

To: Councillor Stevens (Chairman)
Councillors Davies, Gittings, Edwards,
Emberson, McElroy, McEwan and Robinson

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9 July 2021

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

NOTICE OF MEETING - AUDIT AND GOVERNANCE COMMITTEE 19 JULY 2021

A meeting of the Audit and Governance Committee will be held on Monday, 19 July 2021 at 6.30 pm in the Council Chamber, Civic Offices, Reading. The Agenda for the meeting is set out below.

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1. DECLARATIONS OF INTEREST		
2. MINUTES OF THE PREVIOUS MEETING HELD ON 20 APRIL 2021		5 - 10
3. QUESTIONS		
4. INTERNAL AUDIT ANNUAL ASSURANCE REPORT This report presents the annual assurance report of the Chief Auditor required by the Accounts and Audit Regulations and the Public Sector Internal Audit Standards.	BOROUGH WIDE	11 - 38
5. INTERNAL AUDIT QUARTERLY PROGRESS REPORT This report provides an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report.	BOROUGH WIDE	39 - 66
6. IMPLEMENTATION OF THE FINANCE IMPROVEMENT PROGRAMME - PROGRESS UPDATE	BOROUGH WIDE	67 - 72

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This report provides an update on progress of the Programme workstreams and their deliverables against the Plan since the last meeting.

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| 7. INFORMATION GOVERNANCE QUARTERLY UPDATE | BOROUGH WIDE | 73 - 84 |
| <p>This report outlines the actions in progress to improve the Council's policies, systems and processes for better Information Governance.</p> | | |
| 8. ANNUAL TREASURY MANAGEMENT REVIEW 2020/21 | BOROUGH WIDE | 85 - 98 |
| <p>This report reviews the Treasury Management activity which took place during the period from 1st April 2020 to 31st March 2021.</p> | | |
| 9. CLOSING FINAL ACCOUNTS UPDATE | BOROUGH WIDE | 99 - 102 |
| <p>This report updates the Committee on progress with the completion of the Council's Final Accounts for 2018/19 and 2019/20.</p> | | |
| 10. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER | BOROUGH WIDE | 103 - 120 |
| <p>This report sets out a summary of those high and medium risk Internal Audit recommendations which remain outstanding together with an updated management response.</p> | | |
| 11. EXTERNAL AUDITOR REPORT | | 121 - 194 |
| <p>To receive a report from the external auditors summarising their audit conclusion in relation to the audit of Reading Borough Council and Group for 2018/19.</p> | | |

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AUDIT AND GOVERNANCE COMMITTEE MINUTES - 20 APRIL 2021

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

Apologies: Councillor Gittings;

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

30. MINUTES

The Minutes of the meeting of 12 October 2020 were confirmed as a correct record and would be signed by the Chairman.

31. QUESTIONS

A question on the following matter was submitted, in accordance with Standing Order 36(2):

	Questioner	Subject	Answer
1.	Mr Wellum	Accounts	Cllr Stevens

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

32. INTERNAL AUDIT QUARTERLY UPDATE REPORT

Paul Harrington, Chief Auditor, submitted a report providing an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in January 2021.

The report set out a summary of the audit reports in respect of: Payroll; Penalty Charge Notices; Additional Payments; Housing Revenue Account (HRA) - Governance; Accounts Receivable; and Accounts Payable. As the Chief Auditor had given 'limited assurance' to the way the Council dealt with 'HRA - Governance; and Accounts Receivable', the full internal audit reports for those audits were appended to the report. The Chief Auditor also could only give limited assurance in relation to Penalty Charge Notices and the report contained a short summary statement and referred the Committee to the full report, which would be considered in Part 2 of the meeting (see also Minute 41 below).

In relation to HRA - Governance, the report stated that there was a lack of permanent HRA expertise to ensure that service teams were fully supported in their roles in relation to the HRA. The Chief Auditor accepted that recruitment to this area had been difficult, and the Finance Service had committed to developing inhouse expertise in this area. The audit also identified that it was vital that there was a common understanding of policies, procedures and processes for the HRA 30-year model to support budget setting and monitoring within finance and service teams so that there was consistency both in-year and from year to year.

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In relation to Accounts Receivable, the audit recognised there had been some progress in implementing audit recommendations, but much of the work was still in progress at the time of the audit. As a result, process weaknesses remained, such as incomplete information being supplied to the Accounts Receivable Team from services to inform the debt recovery process and large quantities of invoices were still being raised for small values. The level of detail on invoices was sometimes inadequate, which in turn generated queries by the debtor, which then resulted in the Accounts Receivable staff having to act as intermediaries. These were important issues that if addressed, could improve collection performance.

The report also listed the audits that were currently in progress and gave a summary of investigations work between April 2020 and March 2021.

Resolved: That the audit findings in relation to the Housing Revenue Account - Governance; and Accounts Receivable be noted, and the recommendations set out in the full audit reports be endorsed.

33. ANNUAL AUDIT PLAN & INTERNAL AUDIT CHARTER 2021/2022

Paul Harrington, Chief Auditor, submitted a report setting out the work Internal Audit was planning to undertake during the financial year 2021/2022. The report explained that internal audit was responsible for providing an annual formal opinion on the Council's control environment. The Audit Plan, which was attached at Appendix 1 to the report, would allow for the effective discharge of this responsibility. In accordance with the Accounts and Audit regulations and the Public Sector Internal Audit Standards (PSIAS), this Committee was asked to approve and monitor progress against the internal Audit Plan. The report also had attached at Appendix 2 the internal Audit Charter which set out the purpose, authority, responsibility and scope of internal audit. The Public Sector Internal Audit Standards (PSIAS) intended to ensure sound corporate governance and set out roles and responsibilities for internal audit services. The PSIAS required an Internal Audit Charter to be in place, which must be reviewed periodically and presented to this Committee for approval.

