committee



Appendix B

Required communications with the Audit & Governance Committee (continued)

Required communications	What is reported?	Our Reporting to you
	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 	Audit planning report presented to the January 2021 Audit & Governance Committee; and draft Audit Results Report to be presented at the April 2021 Audit & Governance Committee
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management 	Draft Audit Results Report to be presented at the April 2021 Audit & Governance Committee
Fraud	<ul style="list-style-type: none"> • Enquiries of the Audit & Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud 	Audit planning report presented to the January 2021 Audit & Governance Committee; and draft Audit Results Report to be presented at the April 2021 Audit & Governance Committee
Related parties	<ul style="list-style-type: none"> • Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • 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 entity 	Audit planning report presented to the January 2021 Audit & Governance Committee; and draft Audit Results Report to be presented at the April 2021 Audit & Governance Committee

 Appendix B

Required communications with the Audit & Governance Committee (continued)

Required communications	 What is reported?	 Our Reporting to you	 When and where
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 safeguard.• Information about the general policies and process within the firm to maintain objectivity and independence.	Audit planning report presented to the January 2021 Audit & Governance Committee; and draft Audit Results Report to be presented at the April 2021 Audit & Governance Committee	



Appendix B

Required communications with the Audit & Governance Committee (continued)

Required communications	What is reported?	Our Reporting to you
	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 to be presented to the April 2021 Audit & Governance Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off Enquiry of the Audit & Governance 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 & Governance Committee may be aware of. 	Audit planning report presented to the January 2021 Audit & Governance Committee; and draft Audit Results Report to be presented at the April 2021 Audit & Governance Committee
Internal controls	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit 	Draft audit Results Report to be presented at the April 2021 Audit & Governance Committee
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 presented to the January 2021 Audit & Governance Committee; and draft Audit Results Report to be presented at the April 2021 Audit & Governance Committee



Appendix B

Required communications with the Audit & Governance Committee (continued)

Required communications	What is reported?	Our Reporting to you
		When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Draft audit results report presented to the April 2021 Audit & Governance Committee
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Draft audit results report presented to the April 2021 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 April 2021 Audit & Governance Committee
Fee Reporting	<ul style="list-style-type: none"> • Breakdown of fee information when the audit plan is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work 	Audit planning report presented to the January 2021 Audit & Governance Committee; and draft Audit Results Report to be presented at the April 2021 Audit & Governance Committee
Certification work	Summary of certification work undertaken	Certification report to be presented to the April 2021 Audit & Governance Committee

 Appendix C

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group & Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit & Governance Committee reporting appropriately addresses matters communicated by us to the Audit & Governance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.



Appendix C

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.



Appendix D

Scoping the group audit

The below table sets out the scoping details of all locations. We set audit scopes for each reporting unit which, when taken together, enable us to form an opinion on the group accounts. We take into account the size, risk profile, changes in the business environment, and other factors when assessing the level of work to be performed at each reporting unit.

Detailed scoping							
In scope locations	Scope	Statutory audit performed by EY	Coverage			Current year rationale for scoping	
			Gross expenditure	Total assets	Net assets	Size	Risk
Reading Borough Council	Full	✓	91%	94%	87%	Yes	Yes
Reading Transport Limited	Full	No	8%	3%	2%	No	Yes
Homes for Reading	Specific	No	0%	2%	9%	No	Yes
Brighter Futures for Children	Specific	No	2%	1%	2%	No	Yes
TOTAL FULL & SPECIFIC SCOPE			100%	100%	100%		

Changes from last year are:

- Homes for Reading was assigned other procedures in 2017/18. It was assessed as specific scope in 2018/19 due to its growth in size.
- Brighter Futures for Children was incorporated after 31 March 2018.

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Agenda Item 9

READING BOROUGH COUNCIL EXECUTIVE DIRECTOR OF RESOURCES

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	28 January 2021		
TITLE:	INDEPENDENT REVIEW INTO THE OVERSIGHT OF LOCAL AUDIT AND THE TRANSPARENCY OF LOCAL AUTHORITY FINANCIAL REPORTING ("REDMOND REVIEW")		
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 In June 2019, the Secretary of State for Housing, Communities and Local Government (MHCLG) asked Sir Tony Redmond to undertake an independent review (Redmond Review) of the effectiveness of local audit and the transparency of local authority financial reporting.
- 1.2 The Redmond Review examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting a Local Authority's annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.
- 1.3 This report seeks to provide the Audit and Governance Committee with a summary of the Redmond Review report, the recommendations made to the Government, along with the Government's response.
- 1.4 The findings and recommendations of the review were published on 8 September 2020 and the response of the Ministry of Housing, Communities and Local Government was published on the 17 December 2020. Whilst some recommendations have been agreed, others are being considered further with a full response to be made by spring 2021.
- 1.5 The full report and associated annexes are available on the Government's website: <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>.
- 1.6 The Government's response to the independent review can be found [here](#).

- 1.7 Appendix A to this report lists the recommendations made by the Redmond review and a summary of MHCLG's response.

2. RECOMMENDATIONS

- 2.1 That the Audit & Governance committee note the update on the Redmond Review.**

3. SUMMARY

- 3.1 The Local Audit and Accountability Act 2014 (the 2014 Act) abolished the Audit Commission and introduced a new audit regime for local government to replace the previous arrangements.
- 3.2 In June 2019, The Secretary of State for Housing, Communities and Local Government asked Sir Tony Redmond to undertake an independent review of the effectiveness of local audit as now practised.
- 3.3 The purpose of the Review was to test not only the impact of external audit activity in local government but also to look, critically, at how this helps to demonstrate public accountability, particularly to service users and council taxpayers. The review also considered the issue of transparency in financial reporting and whether the annual accounts and associated published financial information can be readily understood by the public.
- 3.4 The framework for local audit encompasses its procurement, contract management and delivery, the Code of Audit Practice and Regulation and accountability for performance. All these aspects were examined in depth. Whilst the focus of the review was on local audit and public accountability there are several related factors which contributed to the shape and nature of the findings, including: the breadth and complexity of International Financial Reporting Standards (IFRS); the role of the sponsoring department (MHCLG); and the current state of the local audit market.
- 3.5 Attention was also directed towards the governance arrangements and the way in which audit reports are managed and reported. The focus was on the level of public awareness of audit findings. Current practices relating to the annual publication of financial information were also reviewed with an emphasis on the transparency, access and intelligibility of reports.
- 3.6 The findings of the Redmond Review fall into three main topics:
- Local audit arrangements
 - Governance arrangements
 - Financial reporting
- 3.7 The key elements of each are summarised below.

Local Audit Arrangements

- 3.8 Sir Tony Redmond's report concluded that the local audit market is very fragile and that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. With 40% of audits failing to meet the required deadline for report in 2018/19, there is a serious weakness in the ability of auditors to comply with their contractual obligations. The report therefore recommends that an increase in fees is considered and the 30 September deadline for audit completion reinstated, rather than 31 July.
- 3.9 The Government have accepted the recommendation to review the current fee structures in local audit, to provide greater flexibility to meet audit firms' costs. An additional £15m will be allocated to local authorities to help fund additional costs arising from the change in audit fees next year.
- 3.10 The Government has also recognised that next year will be particularly challenging as audit firms seek to catch-up after the significant Covid-19 related delays this year and trying to return to a 31 July deadline to audit the 2020/21 accounting period would be unrealistic. Hence, they have agreed in the moving of the audit deadline to 30 September for local authorities for the next two years and to keep this under review, but without committing to a permanent change.
- 3.11 The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process. Consequently, the report made detailed proposals for a new regulatory body responsible for procurement, contract management, regulation, and oversight of local audit. The recommendation was that the proposed new body, 'The Office of Local Audit and Regulation' (OLAR) would take on the current roles and responsibilities relating to local audit discharged by the:
- Public Sector Audit Appointments (PSAA);
 - Institute of Chartered Accountants in England and Wales (ICAEW);
 - Financial Reporting Council (FRC) or its planned replacement: Audit, Reporting and Governance Authority (ARGA);
 - The Comptroller and Auditor General (C&AG).
- 3.12 It was further recommended that the Regulator would be supported by a Liaison Committee comprising key stakeholders and chaired by the Ministry of Housing, Communities and Local Government (MHCLG) which would provide a facility for feedback and commentary of how the local audits are carried out. The OLAR could impose sanctions where there are significant issues in a local authority e.g. financial resilience issues where MHCLG are needed to intervene.

3.13 However, in its response, published on the 17 December 2020, the MHCLG said it is not currently persuaded that a new arms-length body is required. It added that unless there is an exceptional reason for a new body, the Government will look to explore new options. The response said: "*The creation of a strong system leader for local audit, especially in the form of a new body, would entail significant structural reform*".

Governance Arrangements

- 3.14 The effectiveness of audit must, in part, be determined by the arrangements in place within each audited body for considering and acting upon external audit reports. All local authorities are required to set up Audit Committees or the equivalent with responsibility for considering the annual accounts and receiving internal and external audit plans and reports. The specific arrangements vary between different tiers of authorities. However, the purpose of an Audit Committee is to provide independent challenge on behalf of the authority in respect of accountability, governance, internal control and risk management arrangements.
- 3.15 Local authority accounts are complex and there appears to be a significant difference between the assurance that external auditors provide and public expectations. The Review questions whether Audit Committees understand the issues to question and challenge in an effective way. There are relatively low numbers of independent Audit Committee members (approximately 40% of Local Authority Audit Committees have independent members) and little communication between Audit Committee Members, external auditors and other inspectors and no formal exchange of views. The Report comments that there seems to be no real relationship between the Audit Committee and Full Council as very few reports go to Council.
- 3.16 The Report consequently recommends:
- an annual report being submitted to Full Council by the external auditor;
 - consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee;
 - formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually;
 - that Key concerns relating to service and financial viability be shared between external auditors and inspectorates including Ofsted, Care Quality Commission and Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) prior to completion of the external auditor's Annual Report.

- 3.17 In their response the Government agreed that the external auditor be required to present an annual audit report to a Full Council meeting, irrespective of whether the accounts have been certified. The Government response noted that many local authorities feel existing reporting arrangements to audit committees are sufficient, however they felt that presentation to Full Council is an important opportunity for potential risks or concerns to be escalated in a timely way and that this should be best practice.
- 3.18 The Government have agreed to work with key stakeholders such as CIPFA, the NAO and the LGA to ensure that, where appropriate, new guidance is issued which addresses the recommendations relating to meetings between chief officers and the external auditor and the appointment of an independent member(s) to audit committees. The Government responded that they will also work with the DHSC, the Department for Education, the Home Office and the NAO to support the sharing of key information between inspectorates and external auditors, and with CIPFA, the NAO and the LGA on strengthening engagement between external and internal audit.

Financial Reporting

- 3.19 The report concludes that current statutory accounts prepared by local authorities are impenetrable to the public. It is recommended that a simplified Statement of Service Information and Costs is prepared by each local authority to enable comparison with the annual budget and council tax set for the year. This would enable Council taxpayers and service users to judge the performance of the local authority for each year of account. All means of communicating such information should be explored to achieve access to all communities.
- 3.20 The proposed new statement would be prepared in addition to the statutory accounts and would be audited to give it credibility. An example statement is contained in an annex to the Redmond Report. The Chartered Institute of Public Finance and Accountancy (CIPFA) and The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) are also recommended to review and simplify the current accounting requirements. For example, the technical accounting adjustments for Property, Plant & Equipment and Pension Fund issues.
- 3.21 The MHCLG has agreed with the need for a new standardised statement summarising council accounts and said it would work closely with CIPFA to consult on the content of this.

Implications flowing from the Redmond Review

- 3.22 The Review's recommendations and MHCLG's response to them are set out in detail in Appendix A. However, it should be noted that the Council is not considered a smaller authority for audit and accounts purposes, so recommendations in this area do not apply to this Council (recommendations 14, 15, 16 and 23) and have therefore not been included.
- 3.23 The recommendations are likely to directly impact the Council in the following ways:
- Increased external audit fees; (an additional £15m will be allocated to local authorities to help fund additional costs arising from the change in audit fees next year).
 - an annual report being submitted to Full Council by the external auditor;
 - The need to appoint an independent member onto the Audit Committee;
 - The production of additional statutory financial information (although this may be offset by a removal of other disclosures following a review by the Local Authority Code Board); and,
 - An extension to audit deadlines.
 - Introduction of a governing body to manage, oversee and regulate
 - A review of governance arrangements and accounting codes;
 - Ensuring local auditors are provided with the requisite skills and training and statute be amended to ensure audit firms with these skills are not excluded from bidding from local authority work; and,
 - That External Audit recognises that Internal Audit work in appropriate circumstances.

4. CONTRIBUTION TO STRATEGIC AIMS

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

5. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 5.1 None arising from this report.

6. COMMUNITY ENGAGEMENT AND INFORMATION

- 6.1 None arising from this report.

7. EQUALITY IMPACT ASSESSMENT

- 7.1 Not applicable

8. LEGAL IMPLICATIONS

- 8.1 At this stage, the report only sets out recommendations to the Government and has no legal standing. Some of the recommendations will require amendments to primary legislation if adopted.
- 8.2 The council will need to ensure it complies with any changes to the codes of practice and legislation as these arise.

9. FINANCIAL IMPLICATIONS

- 9.1 Whist it is not clear how these recommendations may impact on audit fees, detail within the report highlights that four large firms have suggested increases of between 15% and 25% would be required.
- 9.2 The additional work recommended on reporting is not anticipated to require additional resourcing as it is expected this could be managed within existing resources.
- 9.3 It has been flagged that sourcing a professionally skilled individual to sit as an independent person on the Audit Committee may be difficult to source, and it is recognised that financial incentives may be required to attract suitable candidates.
- 9.4 It should be noted that representations were made by councils that extending audit deadlines may take resources away from budget setting and planning for future financial challenges, and if the recommendations are accepted careful planning for the timing of audit work will be required.

10. BACKGROUND PAPERS

- 10.1 Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting - Sir Tony Redmond. Published 20 September 2020
- 10.2 Local authority financial reporting and external audit: government response to the independent review. Published 17 December 2020

APPENDIX A: Summary of MHCLG's response to the recommendations made by the Redmond Review

Action to support immediate market stability (recommendations 5, 6, 8, 10, 11)

	Recommendation	MHCLG Response
5.	All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.	Agree; we will work with key stakeholders to deliver this recommendation
6.	The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.	Agree; we will look to revise regulations to enable PSAA to set fees that better reflect the cost to audit firms of undertaking additional work
8.	Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work.	Part agree; we will work with the FRC and ICAEW to deliver this recommendation, including whether changes to statute are required
10.	The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.	Part agree; we will look to extend the deadline to 30 September for publishing audited local authority accounts for two years, and then review
11.	The revised deadline for publication of audited local authority accounts be considered in consultation with NHSI(E) and DHSC, given that audit firms use the same auditors on both Local Government and Health final accounts work.	Agree

Consideration of system leadership options (recommendations 1, 2, 3, 7, 13, 17)

	Recommendation	MHCLG Response
1.	<p>A new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit with the following key responsibilities:</p> <ul style="list-style-type: none"> - procurement of local audit contracts - producing annual reports summarising the state of local audit - management of local audit contracts - monitoring and review of local audit performance - determining the code of local audit practice - regulating the local audit sector 	We are considering these recommendations further and will make a full response by spring 2021.
2.	<p>The current roles and responsibilities relating to local audit discharged by the:</p> <ul style="list-style-type: none"> - Public Sector Audit Appointments (PSAA) - Institute of Chartered Accountants in England and Wales (ICAEW) - FRC/ARGA - The Comptroller and Auditor General (C&AG) <p>to be transferred to the OLAR</p>	We are considering these recommendations further and will make a full response by spring 2021.
3.	A Liaison Committee be established comprising key stakeholders and chaired by MHCLG, to receive reports from the new regulator on the development of local audit.	We are considering these recommendations further and will make a full response by spring 2021.
7.	That quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.	We are considering these recommendations further and will make a full response by spring 2021.

13.	<p>13. The changes implemented in the 2020 Audit Code of Practice are endorsed; OLAR to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters.</p>	<p>We are considering these recommendations further and will make a full response by spring 2021.</p>
17.	<p>17. MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained.</p>	<p>We are considering these recommendations further and will make a full response by spring 2021.</p>

Enhancing the functioning of local audit, and the governance for responding to its findings (recommendations 4, 9, 12, 18)

4.	<p>The governance arrangements within local authorities be reviewed by local councils with the purpose of:</p> <ul style="list-style-type: none"> - an annual report being submitted to Full Council by the external auditor - consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee - formalising the facility for the CEO, Monitoring Officer - Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually. 	<p>Agree; we will work with the LGA, NAO and CIPFA to deliver this recommendation</p>
9.	<p>External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.</p>	<p>Agree; we will work with the NAO and CIPFA to deliver this recommendation</p>
12.	<p>The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.</p>	<p>Agree; we will work with the LGA, NAO and CIPFA and other key stakeholders to deliver this recommendation, including whether changes to statute are required</p>

18.	<p>Key concerns relating to service and financial viability be shared between local auditors and inspectorates including Ofsted, Care Quality Commission and HMICFRS prior to completion of the external auditor's annual report.</p>	<p>Agree; we will work with other departments and the NAO to deliver this recommendation</p>
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Improving transparency of local authorities' accounts to the public (recommendations 19, 20, 21, 22)

19.	<p>A standardised statement of service information and costs be prepared by each authority and be compared with the budget agreed to support the council tax/precept/levy and presented alongside the statutory accounts.</p>	<p>Agree; we will look to CIPFA to develop a product through consultation with local government. We will work with CIPFA to deliver this recommendation</p>
20.	<p>The standardised statement should be subject to external audit</p>	<p>Agree; we will work with CIPFA, the LGA and the NAO to deliver this recommendation</p>
21.	<p>The optimum means of communicating such information to council taxpayers/service users be considered by each local authority to ensure access for all sections of the communities.</p>	<p>Agree; we will work with the LGA and CIPFA to deliver this recommendation</p>
22.	<p>CIPFA/LASAAC be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary.</p>	<p>Agree; we will look to CIPFA to deliver this recommendation</p>

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Agenda Item 10

READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR OF RESOURCES

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	28 th JANUARY 2021		
TITLE:	CLOSING FINANCIAL 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 2018/19 and 2019/20
- 1.2 The 2017/18 Accounts were signed off by Ernst and Young (EY) at the end of October 2020.
- 1.3 The draft 2018/19 Accounts were handed over to EY in February 2020. These were updated in November 2020 for the revised brought forward 2017/18 balances although the Audit of these Accounts commenced in September 2020.
- 1.4 Officers have almost completed the 2019/20 accounts but have agreed with EY to focus on prioritising resolving the 2018/19 outstanding queries and getting these signed off before passing them over to EY. This will also enable transformation work to be completed to assist with the 2020/21 accounts and mean that brought forward balances from 2018/19 can be updated to save more audit time.

2. RECOMMENDED ACTION

- 2.1 To note the progress made in relation to the Audit of the 2018/19 Accounts.
- 2.2 To note the progress being made in closing the 2019/20 Accounts

3. BACKGROUND AND PROCESS

2018/19 Accounts

- 3.1. Officers are working with EY to answer the queries arising on the 2018/19 Accounts. As in 2017/18 the number of queries is significantly higher than would be received during the course of a routine Audit, a result of the qualification of the 2016/17 and 2017/18 accounts and the ensuing reduction in the Council's materiality level.
- 3.2. Officers have had to overcome a number of challenges to get to this stage as a result of Covid 19, including a number of staffing changes. It is though anticipated that the Audit will be completed by the end of March 2021.
- 3.3. The initial technical review by EY, although uncovering several queries, has produced a lower number of queries than in the 2017/18 technical review.