Resolved: That the Audit Plan and Internal Audit Charter for the period April 2021 to March 2022, be approved, as attached to the report at Appendices 1 and 2 respectively.

34. STRATEGIC RISK REGISTER QUARTER 4 2020/2021

Paul Harrington, Chief Auditor, submitted a schedule updating the Committee on the Q4 status of the Council's 2020/21 Strategic Risk Register (SRR), in line with the requirements of the Council's Risk Management Strategy. The SRR was attached to the report at Appendix 1.

The report explained that the SRR had been developed to provide a focused and high level overview of strategic risks for staff, councillors and other stakeholders, and was supplemented by more detailed directorate, service and project risk registers. The primary aim of the SRR was to identify those key vulnerabilities that needed to be closely monitored. In many cases this would be because the risk was relatively new

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and, whilst being effectively managed, the associated control framework was yet to be fully defined and embedded.

The SRR highlighted fourteen risks, only one of which 'Cyber-attack resulting in service disruption, data loss or damage, financial loss and/or reputational damage' was currently rated as 'red'.

Resolved: That the Council's Strategic Risk Register, as at March 2021, be noted.

35. IMPLEMENTATION OF THE FINANCE IMPROVEMENT PROGRAMME - PROGRESS UPDATE

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 report stated that progress against the Phase I plan since the last Committee had been good with a number of deliverables being achieved and the following Phase 1 workstreams reaching their final stages: Accounts Payable, Accounts Receivable and Chart of Accounts. Residual implementation activity for these workstreams was expected to be completed by the beginning of May 2021.

Once the Phase I workstreams had been completed, Phase II of the transformation programme would commence and would be aligned to the implementation of the new finance system. The audit tracker recommendations (see Minute 38 below) continued to be included within individual workstream deliverables where appropriate and were managed as part of the overall Plan. There were now a total of 43 (previously 60) recommendations within the tracker covered by the Finance Improvement Programme. The Finance Transformation Board continued to oversee the Programme and monitor and challenge delivery timelines where appropriate.

Resolved: That the progress being made to implement the Finance Improvement Programme be noted.

36. INFORMATION GOVERNANCE QUARTERLY UPDATE

Mike Graham, Assistant Director of Legal & Democratic Services, submitted a report outlining the actions in progress to improve the Council's policies, systems and processes for improving Information Governance. The report referred to the Committee receiving several limited assurance reports in this area and identified that work was needed to address the underlying issues with: Freedom of Information; Data Transparency; and Records Management. The report detailed the work of the Information Governance Board, which was responsible for implementing and overseeing an Information Management Strategy. The Board had reviewed the Council's approach to information management in the context of business continuity seeking to draw lessons learned from the pandemic and had overseen a planned phishing exercise to test the ability of staff and councillors to spot possible cyber-attacks.

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The Committee noted that take-up of the Cyber Security training, which was currently available for all staff and councillors through a Learning Pool e-learning package, had improved since the last meeting, especially among Councillors. The Committee endorsed the further work planned to increase the number of councillors and staff completing the training.

Resolved: That the progress being made to improve the Council's Information Governance be endorsed and that the completion of the Cyber Security training be made a mandatory requirement for staff and councillors.

37. CLOSING FINANCIAL ACCOUNTS UPDATE

Darren Carter, Director of Finance, submitted a report providing an update on the completion of the Council's Final Accounts for 2018/19 and 2019/20. The report stated that the draft 2018/19 Accounts had been handed over to EY in February 2020. These had been updated in November 2020 for the revised brought forward 2017/18 balances, although the Audit of these Accounts had commenced in September 2020. Officers had almost completed the 2019/20 accounts but had agreed with EY to focus on prioritising and resolving the 2018/19 outstanding queries and getting these signed off before passing them to EY. This would mean that any changes as a result of the 2018/19 audit could be updated and included in the brought forward balances from 2018/19 to save more audit time. It was anticipated that the Audit work on the 2018/19 Accounts would be completed by the end of April 2021. Additionally, EY had advised that the audit for the 2019/20 Statement of Accounts would not begin until August 2021, at the earliest. EY had also advised that they would look to cover aspects of the 2020/21 accounts alongside the audit of the 2019/20 accounts which would result in greater efficiency. The aim would be to have both 2019/20 and 2020/21 Statement of Accounts signed off by 31 December 2021.

Resolved:

- (1) That the progress made in relation to the Audit of the 2018/19 Accounts be noted;
- (2) That the progress being made in closing the 2019/20 Accounts be noted.

38. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER

Jackie Yates, Deputy Chief Executive, presented a report setting out, at Appendix 1, the Implementation of Audit Recommendations tracker report.

The report explained that each recommendation was marked with a percentage complete which correlated to a red/amber/green rating (up to 25% complete: red, between 26% and 75%: amber, over 75% complete: green). Any recommendations that were less than 50% complete but had exceeded their agreed completion date were also marked red.

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In the tracker report at Appendix 1 there were 122 high and medium risk recommendations from Internal Audit, of which 33 (27%) were currently green, 60 (49%) were amber and 9 (7%) were red. Twenty recommendations had now been completed and would be removed from the next report.

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

39. EXTERNAL AUDITOR UPDATE

Adrian Balmer, EY, commented briefly on the ongoing Audit of the 2018/19 Accounts and the progress being made to close the 2019/20 Accounts.

Resolved: That the position be noted.

40. EXCLUSION OF THE PRESS AND PUBLIC

Resolved:

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

41. PENALTY CHARGE NOTICES AUDIT REPORT

Paul Harrington, Chief Auditor, submitted a report providing an update on key findings emanating from an Internal Audit report on Penalty Charge Notices (PCNs). The audit had found that the Council had upgraded its PCN Notice processing system in 2018. The new system had the potential to improve the recording and monitoring of the statutory process for the issuing and recovery of PCNs, but at the time of the audit had yet to be fully utilised. However, once implemented the new functionality would assist the reduction of debt and the potential write off bad debt. The use of system exception reports would provide assurance on the integrity of those PCNs which had either been cancelled or written off as part of the statutory process. The audit had identified that reconciliation procedures needed to be established to ensure the traffic management system and Oracle Fusion were balanced to provide accurate budget reporting. Oracle Fusion only recorded PCN receipts and it was important to confirm the accounting and reporting requirements for debt and those balances to be written off.

Resolved: That the audit findings in relation to Penalty Charge Notices be noted, and the recommendations set out in the full audit report be endorsed.

(Exempt information as defined in Paragraph 3)

(The meeting commenced at 6.30pm and closed at 8.12pm).

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READING BOROUGH COUNCIL
DIRECTOR OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	19 July 2021		
TITLE:	INTERNAL AUDIT ANNUAL ASSURANCE REPORT		
LEAD COUNCILLOR:	COUNCILLOR MCEWAN	PORTFOLIO:	CORPORATE AND CONSUMER SERVICES
SERVICE:	AUDIT & INVESTIGATIONS	WARDS:	N/A
LEAD OFFICER:	PAUL HARRINGTON	TEL:	9372695
JOB TITLE:	CHIEF AUDITOR	E-MAIL:	Paul.Harrington@reading.gov.uk

1. PURPOSE OF THE REPORT

1.1 The attached annual assurance report of the Chief Auditor (required by the Accounts and Audit regulations and the Public Sector Internal Audit Standards), sets out:

- the Chief Auditor's opinion on the overall adequacy and effectiveness of the organisation's internal control environment, drawing attention to any issues particularly relevant to the preparation of the Annual Governance Statement;
- the key themes arising from the work of the Audit Team during the 2020/2021 financial year; and
- the audit work undertaken with that planned, summarising the performance of the Internal Audit function against its performance measures and targets.

1.2 The results of individual audits have been issued to the relevant Directors, Assistant Directors and managers throughout the year. In addition, quarterly reports have been issued to, and discussed with, the Corporate Management Team (CMT) and the Audit & Governance Committee in order to report on standards of internal control, to provide appropriate focus on weaknesses and to progress remedial action where necessary.

1.3 The following document is appended:

Appendix 1 - Internal Audit Annual Assurance Report

2. RECOMMENDATIONS

2.1 The Audit & Governance Committee are requested to note the assurance opinion given by the Chief Auditor and consider the issues raised in the annual report.

3. SUMMARY

- 3.1 The Chief Auditor is required to provide the Council with an opinion on the adequacy and effectiveness of the Council's risk management, internal control and governance processes. The opinion is designed to assist the Council to meet its obligations, under regulation 4 of the Accounts and Audit Regulations.
- 3.2 Whilst no assurance can ever be absolute, on the basis of work completed during the course of the year, which is set out in more detail below, the Chief Auditor has concluded that only **limited assurance** can be taken that arrangements to secure governance, risk management and internal control within those areas audited in 2020/21, are suitably designed and applied effectively.
- 3.3 Whilst our opinion is similar to last year, it must be noted that a positive trajectory to improvement is starting to emerge following improvement initiatives, such as the Finance Improvement Programme and the significant improvement in the implementation of historic audit recommendations, since implementing the new tracking and reporting process. Clearly, this improvement trajectory needs to be sustained in 2021/22 to enhance assurance that control, risk and governance arrangements are effective across the Council.
- 3.3.1 The audit opinion is expressed using the same scale used for internal audit report opinions. The scale ranges from Substantial to Reasonable, through to Limited and No Assurance. This opinion is reflective of the number and level of assurance opinions provided throughout the year and the improvements required to the control framework in some of those areas where weaknesses were identified in the past.
- 3.3.2 45% of audits received limited or no assurance in 2020-21, compared to 38% in 2019-20, and 27% in 2018-19, thus the operational effectiveness of the controls in place need to be addressed, to ensure that the controls are consistently and routinely applied across the Council.
- 3.3.3 We acknowledge the level of change over the last year brought about by the Covid-19 pandemic and the impact this had on the Council's revenue budget and savings plans. The Council was already facing significant budgetary pressures over the next three years, with planned savings amounting to £15.344m in 2020/21. There have also been major challenges in monitoring financial performance against the budget that was approved in February 2020 as the impact of the pandemic delivered an unprecedented level of change and uncertainty. The budget was based upon a pre-pandemic set of assumptions that have had to be continually revised and adjusted throughout the year.