2019/20 Accounts

- 3.4 The majority of work has been completed on the 2019/20 accounts, but it has been agreed with EY to prioritise finalising the 2018/19 accounts and bringing forward updated balances from 2018/19 before passing them for Audit. This will not delay any Audit work some of which is already being undertaken in parallel to the 2018/19 Audit.
- 3.5 Public Consultation will commence on the 2019/20 Accounts when they are completed in April 2021.

2020/21 Accounts

- 3.6 Preparation for the 2020/21 Accounts will start in February by the Business Partnering team, using updated processes from the Finance Transformation Programme and the learning from the previous year's audits. This will be in parallel to the work with EY on the 2018/19 Audit by the technical accounting team.

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 in April 2021.

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 The inspection period for the 2019/20 Accounts is expected to commence shortly after the draft accounts are finalised in April 2021.

9. FINANCIAL IMPLICATIONS

- 9.1 EY's final audit fee for the audit of the Council's 2017/18 accounts was £420,000 above the scale fee due to the additional work involved.
- 9.2 The audit fees for 2018/19 will also be above the scale fee but EY are not in a position to estimate an amount at this point.

10. BACKGROUND PAPERS

- 10.1 None

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Agenda Item 11

READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR OF RESOURCES

TO:	AUDIT and GOVERNANCE COMMITTEE		
DATE:	28 th January 2021		
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 Audit and Governance Committee agreed at its meeting in October 2020 that progress against the Finance Improvement Programme should be reported on a regular basis to the Committee.
- 1.2 This report provides an update on progress of the Programme workstreams and their deliverables against the Plan since the last meeting.

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 Progress against the Phase I plan has been steady with a number of targeted deliverables being achieved. There have been delays in delivery of the overall programme due to capacity as a consequence of resources being directed towards priority issues such as closure of accounts, managing Covid related activity and staff sickness. Supplier delays around accounts payable have also delayed some activities. The Finance Transformation Board continue to oversee the Programme and monitor delivery of actions and as a consequence challenge delivery and approve, or otherwise any changes to timescales.

Three of the workstream are nearing completion; Accounts Payable, Accounts Receivable and Chart of Accounts. For all of these areas residual activity is expected to be completed by the 31st March 2021.

As indicated in the report presented at the October Audit and Governance Committee the following workstream has a longer timeline:

- The Finance System Procurement - scheduled for completion December 2021.
- 4.2 Phase II (developing corporate financial management governance and the overarching financial management environment) will only commence once Phase I workstreams are complete.
- 4.3 Audit tracker recommendations continue to be included within individual workstream deliverables where appropriate and are managed as part of the overall Plan. Progress is being made with implementation. There are a total of 60 recommendations within the tracker covered by the Finance Improvement Programme. These are rated as; Red 5, Amber 24, and Green 31.

5. WORKSTREAM UPDATES

The following section highlights each workstream's terms of reference and progress against the Plan. Each workstream has a table indicating a RAG rating for its deliverables and Audit Tracker recommendations. For reference the previously reported numbers are shown in brackets.

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 March 2021

The accounts payable workstream has 10 specific deliverables.

Completed	In progress	Not Started
5 (5)	5 (2)	0 (3)
Commentary		
<ul style="list-style-type: none"> • All tasks due to start have now commenced. • Three of the five deliverables in progress all relate to supplier arrangements and are being delivered jointly by AP and Procurement and will be completed by the end of March 2021 • The reconciliation of BFFC and the AP system is underway and planned for completion in March 2021. 		

- The Audit Recommendations Tracker has 34 recommendations relating to Accounts Payable (12 relating to Purchase Cards were added in December 2020).
- Of the 34 recommendations included in the tracker ratings are: 13(8) Green, 16 (14) Amber and 5(0) Red.

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: (revised): 31 March 2021

The Accounts Receivable workstream has 12 specific deliverables.

Completed	In progress	Not Started
5 (2)	2 (4)	5 (6)
Commentary		
<ul style="list-style-type: none"> • The move of AR processing from Academy to Oracle Fusion to improve processing efficiency is now underway with suppliers engaged to introduce changes and will be completed by the 31st of March. • The five deliverables not started are all linked to the new system above and have a sequential timeline for completion by 31st of March. • The Debt Management Strategy has been approved by Policy Committee, the AD Finance has convened and chairs a regular Debt Management Review Group and there are ongoing discussions with Directorates on resolving historic debt issues. 		

- The Audit Recommendations Tracker has 6 recommendations relating to Accounts Receivable.
- Of the 6 recommendations included in the tracker ratings are: Amber 4(6) and Green 2(0).

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 (revised): 31 March 2021

The Chart of accounts workstream has 11 specific deliverables.

Completed	In progress	Not Started
7 (1)	4 (8)	0 (2)
Commentary		
<ul style="list-style-type: none">• The majority of deliverables are either completed or nearing completion.• The remaining tasks which will be completed by the end of January 2021 relate to the final issue of codes which will complete the revision to the chart of accounts.• Following this, the process for monitoring and compliance will be put in place.		

- Following completion of the above it has been agreed that an additional deliverable will be transferred to this workstream from Reconciliations namely the review and rationalisation of holding accounts which will be completed by the 31st of March.
- The Audit Recommendations Tracker has 3 recommendations relating to the Chart of Accounts.
- Of the 3 recommendations included in the tracker, ratings are: **Amber 2(3) and Green 1(0)**.

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.

As indicated above the new Chief Accountant reviewed work to date on the reconciliations workstream and prepared a plan for completion by of 31st of March.

Final delivery date: 31 March 2021

The revised reconciliations workstream has 5 planned specific deliverables.

Completed	In progress	Not Started
0	4	1
Commentary		
<ul style="list-style-type: none"> • All bank and cash reconciliations are now up to date, are produced, verified and authorised by the 21st of each month. The other areas underway include; identification of all reconciliations and a standardised approach and process for completion. • All reconciliation to be updated to the end of December. • Documentation of procedures and a guide to be developed. • There will be a focus on the VAT reconciliation system and process which will improve its operation and control. 		

- The Audit Recommendations Tracker now has 14 recommendations relating to reconciliations. Since the last update a number of recommendations have been reviewed and added to this workstream. These include inter company, payroll and rent accounting reconciliations that have achieved a green status.
- Of the 16 recommendations included in the tracker ratings are: **Amber 2(3)** and **Green 12(0)**. The increase in tracker recommendations is as a consequence of review and allocation since October 2020.

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.

The Final Accounts workstream was originally scheduled for completion in December 2020. However, following the arrival of the new Chief Accountant and a review of priorities this workstream will be integrated with the Reconciliations workstream. The revised deliverables will be completed by 31st March 2021.

- The work on closure of accounts is reported under a separate paper to this Committee.
- 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 (0)	2 (2)	2 (2)
Commentary		
<ul style="list-style-type: none">• Policy Committee approval for re-procurement was given in December 2020.• The final version of the requirements specification and procurement documentation will be completed by 31st January.• RBC will go to the market for formal procurement at the beginning of February.• The remaining activities not started relate to the implementation and go-live of the finance system.		

- 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 None.

Agenda Item 12

READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR OF RESOURCES

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	28 th January 2021		
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 Appendix 1 attached sets out all audit recommendations, the status of each recommendation, the officer responsible for implementation and progress with delivery.

2. RECOMMENDED ACTION

- 2.1 The Committee are asked to consider the report.

Appendix 1 - Implementation of Audit Recommendations Tracker - January 21.

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 monitoring, a column has been added for a unique tracker recommendation number.

- 4.2 34 new recommendations have been added to the report since the last meeting in October. 16 completed recommendations have been removed.
- 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 137 Internal Audit recommendations on the tracker attached at Appendix 1.
- 4.6 Of those rated red 14 relate to new recommendations added to the tracker since the last report.

4.7 The status of the recommendations detailed in Appendix 1 is as follows:

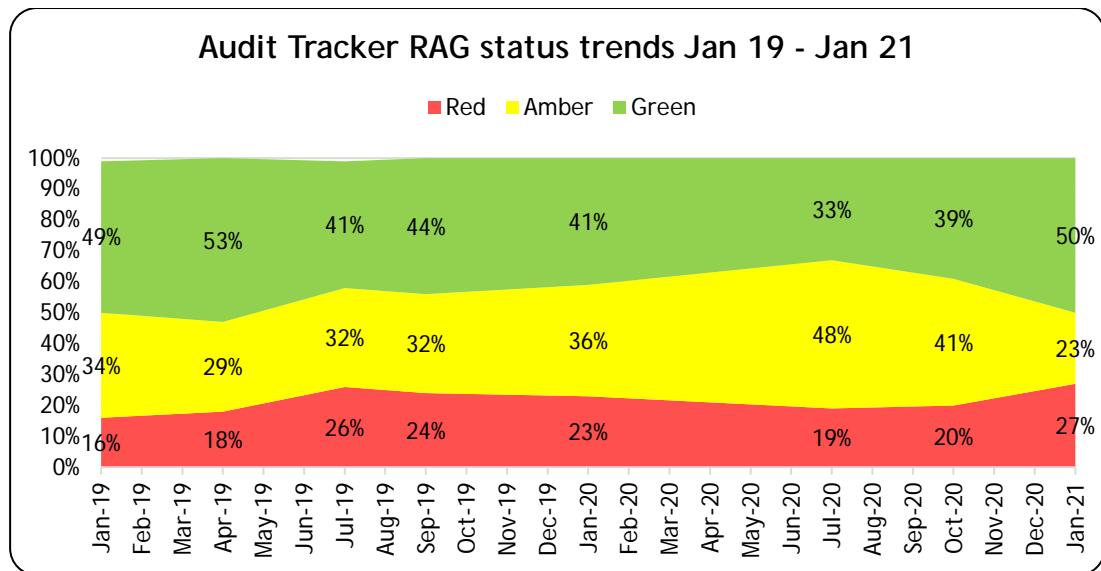
Status	Percentage	Number
Complete	24%	33
Green	26%	35
Amber	23%	32
Red	27%	37

33 recommendations are now complete.