- 3.3.4 At the time of writing, the provisional General Fund revenue outturn position for 2020/21 is a £12.573m net favourable variance, made up of £4.468m of unspent Covid-19 grant funding, service net favourable variances of £1.652m and £6.453m of corporate contingencies held to deal with pressures not foreseen in the original budget, were ultimately not required. Whilst we recognise there have been major challenges in monitoring financial performance against the budget, an audit of budgetary control^[2] highlighted budget monitoring meetings at service level had not been held as frequently in all cases in the last year due to the circumstances, specifically Covid-19. It was felt that greater clarification was also needed over the roles of service teams (budget holders) and Finance.
- 3.3.5 A Finance Improvement Programme commenced in the summer of 2020 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. The Programme is led and overseen by the Finance Transformation Board chaired by the Deputy Chief Executive and meets fortnightly. The Board receives updates and reports ensuring appropriate challenge and stewardship, monitors progress of delivery against the Project Plan and signs off key deliverables. Although we commend this work and recognise that there has been an improvement in the control framework, most notably in Accounts Payable, there is still further work to be done.
- 3.3.6 Whilst a new Corporate Debt Policy was approved at Policy Committee, there are still failings in the debt collection process, with no standard procedures for the monitoring, reporting and chasing of debt and a lack of consistent arrangements for tackling and reporting on long term debt and subsequent sundry debt increasing year on year. This is not a criticism of the finance system per se, but of the complete end-to-end process. Our audit of Penalty Charge Notice's (PCN's) identified significant levels of longstanding PCN charges (debt) that has not been written off, as all outstanding charges are removed from the system, so by-passing any potential write-off procedure.
- 3.3.7 Even though there has been significant improvement in the journal process on Oracle Fusion, an audit of intercompany charging between RBC and Brighter Futures for Children (BFfC), identified areas of poor documentary evidence being maintained to support intercompany journals. We found it difficult to confirm the completeness and accuracy of payments, as there were delays in payment and poor reconciliation controls, to understand what had been paid and when.
- 3.3.8 A review of the chart of accounts is well underway, with the number of cost and subjective codes being rationalised. Once completed, this needs to be

^[2] Audit report currently at draft stage

reviewed on a regular basis to ensure the benefits of the review are not then negated over time.

- 3.3.9 Progress has been made in clearing the transaction on the bank reconciliation, however issues with the Civica system, which allocates the transactions, did result in many transactions being incorrectly allocated. Automating some of the processes, such as the validation of daily balances using the Civica bank reconciliation model will improve efficiencies. However, some initial work on the bank to clear the transactions in the current system as much as possible will need to be undertaken.
- 3.3.10 Work on improving corporate oversight of feeder system reconciliations has been delayed due to vital work required on the audit 2018/19 and other work pressures. Initial work has focused on the payroll and accounts payable reconciliations for both 2019/20 and 2020/21. Some improvements to the VAT claims and linking these to the VAT control accounts have been made and the VAT claim also includes a step by step summary guide to completing the claims.
- 3.3.11 Corporate oversight of control account reconciliations is an essential component of internal control and was raised by the Council's External Auditors, Ernst & Young (EY) in their section 24 letter of February 2017 where they recommended *'the Council should monitor the completion of control account reconciliations to ensure they are timely, completed satisfactorily and reviewed. A centrally held list of reconciliations should be kept to evidence this monitoring and enable any issues or delays to be identified and addressed'*.
- 3.3.12 At this point it should be noted that staff resources continue to be an issue, with a very high turnover of staff and reliance on interim staff in a number of key positions within Finance. Staffing resource will be further impacted upon with the proposed implementation of a new finance system. This work will take a significant amount of time, in addition to other critical business as usual work demands.
- 3.3.13 The limited assurance judgement is not exclusive to finance; however, finance systems and processes continue to be a priority and therefore have a greater significance on the overall assurance opinion given.
- 3.3.14 Also, of particular importance in determining the limited opinion were key weaknesses reported in the area of Information Governance where we identified that work was needed to address the underlying issues with: Freedom of Information; Data Transparency; and Records Management. Some of the key areas for improvement identified during our audit work are set out in section 4, which also cut across other service areas across the Council. These are reviews where limited assurance has been given and improvements are needed.

4. CONTRIBUTION TO STRATEGIC AIMS

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

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

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Internal Audit & Investigations Annual Assurance report

For the year ended 31 March 2021

1.0 OVERVIEW

1.1 Introduction

- 1.1.1 The Accounts and Audit (England) Regulations require each local authority to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices. Proper practice is defined within the Public Sector Internal Audit Standards¹ (PSIAS) and corresponding Local Government Application Note².
- 1.1.2 The Public Sector Internal Audit Standards requires the Head of Internal Audit (Chief Auditor) to provide a written report to those charged with governance, to support the Annual Governance Statement, which should include an opinion of the overall adequacy and effectiveness of the Council's control environment.
- 1.1.3 This opinion is in turn one of the sources of assurance that the Council relies on for its annual governance statement. **The opinion does not imply that Internal Audit have reviewed all risks relating to the organisation.**
- 1.1.4 Reporting the work of internal audit to the Audit and Governance Committee provides the Committee with an opportunity to review and monitor its activity and gain assurance that its internal audit function is fulfilling its statutory obligations. This is an essential component of corporate governance. The Audit and Governance Committee receives quarterly reports during the year regarding internal audit and investigations activities, which provide a detailed overview of the work undertaken.