RAG Status	Audit & Governance Meetings				Trend
	Jan 20	July 20	Oct 20	Jan 21	
Green	41%	33%	39%	50%	Increase
Amber	36%	48%	41%	23%	Decrease
Red	23%	19%	20%	27%	Increase

- 4.8 The graph overleaf shows trends in status for recommendations presented to Audit & Governance meetings over the period from January 19 - January 21. There has been an increase of 11% in those rated green and a 18% decrease in those which are amber. Red rated recommendations have increased by 7%.

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.



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 and climate 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 (% 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	Annette Trigg - 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 process.	13 January 2021	76 or more	Green
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	Annette Trigg - 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.</p>	08 January 2021	76 or more	Green
3 18/19	DoR	Creditors/AP	Operational issues identified should be addressed in new procedure manual to avoid reoccurrence.	18/19	01/05/2018		Annette Trigg - Chief Accountant / Andrew Jehan - Exchequer Manager Jennifer Bruce - Financial Systems Manager / Ranbir Heyre - Senior Project Manager	24 sets of operational procedure notes have been prepared and are now in place. The procedures comprise a template for all activities undertaken by the AP / AR teams, ensuring that previously encountered operational issues do not reoccur. These have been reviewed by Internal audit and comments made are being incorporated into the documents	13 January 2021	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 (% Complete)	Overall Status
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	Annette Trigg - Chief Accountant / Andrew Jehan - Exchequer Manager / Ranbir Heyre - Senior Project Manager	24 sets of operational procedure notes have been produced. The procedures 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.	13 January 2021	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	Annette Trigg - 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 Suppliers encouraged to send invoices straight to the Fusion Webcenter. Work within the AP section is currently being reallocated in order to stop any single points of failure and improve the knowledge within the section. 24 Process guides have been completed.	13 January 2021	76 or more	Green
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	Annette Trigg - 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.	13 January 2021	Complete	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	Annette Trigg - 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.	13 January 2021	Complete	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 (% Complete)	Overall Status
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 to finalise the arrangements which will be completed by the end of March.	13 January 2021	51 to 75	Amber
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	Annette Trigg - 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. Objective codes have been reviewed and if appropriate re-named, closed and any budget and actuals transferred to an alternative code; overall there has been a net reduction in the number of cost centres of approximately 40%. Stage One of the subjective code review has identified approximately 180 codes that can be closed immediately. Further review of subjective codes and analysis of the review feedback is scheduled and will be completed by the end of March 21.	13 January 2021	51 to 75	Amber
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 agreed 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.	08-Jan-21	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 iTrent 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 - Maria Kelly	A review has been undertaken by HR and OD but does rely on managers now keeping the information up to date	22nd September	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 - Maria Kelly	A training programme for H&S related issues is in place. All training is recorded on iTrent and there is now an interface between the e-learning system and iTrent.	17 December 2020	Complete	Green
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. Project timeline yet to be finalised.	11 January 2021	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 (% Complete)	Overall Status
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 that the role of IOA sits with 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.	11 January 2021	51 to 75	Amber
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	Neil Sinclair Strategic Business Partner - DACHS	Notes are currently being prepared by the DACHS Finance team and will be signed off by the Strategic Business Partner. Due to staff vacancies this has been delayed	12 January 2021	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 March 2022	18 December 2020	76 or more	Green
22 16/17	DOR	Use of Cash Vouchers & Cash Accounts	Documented procedures should be produced:- a) stipulate the purpose of petty cash accounts e.g. what is considered to be appropriate expenditure, and what is not b) specify the recording, reconciliation and reporting requirements including the transfer of details on to Oracle Fusion c) define the control requirements for the safeguarding of cash and vouchers.	16/17	02/11/2016	14-Jul-17	Annette Trigg - 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.	13 January 2021	76 or more	Green
23 16/17	DOR	Use of Cash Vouchers & Cash Accounts	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:- a) Conducting an annual review to ensure the records are correct and up to date. 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. 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.	16/17	02/11/2016	14-Jul-17	Annette Trigg - 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.	13 January 2021	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	All elements are completed except missed bins will go fully live after we roll out the food waste changes in May and bin deliveries which have been delayed due to COVID which caused the delay to the food waste service introduction and development of the whitespace system for food parcel deliveries. Trade Waste is now live on Whitespace, bin weighing is complete and standard practice	08 January 2021	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 (% Complete)	Overall Status
25 18/19	DoR	Additional Payments	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. 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. Policies and procedures should be publicised and promoted to relevant staff and managers and be available on Iris.	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 in March 2021.	17 December 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 - hence the high completion percentage. We decided to keep this action open until we have confirmed how Transport ICT will link in with the ICT Future Operating Model. Further work is needed to establish this: 1) Future direction of Transport ICT will be a dimension of the Digital Transformation Strategy being developed in Q4 20/21. 2) Work is needed to establish how transport communications should be linked in with the new Network tower. Transition to that tower from Northgate will be by 1 April 2021, but the current intent is to examine Transport issues after that transition is complete, to avoid distraction from the Northgate transition and to have the benefit of the strategic context from (1). So target date for closure is end Q1 21/22.	08 January 2021	76 or more	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	Northgate have completed proactive reports available. As the future operational ICT model introduces a new range of partners for Server Hosting (Agilisys), Desktop (Agilisys), Telephony (Virgin Media Business), and Networking (Pinacle/North) it also makes sense to review post 1st April as a post transition exercise the new opportunities for pro-active reporting, and the ICT Security Strategy is also recommending revisiting Security Incident Event Monitoring (SIEM) /Security Operations Centre (SOC) as a potential further change of service for 2021/22 subject to funding provisions.	7th January 2021	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		Annette Trigg, Chief Accountant	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.	13 January 2021	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 (% Complete)	Overall Status
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 was agreed by Personnel Committee on 19 November 2020 and will be communicated to all staff in January 2021	17 December 2020	Complete	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 i-Trent.	18/19	18/12/2018		Michael Graham, AD of Legal and Democratic Services Shella Smith, Head of HR and Organisational Development	It is hoped that the process can be automated through iTrent but due to other system priorities it is unlikely this could be done until later in 2021. In the meantime, a reminder will be sent to staff in early 2021 to ensure that gifts and hospitality offers and declarations of interest are properly recorded within directorate registers.	17 December 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 i-Trent when the facility becomes available) and for a summary report on reported activity to be reported by the Head of HR and Organisational Development to CMT each year.	18/19	18/12/2018		Shella Smith, AD of HR and Organisational Development	This is the same as 36 18/19. It is hoped that the process can be automated through iTrent but due to other system priorities it is unlikely this could be done until later in 2021.	17 December 2020	51 to 75	Amber
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. It is hoped that the process can be automated through iTrent but due to other system priorities it is unlikely this could be done until later in 2021.	17 December 2020	51 to 75	Amber
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 viable 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

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 (% Complete)	Overall Status
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	<p><i>New recommendation</i></p> <p>The procedures and processes for managing and monitoring sundry debt need to strengthened to actively reduce and prevent the current level of debt. The following areas should be considered:-</p> <ul style="list-style-type: none"> * 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		Annette Trigg - 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. Go live scheduled for April 2021	13 January 2021	51 to 75	Amber
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 have been reviewed to ensure fit for purpose and a number of new procedures written to allow skills transfer following a 50% turnover within the team. Change of process implemented by finance ensures evidence is uploaded.	14-Jan-21	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	The Valuation Office Agency in December 2020 have created a process to allow for a full download of all NNDR rateable values for the purposes of reconciliation and a batch job created by Capita to identify any variance. We need to review the system procedures for this process with a view to undertaking after our end of year processes which the team will need to prioritise. We anticipate a completion date of May 2021. We do however on a weekly basis reconcile the VOA changes and overall totals to the Academy System.	14-Jan-21	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 is no standard reporting unlike NNDR), there was an aim to have this completed by June 2020 if not too resource intensive, however due to Covid and a number of other factors that have greatly impacted the team's resource, this will also be scheduled for completion by May 2021. We do however on a weekly basis reconcile the VOA changes and overall totals to the Academy System.	14-Jan-21	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 (% Complete)	Overall Status
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. The Council Tax reconciliation process has undergone a review by the System Control Team Manager. The completion of the monthly reconciliations continued to be hampered by the ongoing Civica problems which cause imbalances, the team however will be ensuring that reconciliations will be issued to Finance by the 3rd week of the following month. They will summarise where imbalances are still to be reconciled if they have not be able to resolve by the deadline submission to finance.	14-Jan-21	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		Annette Trigg - 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.	13 January 2021	Complete	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		Annette Trigg - Chief Accountant / Andrew Jehan - Exchequer Manager / Kate Graefe - AD Procurement	Use of supplier portal fall under the AP Transformation project and it is planned that this will be introduced after completion of Supplier cleanse and supplier categorisation.	13 January 2021	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		Annette Trigg - 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.	13 January 2021	Complete	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.	11 January 2021	26 to 50	AMBER
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. 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.	11 January 2021	26 to 50	Amber

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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.	11 January 2021	26 to 50	Amber
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 O365 Microsoft Strategy.	11 January 2021	26 to 50	Amber
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 that progress has slowed in 2020. Performance statistics for the team have been developed and are recorded weekly. 58 cases are up to date, with 60 less than 3 months and 232 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. Progress has been made with the most overdue cases with overdue cases from 2019 reducing from 126 in April 2020 to 54 in January 2021. The number of people receiving their Direct Payment through a pre-paid card or managed bank account has increased to 90%.	12 January 2021	51 to 75	Amber
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.	08 January 2021	76 or more	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.	11 January 2021	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. Processes for FOI workflows are being reviewed as of January 2021.	11 January 2021	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.	11 January 2021	26 to 50	Amber
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 Spring 2021.	11 January 2021	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	11 January 2021	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.	11 January 2021	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.	11 January 2021	76 or more	Green
67 19/20	DoR	Freedom of Information	Annual performance reporting should include, but not be limited to: • Number of requests each year • Percentage of requests responded to on time • Number received during the quarter • Timeliness 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 whilst this was originally expected in Autumn 2020, is now delayed until Spring 2021.	11 January 2021	76 or more	Green