1.2 Purpose & Scope of Report

- 1.2.1 The report:
- a) includes an opinion on the overall adequacy and effectiveness of the Council's governance arrangements, risk management and internal control environment
 - b) discloses any qualifications to that opinion, together with the reasons for the qualification
 - c) presents a summary of the audit and anti-fraud work from which the opinion is derived, including reliance placed on work by other assurance bodies
 - d) draws attention to any issues the Chief Auditor judges particularly relevant to the preparation of the Annual Governance Statement.

¹ Public Sector Internal Audit Standards - Applying the CMLIA International Standards to the UK Public Sector. Institute of Internal Auditors, April 2013 (amended 2016)

² CIPFA Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards

1.3 Control Environment

- 1.3.1 The Management of the Council are responsible for ensuring that the organisation operates in accordance with the law and proper standards, that public funds are safeguarded, properly accounted for and used economically, efficiently and effectively.
- 1.3.2 Management are also responsible for ensuring there is a sound system of internal control, which includes arrangements for managing risk. The three key elements of the Council's control environment comprise: *internal control*, *governance*, and *risk management* arrangements. These three elements help ensure that the Council's strategies, plans, priorities and objectives are met, and that policies and procedures are complied with in order to minimise risk to a reasonable level.

1.4 Internal Audit Effectiveness

- 1.4.1 As a prerequisite for giving an assurance opinion on the overall adequacy and effectiveness of the Council's control environment, the Chief Auditor is required to confirm the effectiveness of the Internal Audit Service and its resultant fitness for purpose to carry out work that informs the annual assurance opinion.
- 1.4.2 A self-assessment against the Public Sector Internal Audit Standards (PSIAS) was undertaken in the last financial year, along with post audit feedback and annual surveys (see section 6.3). In addition, the Chief Auditor and Principal Auditor undertake periodic reviews of the quality of internal audit work completed and review all draft and final reports issued. In delivering the Internal Audit Service, the planning, conducting and reporting on reviews have been completed in conformance with the requirements of the PSIAS, published by the Chartered Institute of Internal Auditors (CMMIA) and the subsequent Local Government Application Note in respect of PSIAS published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.4.3 An external assessment of the internal audit service against the PSIAS is required every five years, with the last one was conducted by CIPFA in the summer of 2017. The next independent external review is currently programmed for the spring/summer of 2022.
- 1.4.4 The Chief Auditor is therefore able to report for 2020/2021 compliance with the Public Sector Internal Audit Standards and considers the Internal Audit Service to still be effective. Throughout the 2020/2021 financial year, one vacancy in the investigations remained unfilled, however moving forward both teams are now fully resourced. Nevertheless, resources are finite and there is little or no resilience in service provision.

2.0 ANNUAL ASSURANCE STATEMENT

2.1 Basis of Assurance Opinion

2.1.1 This opinion is based on an assessment of:

- The design and operation of the underpinning governance and assurance framework.
- The range of opinions arising from risk based and other audit assignments that have been reported during the year taking into account the relative significance of these areas.
- Whether management properly implement actions arising from audit work, to mitigate identified control risks within reasonable timescales.

2.1.2 The internal audit plan for 2020/21 was developed to provide independent assurance on the adequacy and effectiveness of the systems of internal control, governance and the management of risk. The Plan was approved by the Audit and Governance Committee in January 2020. This Plan did not include resources deployed on reactive and proactive fraud which is referred to in section 7. Progress reports from the Chief Auditor were presented to the Committee at quarterly meetings throughout the financial year. It must also be noted that the plan was formulated and approved pre COVID-19 pandemic and additional reviews were factored into the workplan as a consequence.

2.1.3 **We can confirm that the internal audit activity is organisationally independent and that there has been no impairment to independence or objectivity.**

2.2 Impact of Covid-19 on Internal Audit Delivery and Opinion

2.2.1 In January 2020, the outbreak of the Coronavirus was declared an international public health emergency by the World Health Organisation. Due to the nature of its role, Internal Audit continued operating throughout the period of the crisis and emergency measures, ensuring that Internal Audit assurance activities did not disrupt critical operational areas. Internal Audit's approach to the completion of 2020/21 work was to focus on the completion of key activities to support the Internal Audit Annual Report and Annual Governance Statement as well as providing ongoing support and advice ensuring that there were appropriate frameworks for managing emergency cash payments to businesses and individuals. This did not impact on Internal Audit's ability to provide the required opinion in respect of 2020/21. However, the impact of Covid-19 did have significant consequences for the Council and its services.

2.3 Annual Assurance Opinion for 2020/2021

- 2.3.1 The Chief Auditor's opinion on the overall adequacy and effectiveness of the Council's risk management systems and internal control environment, including any qualifications to that opinion, is as follows:

Whilst no assurance can ever be absolute, on the basis of work completed during the course of the year, which is set out in more detail below, the Chief Auditor has concluded that only **limited assurance** can be taken that arrangements to secure governance, risk management and internal control within those areas audited in 2020/21, are suitably designed and applied effectively. This opinion reflects the fact that 45% of the internal audit reviews completed during the period under review had a limited assurance opinion and identified some control weaknesses that present risk to the Council. Whilst it is acknowledged that Reading Borough Council is a complex and ambitious organisation with many priorities there are further improvements required to strengthen the control environment.