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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 ED's and CMT on a weekly basis. InPhase will give live view of outstanding FOIs once Firmstep module is implemented.	11 January 2021	76 or more	Green
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.	11 January 2021	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.	11 January 2021	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: 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. 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.	22nd September	51 to 75	Amber
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 Updated 17/12/2020 - As stated above, the updated review date is now the end January 2021, therefore I would suggest this is not really red. Work is progressing in this regard.	17th December 2020	26 to 50	Amber

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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	A basic review has occurred of the procedures and amends made where there have been changes to processes though I believe Di is looking to complete a full review as part of the service review for the customer excellence requirements.	14 January 2020	76 or more	Green
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		Seona Douglas - Director of DACHS	ERRG now meets daily and hence there are no packages that can be agreed outside this process without consultation with the Director in light of the budget parameters. Director is chairing ERRG daily and arranging a webinar for all staff to reinforce practice guidance, roles and responsibilities. All new packages of care and long-term commitments to spend on care are all to be tracked through a daily ERRG. The management of decisions commenced in October 2020, The mosaic process ensures all cases and subsequent financial activity is now captured in one place.	12 January 2020	51 to 75	Amber
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 and checks made against email domains in use to force TLS where sensible to increase security. However further activity to act when non-compliant Email destination domains are chosen to force separate secure email processes may not be possible in the remaining time with Northgate as transition work to the Future Operation Model new IT suppliers has however been prioritised over other Project Work. A review is underway as what remaining Project work is achievable between January and end of March when the Northgate Contract ends, with any legacy projects then having to move to Agilisys. This will be flagged on the Security Programme of work to be reviewed again with Agilisys post transition completing on the 31.03.21.	7th January 2021	26 to 50	Amv
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	The Food Standards Agency confirmed 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.	14 January 2021	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 as requested by the audit.	14-Jan-21	Complete	Green

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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 was approved by Policy Committee in December 2020	12 January 2021	Complete	Green
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 accurate• Controlled end to end processing• Matching of payment and suspense account management• The accounting framework allows specific and timely analysis• There are proper audit trails in place to secure supporting documentations• There 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 as a result of the impending move from Academy to Oracle. A single point of invoice of production has been created to ensure that all information required to successfully recover a debt is provided at the point of invoice creation, i.e. legal entity, contact details, evidence of service/contract etc.. The system in which debt is raised is in the process of migration to Oracle, to allow for better control and monitoring and improved analysis and compliance with the Corporate Debt Recovery Policy	12 January 2021	51 to 75	Amber
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 recovery 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 has been updated, a review and update of the reporting and the recovery process and procedures is in hand.	12 January 2021	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. Audit recommendations are in the process of being included in these procedures.	12 January 2021	76 or more	Green
83 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 31st March 2021, has a specific workstream addressing Accounts payable. An element of the workstream directly addresses A.P. processes for all areas of operation.	12 January 2021	76 or more	Green
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 31st March 2021, has a specific workstream addressing Accounts payable. An element of the workstream directly addresses business processes and staffing levels	12 January 2021	51 to 75	Amber

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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	12 January 2021	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 January 2021	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 31st March 2021.	13 January 2021	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 January 2021	51 to 75	Amber
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 January 2021	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 January 2021	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	27 RBC employees currently send invoices directly to the Oracle Fusion Webcenter and this is in the process of being increased. It is intended that Suppliers will be requested to email the webcenter direct in the new financial year.	12 January 2021	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	The current scanning solution shows a scanned image of the original invoice received and is only processed if all relevant information is available and easy to read.	12 January 2021	Complete	Green
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	One of the main issue with the current scanning process is that the system uses supplier address as the first reference, as the cleanse of suppliers has been completed the failure rate has been reduced. Some additional work may be needed regarding the way POs are raised. It should be noted that Oracle Fusion has updated their scanning process for new customers and are currently rolling this out to exist customers.	12 January 2021	76 or more	Green

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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	KPI's are currently produced to show Payment Date vs Invoice Date and Payment Date vs Invoice Creation Date, although this report is for internal RBC use only. The reason why targets are not being met is currently not shown as this data is unavailable. Discussion with procurement is required to confirm if this data should be published	12 January 2021	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 has now been undertaken at the end of September 2020.	25/11/2020	Complete	Green
96 19/20	DoR	Rent Accounting	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: 1) The frequency with which reconciliations are to be completed should be determined and this discipline kept to. 2) Reconciliations should identify the officer responsible for producing the reconciliation(s) and the officer responsible for reviewing and approving. 3) Reconciliations should be held on file alongside supporting documentation. 4) A complete procedure note should be produced that sets out the process for the production of the reconciliations.	19/20	17/04/2020		Alex Mackie - HRA Business Partner	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. 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. The Procedure note has now similarly been completed detailing the process behind the production of the reconciliations.	25/11/2020	Complete	Green
97 19/20	DoR	Oracle Fusion - RBC/BFFC segregation and access arrangements	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: •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
99 19/20	DoR	Bank & Cash reconciliations	All reconciliations should be provided for authorisation and approval as soon as practicable. 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.	19/20	16/06/2020		Annette Trigg, Chief Accountant	All bank and cash reconciliations are now up to date, and are produced, verified and authorised by the 21st of each month	13 January 2021	76 or more	Green

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100 19/20	DoR	Bank & Cash reconciliations	<p>Reconciliation templates should be completed fully to record:</p> <ul style="list-style-type: none"> 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 checked 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 	19/20	16/06/2020		Annette Trigg, Chief Accountant	These are prepared and being used	13 January 2021	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		Annette Trigg Chief Accountant	All recommendations currently being reviewed and actions implemented under the Reconciliations strand of the Finance Improvement Programme	13 January 2021	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	All DBS checks are facilitated by Human Resources.	05 January 2021	76 or more	Green
103 19/20	DoR	DBS checks	<p>HR should always be able to demonstrate that all staff either:</p> <ul style="list-style-type: none"> a) do not require DBS clearance; or b) for those that do, that checks are in progress. <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	Complete	05 January 2021	Complete	Amber

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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.	05 January 2021	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	11/08/2020		Housing system project team - Project manager Johnnie Stanley	Project to replace OHMs system with NPS should be started 12/20. The work to establish standard naming conventions/data cleansing will be included in the project plan.	17 December 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): •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	11/08/2020		Emma Tytel, DGS Team Leader	All past RGS accounts have been reviewed and relevant actions taken as a one-off exercise, and current accounts are being reviewed on a quarterly basis going forwards.	08 January 2021	Complete	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	11/08/2020		Emma Tytel, DGS Team Leader	We are still 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.	08 January 2021	51 to 75	Amber
110 20/21	DoR	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	15/07/2020		Annette Trigg, 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, although for a transfer to be made the approval of the receiving business is required first. The preventative use of CHAPS / Swiftpay is already in place	12 January 2021	76 or more	Green
111 20/21	DoR	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	15/07/2020		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.	12 January 2021	76 or more	Green
112 20/21	DoR	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	15/07/2020		Annette Trigg, 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 have been implemented	12 January 2021	76 or more	Green

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113 20/21	DoR	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	15/07/2020		Annette Trigg, 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	12 January 2021	76 or more	Green
114 20/21	DoR	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	15/07/2020		Annette Trigg (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	12 January 2021	76 or more	Green
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	03/08/2020		Mike Carpenter, Housing Projects Team Manager	This has been chased several times with Legal, the last being in December 2020, but there has been no response yet	11 January 2021	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	03/08/2020		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. A returns form is being devised for trade staff to complete when they return a product and returns will be tracked from this The returns policy specification will be identified and clarified.	05 January 2021	25 or less	Red
117 20/21	DEGNS	Stores Contract	The resources and procedures for accounting for the use of materials to confirm a 'goods outward' schedule in the invoice data requires evaluation and development with the contractor and where necessary, RBC services. i.e. •Positive confirmation from services of the recharges made by the Quality Business & Assurance Manager. •Reconciliation and confirmation of materials booked to each 'repairs job ticket' on the Total system (Housing Repair System) against the MSR. •TP should be requested to complete the site address field correctly at the point of collection	20/21	03/08/2020		Mike Carpenter, Housing Projects Team Manager	Managers are now asked to confirm they are happy with the materials purchased by their teams every month. It is not practical to check that every material is, nor is it possible to do this for van stock. Spot checks are being conducted on 'over the counter purchases' and any anomalies pursued with TP This will be raised again with Travis Perkins but an element of human error is inevitable. This has been raised through the Core Group previously but will be reiterated.	05 January 2021	Complete	Green

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118 20/21	DEGNS	Stores Contract	A report on the opportunities and disadvantages of the Housing Contract should be produced periodically for corporate consideration.	20/21	03/08/2020		Jane Bloomfield, Quality & Business Assurance Manager	We propose to do this on an annual basis going forward, but with due consideration of the contract end date which is April 2022, propose to undertake a benchmarking exercise to understand how competitive the current charges are to start the review. A formal report on the opportunities and disadvantages will be produced for April 2021 05/01/21 - The benchmarking exercise has now been completed (by Cirrus Purchasing) and indicates that the contract is providing good value for money). This will be used to discuss the findings with Travis Perkins and inform the contract review.	05 January 2021	51 to 75	Amber
119 20/21	DEGNS	Education and Skills Funding Agency - eligibility verification	System data fields should be completed in full to confirm the status of information held e.g. whether the learner agreement is applicable or not and completed correctly.	20/21	25/08/2020		Lisa Potter (Assistant Principal, New Directions College	Tracker spreadsheets have been introduced for enrolments for 2020-21 to ensure all documents are collated and accurate for each learners enrolment. 100% of forms are now being audited by the Senior Business Support Officer.	5th January 2021	Complete	Green
120 20/21	DEGNS	Education and Skills Funding Agency - eligibility verification	The processes and audit trails for confirming and reconciling ESFA funding, payment, attendance against the ILR should be reconciled to highlight any anomalies that could expose New Directions to financial loss. This should include the identification of all part funded entitlements so that these payments can be collected on a timely basis.	20/21	25/08/2020		Lisa Potter (Assistant Principal, New Directions College	Enrolment protocols have been put in place. All of these are taking place digitally and learners are not able to access learning until outstanding documents and if applicable payment is made.	5th January 2021	Complete	Green
121 20/21	DEGNS	Education and Skills Funding Agency - eligibility verification	Systems need to be improved to ensure official documents presented by learners to obtain ESFA funding are authentic, and that any independent verifications carried out by New Directions College with third parties/agencies are recorded and evidenced where appropriate e.g. passports, driving license, birth certificates etc.	20/21	25/08/2020		Lisa Potter (Assistant Principal, New Directions College	Enrolments are being carried out digital with documents being scanned and emailed to the College. Discussions about independent verifications have been delayed due to impact of Covid 19 on our day to day operations. Providing restrictions are lifted by Easter then discussions can begin in time for implementation in the next academic year 2021-22	5th January 2021	76 or more	Green
122 20/21	DEGNS	Education and Skills Funding Agency - eligibility verification	The Learning Eligibility Forms should be completed and attached to the Learner Agreements to ensure the audit trails for substantiating eligibility is complete. These forms must be appropriately certified by the Learner and Tutor.	20/21	25/08/2020		Lisa Potter (Assistant Principal, New Directions College	A central tracker spreadsheet has been created to ensure that for all enrolments that require an eligibility form to be completed - it is highlighted. Checks will be made to ensure that the form has been received and then uploaded onto our MIS system with the required signatures.	5th January 2021	Complete	Green
123 20/21	DEGNS	Education and Skills Funding Agency - eligibility verification	Certified controls need to be established to ensure all information entered or scanned onto the Education Management System is complete and accurate.	20/21	25/08/2020		Lisa Potter (Assistant Principal, New Directions College	2020 -21 enrolments are all being logged on a central tracker and checks are being carried out to ensure that the digital documents that have been submitted by learners match the keyed information on our MIS system. This work will continue for the rest of this academic year until full implementation of our new MIS system has been completed - currently on track for April 2021 go live.	5th January 2021	76 or more	Green

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124 20/21	Cross directorate	Transparency Code	Procedures for ensuring full compliance with the Transparency Code need to be reviewed and brought up to date. Where any gaps are identified these should be established. Procedures should include and address: <ul style="list-style-type: none"> • Management ownership and responsibility for coordinating the collation, checking and monitoring of information and for responding to queries resulting from information published under the terms of the Code. • Information should be appropriately labelled, be able to be easily located and accessible under a common section or directory of the Council's website. • Posted information should be monitored and kept up to date to ensure the data requirements are met and that publication of information is in accordance with the Code's timeframe requirements. • The protocol for publishing historical information from previous years needs to be agreed so that this is appropriately applied on a consistent basis. 	20/21	01/10/2020		Michael Graham, Assistant Director of Legal and Democratic Services	Actions to address this to be programmed at forthcoming Information Governance Board.	11 January 2021	25 or less	Red
125 20/21	Cross directorate	Transparency Code	The Council needs to be more proactive and visible in its commitment to being open and transparent. For example, although a copy of the Transparency Code 2015 is available via government website, the Council should confirm its policy and approach for complying with the code.	20/21	01/10/2020		Michael Graham, Assistant Director of Legal and Democratic Services	Actions to address this to be programmed at forthcoming Information Governance Board.	11 January 2021	25 or less	Red
Page 20 of 26	DEGNS	Staff Vehicle Documentation (Grey Fleet)	The existing draft grey fleet policy needs to be reviewed and updated if necessary and then formally and appropriately approved, launched and then made widely available across the Council. It also needs to be included within the new starters' induction process. The policy should clearly detail the roles and responsibilities of managers, the Transport and Fleet Manager and HR, as well as be explicit as to what should be recorded, by whom and where, with consideration given to taking a more risk-based approach. In light of any changes to how, what and where checks are recorded, roles and responsibilities may need to be reviewed and updated, as appropriate. There also needs to be a documented and agreed process for all relevant staff, up to and including the Chief Executive if appropriate, to undergo grey fleet checks and to ensure all grey fleet mileage claims are reviewed and authorised.	20/21	02/10/2020		Kevin Green, Transport and Fleet Manager/Teresa Kaine, HR Services Manager	TK:The grey fleet policy has been reviewed and version one is now ready to be approved by the trade unions and then Personnel Committee in March. Once we have these approvals, the policy will be formally launched and training for employees and managers will be provided.	11 January 2021	Complete	Green
	DEGNS	Staff Vehicle Documentation (Grey Fleet)	Agreement should be reached as to which related documents (licence, MOT etc) should be checked and then these should be checked on a consistent and at a minimum of an annual basis. Evidence of those checks conducted on documentation should be clearly and consistently recorded in accordance with the agreed policy. System controls in place should not be overridden where errors are encountered.	20/21	31/12/2020		Kevin Green, Transport and Fleet Manager/Teresa Kaine, HR Services Manager	TK:These checks are clearly documented in the policy and there are guides for use by both employees and managers uploaded onto the intranet under iTrent user guides.	11 January 2021	Complete	Green

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128 20/21	DEGNS	Staff Vehicle Documentation (Grey Fleet)	In terms of the time intensive nature of the grey fleet checks, particularly in cases where managers may have a number of direct staff reports, consideration should be given to alternative options available - for example outsourcing/automating checks - and an appropriate cost benefit analysis being conducted of these options. If it is then decided to maintain the existing system(s) in house, ideally automatic reminders should be sent by the system to managers when checks are due, if appropriate, or alternatively a report produced, identifying checks shortly due, which can then be bulk checked.	20/21	31/12/2020		Kevin Green, Transport and Fleet Manager/Teresa Kaine, HR Services Manager/Bradley Pym, Data Systems Officer	(KG) We looked at a number of different systems available on the market, all these systems require a level of RBC input to maintain the register of drivers and line management. It was decided with this level of input and Data rules it would be best to use iTrent as the main data store, with employee and line managers uploading the details. After training is given.	12 January 2021	Complete	Green
129 20/21	DEGNS	Staff Vehicle Documentation (Grey Fleet)	It is recommended that a review is undertaken of supporting information used as part of the checking procedure, and in particular to review how and where this should be held - preferably to ensure all information is held in a consistent format and stored in one location. There should also be clarity as to whose responsibility it is to keep information and checks up to date and then to chase outstanding checks.	20/21	02/10/2020		Kevin Green, Transport and Fleet Manager/Teresa Kaine, HR Services Manager	TK: All information will be stored on iTrent Grey Fleet information will be the responsibility of HR to ensure this data is up to date. Fleet Management will be responsible for ensuring that RBC fleet driver checks are up to date and the details of the checks forwarded to HR via a CSV file monthly so iTrent can store all driver checks.	11 January 2021	Complete	Green
130 20/21	DEGNS	Staff Vehicle Documentation (Grey Fleet)	Controls should ensure that it is not possible to make mileage claims without the appropriate up to date checks having first been in place. Where feasible, the iTrent system should not allow payments to be made without these checks being undertaken and recorded.	20/21	02/10/2020		Kevin Green, Transport and Fleet Manager/Teresa Kaine, HR Services Manager	TK: All documentation has to be reviewed by the manager before approving travel. Audit will be undertaken of mileage claims on a quarterly basis to ensure payments are only being made when correct documentation is in place.	11 January 2021	Complete	Green
131 20/21	DEGNS	Staff Vehicle Documentation (Grey Fleet)	There needs to be clarity as to whose responsibility it is to update various systems, including consideration of how and where information should be held to avoid duplication and reduce the opportunities for mistakes to arise. Consideration should also be given to adding a reminder to managers on iTrent when approving mileage claims that they have confirmed that appropriate document checks are in place for the staff member in question.	20/21	02/10/2020		Kevin Green, Transport and Fleet Manager/Teresa Kaine, HR Services Manager	TK: A process for updating systems to avoid duplication has been agreed.	11 January 2021	Complete	Green
132 20/21	DEGNS	Staff Vehicle Documentation (Grey Fleet)	Consideration to be given to undertaking a review of making significant distance journeys using a grey fleet vehicle, as to whether use of a fleet vehicle would instead be more beneficial.	20/21	02/10/2020		Kevin Green, Transport and Fleet Manager/Teresa Kaine, HR Services Manager	TK: This is covered in the policy.	11 January 2021	Complete	Green
133 20/21	DEGNS	Staff Vehicle Documentation (Grey Fleet)	The management issue detailed in para 4.6.3 needs to be addressed to ensure there is consistency of practice and that this doesn't become a wider issue across staff.	20/21			Kevin Green, Transport and Fleet Manager	KG: This is covered in the policy.	11 January 2021	Complete	Green