Whilst our opinion is similar to last year, it must be noted that a positive trajectory to improvement is starting to emerge following improvement initiatives, such as the Finance Improvement Programme and the significant improvement in the implementation of historic audit recommendations, since implementing the new tracking and reporting process. Clearly, this improvement trajectory needs to be sustained in 2021/22 to enhance assurance that control, risk and governance arrangements are effective across the Council.

- 2.3.2 The audit opinion is expressed using the same scale used for internal audit report opinions. The scale ranges from Substantial to Reasonable, through to Limited and No Assurance. This opinion is reflective of the number and level of assurance opinions provided throughout the year and the improvements required to the control framework in some of those areas where weaknesses were identified in the past.
- 2.3.3 45% of audits received limited or no assurance in 2020-21, compared to 38% in 2019-20, and 27% in 2018-19, thus the operational effectiveness of the controls in place need to be addressed, to ensure that the controls are consistently and routinely applied across the Council.
- 2.3.4 We acknowledge the level of change over the last year brought about by the Covid-19 pandemic and the impact this had on the Council's revenue budget and savings plans. The Council was already facing significant budgetary pressures over the next three years, with planned savings amounting to £15.344m in 2020/21. There have also been major challenges in monitoring financial performance against the budget that was approved in February 2020 as the impact of the pandemic delivered an unprecedented level of change and uncertainty. The budget was based upon a pre-pandemic set of assumptions that have had to be continually revised and adjusted throughout the year.

- 2.3.5 At the time of writing, the provisional General Fund revenue outturn position for 2020/21 is a £12.573m net favourable variance, made up of £4.468m of unspent Covid-19 grant funding, service net favourable variances of £1.652m and £6.453m of corporate contingencies held to deal with pressures not foreseen in the original budget, were ultimately not required. Whilst we recognise there have been major challenges in monitoring financial performance against the budget, an audit of budgetary control^[2] highlighted budget monitoring meetings at service level had not been held as frequently in all cases in the last year due to the circumstances, specifically Covid-19. It was felt that greater clarification was also needed over the roles of service teams (budget holders) and Finance.
- 2.3.6 A Finance Improvement Programme commenced in the summer of 2020 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. The Programme is led and overseen by the Finance Transformation Board chaired by the Deputy Chief Executive and meets fortnightly. The Board receives updates and reports ensuring appropriate challenge and stewardship, monitors progress of delivery against the Project Plan and signs off key deliverables. Although we commend this work and recognise that there has been an improvement in the control framework, most notably in Accounts Payable, there is still further work to be done.
- 2.3.7 Whilst a new Corporate Debt Policy was approved at Policy Committee, there are still failings in the debt collection process, with no standard procedures for the monitoring, reporting and chasing of debt and a lack of consistent arrangements for tackling and reporting on long term debt and subsequent sundry debt increasing year on year. This is not a criticism of the finance system per se, but of the complete end-to-end process. Our audit of Penalty Charge Notice's (PCN's) identified significant levels of longstanding PCN charges (debt) that has not been written off, as all outstanding charges are removed from the system, so by-passing any potential write-off procedure.
- 2.3.8 Even though there has been significant improvement in the journal process on Oracle Fusion, an audit of intercompany charging between RBC and Brighter Futures for Children (BFfC), identified areas of poor documentary evidence being maintained to support intercompany journals. We found it difficult to confirm the completeness and accuracy of payments, as there were delays in payment and poor reconciliation controls, to understand what had been paid and when.
- 2.3.9 A review of the chart of accounts is well underway, with the number of cost and subjective codes being rationalised. Once completed, this needs to be reviewed on a regular basis to ensure the benefits of the review are not then negated over time.

^[2] Audit report currently at draft stage

- 2.3.10 Progress has been made in clearing the transaction on the bank reconciliation, however issues with the Civica system, which allocates the transactions, did result in many transactions being incorrectly allocated. Automating some of the processes, such as the validation of daily balances using the Civica bank reconciliation model will improve efficiencies. However, some initial work on the bank to clear the transactions in the current system as much as possible will need to be undertaken.
- 2.3.11 Work on improving corporate oversight of feeder system reconciliations has been delayed due to vital work required on the audit 2018/19 and other work pressures. Initial work has focused on the payroll and accounts payable reconciliations for both 2019/20 and 2020/21. Some improvements to the VAT claims and linking these to the VAT control accounts have been made and the VAT claim also includes a step by step summary guide to completing the claims.
- 2.3.12 Corporate oversight of control account reconciliations is an essential component of internal control and was raised by the Council's External Auditors, Ernst & Young (EY) in their section 24 letter of February 2017 where they recommended *'the Council should monitor the completion of control account reconciliations to ensure they are timely, completed satisfactorily and reviewed. A centrally held list of reconciliations should be kept to evidence this monitoring and enable any issues or delays to be identified and addressed'*.
- 2.3.13 At this point it should be noted that staff resources continue to be an issue, with a very high turnover of staff and reliance on interim staff in a number of key positions within Finance. Staffing resource will be further impacted upon with the proposed implementation of a new finance system. This work will take a significant amount of time, in addition to other critical business as usual work demands.
- 2.3.14 The limited assurance judgement is not exclusive to finance; however, finance systems and processes continue to be a priority and therefore have a greater significance on the overall assurance opinion given.
- 2.3.15 Also, of particular importance in determining the limited opinion were key weaknesses reported in the area of Information Governance where we identified that work was needed to address the underlying issues with: Freedom of Information; Data Transparency; and Records Management. Some of the key areas for improvement identified during our audit work are set out in section 4, which also cut across other service areas across the Council. These are reviews where limited assurance has been given and improvements are needed.

2.4 Inherent qualifications to the opinion

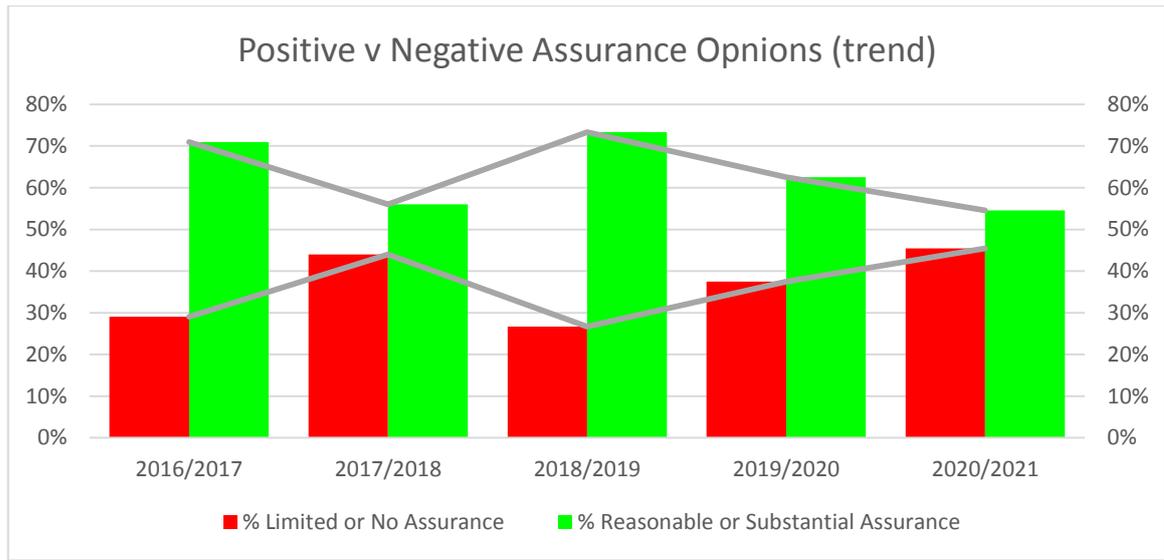
- 2.3.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives and therefore can only provide reasonable, not absolute, assurances of effectiveness.
- 2.3.2 The assurance opinion provided by the Chief Auditor should be considered in parallel with other sources of assurance, such as External Audit reports, to ensure that the Audit & Governance Committee has an informed decision on the Council's control environment.
- 2.3.3 As in previous years it has been difficult to get timely replies and engagement with some of our audits. In continuing to provide ongoing robust assurance on the control environment, Internal Audit will need management's support to ensure that reviews are undertaken as planned and management responses are prompt and appropriate.

3 SUMMARY OF THE AUDIT WORK

- 3.1 The annual 2020/21 Annual Audit Plan was developed in line with the Public Sector Internal Audit Standards for Internal Audit. Although satisfactory progress has been made against the plan during the period, a number of audits had to be deferred, due to both resource issues, the impact Covid-19 had on services and to undertake unplanned work.
- 3.2 We completed 21 audits (including follow ups), during the year and certified 4 grants. The table below summarises the report classifications.

Report Classification	2017/18	2018/19	2019/20	2020/21
Substantial Assurance	6	9	5	3
Reasonable Assurance	8	13	10	8
Limited Assurance	11	8	7	10
No Assurance	0	0	2	0
Total	25	34	24	21
Grant Claims certified	4	5	2	4
No of projects still in progress	7	2	6	4
No of audits cancelled	11	3	4	5

- 3.3 Full details of the audit work we have completed that has informed this opinion are in **Appendix A**, together with the assurance levels we have been able to provide for each review. As well as the results of our own work, we have also considered other sources of assurance available to us for example, management assurance statements, internal oversight function reporting and independent inspections and reviews.
- 3.4 The graph below represents the percentage of (positive v negative) audit assurance opinions over the past 5 financial years.



3.5 Priority of Recommendations

- 3.5.1 At the time of writing we have made a total of 144 audit recommendations in our reports (both draft and finalised), of which 19 (13%) were classified as a high priority.
- 3.5.2 In the following section we have set out the high-level key findings identified during our audit work for 2020/2021.
- 3.5.3 Details of each individual report's ratings and the priority of recommendations arising from each audit can be found at Annex 1.

4 NEGATIVE ASSURANCE REVIEWS

- 4.1 Some of the key areas for improvement identified during our audit work throughout the year are set out below:
- i. Our audit of *Purchase Cards* found adherence to policies and procedures were 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.
 - ii. A review of compliance of *Records Management* identified a lack of an up-to-date, agreed records management and document retention policy, which clearly detailed roles and responsibilities, and incorporated the areas highlighted in ICO guidelines.
 - iii. Following concerns raised by Members about the timely delivery of certain *Community Infrastructure Levy (CIL) - 15% Local Schemes* we 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.
 - iv. Our audit of *Penalty Charge Notice's (PCN's)* identified significant levels of longstanding PCN charges (debt) that had not been written off, as all outstanding charges were removed from the system, so by-passing any potential write-off procedure.
 - v. A review of governance arrangements in place for monitoring the Council's *Housing Revenue Account (HRA)* flagged several areas for improvement, with one of the key areas being the lack of specialist HRA expertise within the finance function, to ensure that service teams were fully supported in their roles in relation to the HRA.
 - vi. Whilst there had been some progress in implementing audit recommendations with respect to *Accounts Receivable* and work was being progressed through the Finance Transformation workstream, much was still work in progress.
 - vii. Our audit of *Intercompany Transfers* between Brighter Futures for Children (BFfC) and the Council reported that in practice the process had not operated as it was intended and there appeared to have been some confusion over roles and responsibilities between RBC and BfFC. At the time of our audit, we identified approximately £2m of accounting entries needing further investigation and correction.