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134 20/21	DEGNS	Staff Vehicle Documentation (Grey Fleet)	There needs to be monitoring and reporting of compliance, as appropriate, once the policy has been formally agreed and implemented, with particular consideration given to having a regular report provided to senior management on grey fleet and compliance and feedback to managers on key issues also included. Reporting capability needs to be clarified, with reports containing key information being produced in a timely and accurate manner and necessary action taken to address issues identified, including non-compliance.	20/21	02/10/2020		Kevin Green, Transport and Fleet Manager/Teresa Kaine, HR Services Manager	KG: HR will provide reports from I Trent to senior management and provide a copy to Fleet Management	12 January 2021	Complete	Green
135 20/21	DEGNS	Staff Vehicle Documentation (Grey Fleet)	Firmer action needs to be taken where checks have either not been undertaken or are not up to date and/or not appropriately recorded, making it clear to staff and managers alike that expenses cannot be paid without these being in place.	20/21	02/10/2020		Teresa Kaine, HR Services Manager	KG Covered in Policy	12 January 2021	Complete	Green
136 20/21	DEGNS	Staff Vehicle Documentation (Grey Fleet)	Consideration should be given to establishing appropriate KPIs around this area and performance monitored and reported against these.	20/21	02/10/2020		Kevin Green, Transport and Fleet Manager/Teresa Kaine, HR Services Manager	TK: There should be no need for KPIs as this is a mandatory exercise. Failure to comply could lead to disciplinary action.	11 January 2021	Complete	Green
137 20/21	DEGNS	Licensing	When processing Charity Collection applications, charity authorisation should be sought from an appropriate person and Audit suggests authorisation should come from a Charity Trustee or equivalent.	20/21	02/12/2020		Catherine Lewis, Acting Regulatory Service Manager	This is requested on the application and checked by an officer to confirm appropriate paperwork submitted and signed - a permit is not given if the appropriate signature is not on the application.	18 January 2021	25 or less	Red
138 20/21	DEGNS	Licensing	Given the vulnerability of school transport users, discretionary decisions to allow vehicles to continue to operate when they are in excess of the upper age limit should be well documented, to ensure it aligns with licensing objectives.	20/21	02/12/2020		Clyde Masson, Principal Licensing Officer	We are reviewing out specifications and conditions in respect of School Transport vehicle Licensing to reflect the changes in the industry which include the age of vehicles licensed. By July 2021	18 January 2021	25 or less	Red
139 20/21	DEGNS	Licensing	To maximise the effectiveness of the available enforcement resource, premises enforcement should be formalised by way of a documented risk assessment of type, location and individual premises. Consideration should be given to issuing self-assessment forms to low risk licence holders.	20/21	02/12/2020		Catherine Lewis, Acting Regulatory Services Manager,	Officers are currently working on producing a self assessment inspection form to be completed by licence holders which will provide a risk level to aid determination whether an officer inspection is required. By March 2021	18 January 2021	25 or less	Red
140 20/21	DEGNS	CIL 15% Local Projects	It is recommended that policies and procedures governing CIL, including the 15% aspect, are periodically reviewed and updated to ensure these reflect both the latest local and legislative requirements and that these are updated on the website.	20/21	07/12/2020		Mark Worringham, Planning Policy Manager / Neal Gascoine, CIL Officer	As part of the review mentioned in 140, the process and procedures associated with the delivery of the 15% CIL local schemes is being reviewed to define each of the relevant officers roles within the delivery process of projects funded via the 15% CIL funds. This is linked to 142 below.	08 January 2021	25 or less	Red

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141 20/21	DEGNS	CIL 15% Local Projects	The discrete roles and responsibilities of Planning staff and other staff responsible for the delivery of 15% Local CIL schemes need to be reviewed, understood and adopted by all parties. It is recommended that these are reviewed, documented, approved and then adopted. These should include reference to the work of other services used in the delivery of such schemes, i.e. Legal Services. In particular these should concisely address and include responsibility for:	20/21	07/12/2020		Mark Worringham, Planning Policy Manager / Neal Gascoine, CIL Officer	As part of the review mentioned in 140, the process and procedures associated with the delivery of the 15% CIL local schemes is being reviewed to define each of the relevant officers roles within the delivery process of projects funded via the 15% CIL funds. This is linked to 142 below.	08 January 2021	25 or less	Red
142 20/21	DEGNS	CIL 15% Local Projects	It is recommended that simple, clear terms of reference are established for both the Officer and Member 15% Working groups and that these are periodically reviewed and updated, if necessary. In particular the terms should specify the purpose and frequency of meetings and composition of membership.	20/21	07/12/2020		Andrew Edwards, Assistant Director of Environmental & Giorgio Framallicco, Commercial Services / Deputy Director of Planning, Transport & Regulatory Services	An initial draft TOR has been compiled and is currently being reviewed, subject to an initial meeting later in Jan 2021 between primary stakeholders.	08 January 2021	25 or less	Red
143 20/21	DEGNS	CIL 15% Local Projects	In order to ensure that the required outcomes are clearly defined at the earliest stage possible, it is recommended that a simple Project Initiation Document (PID) is completed and agreed for each 15% CIL scheme and a copy held by the Infrastructure Monitoring Officer. This should include the following suggested details and inform the regular monitoring by the respective officer / Member working groups: a) The purpose for each scheme or project and a brief narrative or overview b) Details of the Member approval process c) Details of assigned responsible officer(s) and their roles d) Budget and scope of the scheme (details of what is to be achieved) e) Any potential risks or obstacles f) Start / finish target dates g) Any reporting milestones.	20/21	07/12/2020		Neal Gascoine, CIL Officer	As part of the process/document review being undertaken in 140/141 a PID will be designed and will form part of the roles responsibilities defined to relevant officers and each individuals input defined to confirm relevant elements are captured and recorded. This will be part of the new process to be agreed at Policy Committee in February.	08 January 2021	25 or less	Red
144 20/21	DEGNS	CIL 15% Local Projects	Issues around accurate financial reporting and the Infrastructure Monitoring Officer having the necessary reporting or access to Oracle Fusion need to be resolved, in order to be able to provide required financial accountability and reporting of 15% local area CIL funded schemes. It is recommended this is followed up with the support of the Assistant Director of Environmental & Commercial Services.	20/21	07/12/2020		Andrew Edwards, Assistant Director of Environmental & Commercial Services	Although IMO now has access to Oracle reporting, the reports generated do not show all the information held by finance regarding allocations as this requires input from finance officers to confirm actual standing. It is planned that this will be highlighted as part of the review of process/procedure which covers items 140/141/142/143/144/145.	08 January 2021	25 or less	Red

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145 20/21	DEGNS	CIL 15% Local Projects	It is explicitly recommended that in the Infrastructure Monitoring Officer experiences either poor or no assistance from the managers of the 15% CIL schemes that this should be reported to the Planning Manager and /or Deputy Director of Planning, Transport & Regulatory Services for their intervention, support and follow up.	20/21	07/12/2020		Mark Worrington, Planning Policy Manager / Neal Gascoine, CIL Officer	As part of the process/document review being undertaken in 140/141 clear escalation routes are to be defined to confirm the relevant support needed for reporting.	08 January 2021	25 or less	Red
146 20/21	DoR	Purchasing cards	An exercise should be carried out to ensure all the appropriate agreements are held and that these are relevant to the current service i.e. an agreement is held for all new budget holders with existing VPC in the service. A periodic exception report should be produced to monitor the completeness of these records.	20/21	09/12/2020		Andrew Jehan (Exchequer Manager) / Annette Trigg (Chief Accountant)	A review of all current card holders and the associated agreements held is currently in progress. Still need to check that all cardholders have the cardholder agreement and the budget holder agreement	12 January 2021	26 to 50	Amber
147 20/21	DoR	Purchasing cards	In conjunction with recommendation 3, an up to date list officers should be maintained to validate both approval of the business case and authorisations of expenditure. We also recommend that a statement of satisfaction should added to the authorisation template confirming that they are satisfied that all the necessary checks have been undertaken.	20/21	09/12/2020		Andrew Jehan (Exchequer Manager) / Annette Trigg (Chief Accountant)	A list of officers needs to created for approval of business case and authorisation of transaction log. On the firmstep form, confirmation statement for completeness has been added for cardholder and budget holder agreements	12 January 2021	26 to 50	Amber
148 20/21	DoR	Purchasing cards	In conjunction with recommendations 3 & 4, there should be an annual/periodic revision of the business case and merchant categories for the cards in circulation to ensure these remain appropriate and relevant to service needs. Special consideration needs to be given to those cards which are used in interaction with the requirements from Emergency Planning.	20/21	09/12/2020		Andrew Jehan (Exchequer Manager) / Annette Trigg (Chief Accountant) / Department Budget Managers	This recommendation will be covered by the review of all current card holders and the card categories they have/need. This will be completed in conjunction with budget managers approving the card transactions. Staff with Emergency Planning responsibilities will also be considered. Need to add the guidance	12 January 2021	26 to 50	Amber
149 20/21	DoR	Purchasing cards	Bank confirmations on the set up of spend limits and expenditure categories should be placed on file to substantiate the applications of those authorised.	20/21	09/12/2020		Andrew Jehan (Exchequer Manager)	Started to recorded the limits of some cardholders to the file.	12 January 2021	26 to 50	Amber
150 20/21	DoR	Purchasing cards	Procedures should be established to highlight the cancelation requirements of VPC due to staff leaving or changing role. This should coincide with the usage monitoring controls to identify those cards which are not being used because the cardholder has left the employ of the Council.	20/21	09/12/2020		Andrew Jehan (Exchequer Manager)	Still not started, the completion date is 31 March 2021	12 January 2021	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 (% Complete)	Overall Status
151 20/21	DoR	Purchasing cards	<p>Corporate monitoring systems should be established to highlight VPC Holder and Budget Holder areas of non-compliance. An exception report should be produced on a periodic basis for management for continuous improvement purposes. This should include highlighting for management attention:-</p> <ul style="list-style-type: none"> - Claims which have not been authorised at all or inappropriately. - Expenditure which has occurred after the cardholder has left the employ of the Council. - Material expenditure which isn't supported by a VAT compliant receipt or invoice. - Material expenditure which exceeds the general-purpose value of £500 in accordance with the VPC policy. <p>Any extraordinary expenditure which could give rise to concern i.e. of public interest or HMRC taxation risks.</p>	20/21	09/12/2020		Andrew Jehan (Exchequer Manager / Annette Trigg (Chief Accountant)	Still not started, the completion date is 31 March 2021	12 January 2021	25 or less	Red
152 20/21	DoR	Purchasing cards	A reconciliation between the Fusion system total, the claim total and the Lloyds bank statement should be carried out on a regular basis. This reconciliation should be appropriately substantiated and certified.	20/21	09/12/2020		Wai Lok (Technical Accountant) / Annette Trigg (Chief Accountant)	The Technical Accountant to make arrangements with the Accounts Payable team and ensure the reconciliation is carried out monthly. The target date for completion is end of February 2021.	08 January 2021	26 to 50	Amber
153 20/21	DoR	Purchasing cards	In conjunction with recommendation 8, the Visa Purchasing Cards should be monitored to ensure it is not being used to circum-navigate the local purchase order policy and procedures. Areas of concern should be raised with the card holder and budget holder.	20/21	09/12/2020		Andrew Jehan (Exchequer Manager)	All purchases will be retrospectively reviewed by Accounts Payable to ensure that they are applicable for Visa Purchasing Cards use. Areas of concern will be raised with the card holders and budget holders and cards may be withdrawn if being used to circum-navigate the purchase order policy.	20 January 2021	25 or less	Red
154 20/21	DoR	Purchasing cards	<p>In conjunction with recommendation 8, the Visa Purchasing Cards expenditure categories and respective providers should be monitored to ensure purchases are not being made outside an existing corporate contract, or to ascertaining if there would be a benefit to developing a contract.</p> <p>Prevention controls should be applied to re-enforce the protocols of use in the Visa Purchasing Cards Rules. Appropriate consideration should be given to the different uses by the general services and those purchased for emergency planning.</p>	20/21	09/12/2020		Kate Graefe (AD of Procurement & Contracts)	It is the intention of Procurement & Contracts to commission an external tail-spend analysis across the Council, which would include Purchase Card spend data, to determine whether spend should or could otherwise be routed through a corporate contract or more cost-effective arrangement. Such analysis and work will be shared with Finance to determine if refinement of Purchase Card controls and/or policy is required. This is dependent on funding for the analysis work.	20 January 2021	25 or less	Red
155 20/21	DoR	Purchasing cards	Receipts and invoices should be obtained and attached for all purchases as proof of purchase to substantiate the charge on the bank statement and to support the correct recovery of VAT.	20/21	09/12/2020		Andrew Jehan (Exchequer Manager / Annette Trigg (Chief Accountant)	Currently all the receipts are checked for VAT and when not received, they are requested	13 January 2021	76 or more	Green
156 20/21	DoR	Purchasing cards	<p>Because of the failure to ensure all emails are retained, we strongly recommend that the claim form is physically certified by the VPC card holder and VPC approver.</p> <p>In conjunction with recommendation 5, the VPC Administrator should ensure the claim is certified by the correct officer.</p>	20/21	09/12/2020		Andrew Jehan (Exchequer Manager)	From January 2021, the returns of the monthly transaction logs has been started using Firmstep. Firmstep permits electronic authorisation and this can be kept on the file. Statement of completeness	13 January 2021	26 to 50	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 (% Complete)	Overall Status
157 20/21	DoR	Purchasing cards	The Council should review the operational platform for managing and accounting for VPC expenditure e.g. an integrated management system that manages the authorisations, records and payments in conjunction with existing/future accounts payable and contract requirements.	20/21	09/12/2020		Annette Trigg (Chief Accountant)	Consideration will be given to this recommendation as part of the implementation of a new finance system, however it is important to note that this area may be a lower priority when considering finance systems functionality compared with other essential system requirements. The process changes and agreed actions included in this report will result in improved processes and will reduce the financial risks for this area of expenditure.	13 January 2021	25 or less	Red
<hr/>											
<hr/>											
Status											
25 or less											22
Red %											15
Amber %											32
Green %											35
Total											137
Complete											
100											

Agenda Item 13

READING BOROUGH COUNCIL

REPORT OF EXECUTIVE DIRECTOR OF RESOURCES

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	28 JANUARY 2021		
TITLE:	HOUSING BENEFIT & COUNCIL TAX SUPPORT SCHEME - RISK BASED VERIFICATION POLICY 2021/22		
LEAD COUNCILLOR:	COUNCILLOR EMBERSON	PORTFOLIO:	CORPORATE AND CONSUMER SERVICES
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
LEAD OFFICER:	SAMANTHA WILLS	TEL:	0118 937 2711
JOB TITLE:	REVENUES & BENEFITS MANAGER	E-MAIL:	Samantha.wills@reading.gov.uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report proposes the continued use of the Council's Risk Based Verification (RBV) process in 2021/22. Risk Based Verification was introduced by the Council in June 2010 following recommendation by the Department of Work and Pensions. The process enables the Council to streamline the processing of new claims for both Housing Benefit payments and Council Tax Support, thereby enabling customers to receive decisions sooner. The approach also helps mitigate risk and fraud entering the system.
- 1.2 All Local Authorities opting to apply risk-based verification are required to have in place a Policy detailing the risk profiles, verification standards which will apply and the minimum number of claims to be checked. The Policy must be reviewed annually but not changed in-year and it is considered good practice for the Policy to be examined by the authority's Audit and Governance Committee.
 - 1.1 The Council's Risk Based Verification Policy principles remain unchanged from 2020/21.
 - 1.2 There are no recommended scheme changes to the Council's 2021/22 Council Tax Reduction Support Scheme and subsequently no impact on the Risk Based Verification Policy.

2. RECOMMENDED ACTION

- 2.1 That the Committee agree:
 - a) the Policy as set out at Appendix 1; and
 - b) the continued use of a Risk Based Verification approach to evidence supporting claims for Housing Benefit and Council Tax Reduction Support in 2021/22.

Appendix 1 Risk Based Verification Policy 2021/22 & Desk Aid (Appendix A)
(NOT FOR PUBLICATION By virtue of paragraph(s) 7 of Part 1 of Schedule 12A of the Local Government Act 1972.)

Appendix 2 Temporary Covid Measures
(NOT FOR PUBLICATION By virtue of paragraph(s) 7 of Part 1 of Schedule 12A of the Local Government Act 1972.)

3. POLICY CONTEXT

- 3.1 The Policy as attached at Appendix 1 sets out the arrangements for verifying the evidence needed to support claims for Housing Benefit and Local Council Tax Support. Its objective is twofold: firstly, to provide more efficient and effective processing of claims and thereby improve customer service, and secondly, to more accurately detect fraud and error at the time claims enter the benefits system.
- 3.2 In deciding benefit entitlement, the Council must adhere to the legal rules for Housing Benefit and Local Council Tax Support. The regulations do not specify the evidence and information that must be obtained in connection with claims but do specify that evidence must be reasonably required to provide for an accurate assessment of benefit entitlement.
- 3.3 Risk Based Verification is an automated process that sits alongside the Council's on-line application form. It risk scores new benefit claims and categorises them as either low, medium or high risk. This enables speedier processing of low risk claims and more intense verification activity to be targeted at claims presenting with a potentially higher risk of fraud and error.
- 3.4 Risk Based Verification is also used by the Department for Work and Pensions (DWP) and is applied to all Universal Credit claims.
- 3.5 The risk score is derived from a mathematical assessment based on historical intelligence and statistical information about which claim types represent risks.
- 3.6 Risk scoring means officers can focus resources on new claims with a higher risk of fraud and error by allowing a reduced level of verification on lower risk claims. RBV has been shown to be effective in identifying fraud and error whilst also improving customer service. It has an immediate impact on work processes allowing resources to be targeted more effectively and improving new claim processing times.
- 3.7 The continued use of Trust ID scanners by the Customer Services Team assists in identifying cases where queries or concerns exist over a customer's identity. Trust ID scanners carry out advanced-level checks on original identity documents, to assist in identifying fraudulent documents. (See Appendix 2 - Temporary Covid Measures)

4. THE PROPOSAL

- 4.1 It is recommended that the Policy as set out at Appendix 1 is approved and that the Council continue with its current approach to RBV as per the guidance issued by the Department for Works and Pensions in November 2011 - HB/CTB Circular S11/2011.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 This Policy supports ensuring that Housing Benefit and Local Council Tax Support claims are processed quickly and efficiently enabling recipients to sustain their tenancies with the minimum impact on their requirement to provide evidence to support their claims
- 5.2 It also ensures a fair and consistent approach to claim processing whilst protecting the financial stability of the Council by safeguarding against fraud entering the system.

6. COMMUNITY ENGAGEMENT AND INFORMATION

- 6.1 The requirements for Local Authorities that have adopted a risk-based verification process state that the information held in the Policy, which includes the risk categories, should not be made public due to the sensitivity of its contents (HB/CTB Circular S11/2011).

7. EQUALITY IMPACT ASSESSMENT

- 7.1 The Risk Based Verification approach applies equally to all claimants; therefore, no equalities issues arise.

8. LEGAL IMPLICATIONS

- 8.1 HB/CTB Circular S11/2011 sets out the legal implications and best practice recommendations should an authority choose to implement a Risk Based Verification approach.

- 8.2 Housing Regulation 86 and Council Tax Benefit Regulation 72 of the Social Security Act 1992 sets out the minimum level of evidence required and HB/CTB Circular S11/2011 provides further guidance by advising:

- All Local Authorities opting to apply RBV will be required to have in place an RBV Policy detailing the risk profiles, verification standards which will apply and the minimum number of claims to be checked. They consider it to be good practice for the Policy to be examined by the authority's Audit and Risk Committee or similar appropriate body if they exist.
- The Policy must be submitted for Members' approval and sign-off along with a covering report confirming the Section 151 Officer's agreement/recommendation. The information held in the Policy, which would include the risk categories, should not be made public due to the sensitivity of its contents.
- The Policy must allow Members, officers and external auditors to be clear about the levels of verification necessary. It must be reviewed annually but not changed in-year as this would complicate the audit process. It is also considered good practice for the Policy to be examined by the authority's Audit and Governance Committee. The Policy must be submitted for Members' approval and sign-off along with approval from the Section 151 Officer.

9. FINANCIAL IMPLICATIONS

- 9.1 The on-going costs for the software and support are £2.5k per annum which is met from within the service budget.

- 9.2 There are subsidy implications if the Council does not have an RBV policy and does not apply the standards within its HB claims as stipulated in its RBV Policy. Failure to do this will cause the expenditure to be treated as LA error. The auditor will identify this error and if deemed necessary extrapolate the extent and, where appropriate, issue a qualifying letter. In determining the subsidy implications, the extrapolation of this error will be based on the RBV cases where the error occurred.

10. ENVIRONMENT AND CLIMATE CHANGE IMPLICATIONS

10.1 None arising.

11. BACKGROUND PAPERS

11.1 HB/CTB Circular S11/2011

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/633018/s11-2011.pdf

Agenda Item 15

By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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