- viii. An audit of *Staff Vehicle Documentation (Grey Fleet)* highlighted the potential consequences of not ensuring the appropriate checks were undertaken for staff driving their own vehicle for business.
- ix. A review of compliance with the *Government's Transparency Code* highlighted that the Council was not complying with the publication and statutory requirements of the Transparency Code in all instances
- x. *Whilst a follow-up review of Freedom of Information Requests recognised that some good progress had been made in implementing audit recommendations, at the time of our audit there had been limited progress with procuring a case management system to manage and monitor the requests more securely and to be able to use as a reporting function. There had also been no change in the findings regarding the Council's Publications Scheme, in that it remained difficult to negotiate through the website to find what is available.*

Note: an audit is a snapshot at one moment in time and therefore weaknesses may have been rectified and improvements made since the audit review. These audits will be subject to audit follow up during the next 12-18 months or sooner.

5.0 CORPORATE GOVERNANCE & RISK MANAGEMENT

5.1 Corporate Governance

- 5.1.1 It is important that Council is meeting its statutory responsibilities as it is required to review its governance arrangements at least annually; this is partly informed by senior managers within the Council who are responsible for developing and maintaining the governance environment.
- 5.1.2 An assessment by internal audit of the Council's governance arrangements against the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), entitled "Delivering Good Governance in Local Government (2016)", concluded that the Council's governance framework complies with the CIPFA/SOLACE framework and associated principles, although there are areas for improvement, such as the need to periodically review partnership protocols, improved budget holder guidance and the strengthening of data quality and governance.
- 5.1.3 There also remain key pieces of work to be put in place and work has commenced on a review of the Council's Constitution including Finance and Procurement and Contract Procedure Rules and the Scheme of Delegation.

- 5.1.4 Following an external review by CIPFA of the Council's Finance Function, a finance transformation programme was established to respond to the historic and current issues identified to ensure a sound foundation and 'getting the basics' right. A second phase will concentrate on developing the financial management culture and governance framework across the Council.
- 5.1.5 There are six workstreams in Phase I. These are: Accounts Payable, Accounts Receivable, Chart of Accounts, Reconciliations, Final Accounts and the Finance System (General Ledger and associated modules). Each workstream has several deliverables which also includes relevant 'Audit Tracker' recommendations to help ensure progress on implementation.
- 5.1.6 The Information Governance Board has the responsibility for implementing and overseeing an Information Management Strategy. The Board has reviewed the Council's approach to information management in the context of business continuity seeking to draw lessons learned from the pandemic and has overseen a planned phishing exercise to test the ability of staff and councillors to spot possible cyber-attacks.
- 5.1.7 The take-up of the Cyber Security training, which is currently available for all staff and councillors through a Learning Pool e-learning package, has improved, especially among Councillors and further work is planned to increase the number of councillors and staff completing the training.
- 5.1.8 As reported, there have been several limited assurance reports in the area of Information Governance which identified that work was needed to address the underlying issues with Freedom of Information, Data Transparency, and Records Management. The Council is compiling a data strategy, to recognise the importance of data and the role trusted information and insight can play in supporting effective, informed decision making. This piece of work is to be led by the Information Governance Board and separate work streams flow from this board to improve governance.
- 5.1.9 In order to focus and guide the Council's response to the Covid-19 pandemic, the Council instigated the Urgency Procedures in Article 7.7 of the Council's Constitution which allowed for a smaller group of councillors to act as the Policy Committee and make decisions on behalf of other Committees and Council.
- 5.1.10 To enable the Council to fulfil its leadership role and to guide its work with partners in providing the support that residents and businesses needed, the Council's Corporate Plan priorities were reframed to provide clarity of purpose.

5.2 Risk Management

- 5.2.1 The risk specialist role is fulfilled by the Council's Emergency Planning & Risk Officer, supported by other specialist areas such as Internal Audit, Health & Safety and Insurance. Whilst much progress has been made in recent years at a corporate level, there has been a real struggle in keeping risk management reporting and risk registers, both at a corporate and directorate level, up-to-date.
- 5.2.2 The risk registers help maintain transparency, in line with the principles of corporate governance, which in turn helps demonstrate that risk management is an integral and explicit part of the Council's overall management arrangements. Being able to demonstrate good risk management usually leads to paying lower insurance premiums.
- 5.2.3 The Corporate Management Team (CMT) manages and reviews the Council's strategic risks, and reports were provided throughout the year providing status updates on corporate risks to the Audit & Governance Committee.
- 5.2.4 Risk management is being used as a tool during the response to the COVID-19 pandemic, where new risks were being identified promptly and mitigated. Sound risk management procedures were being followed to bring services back online after national and local lockdowns.
- 5.2.5 Internal Audit have used the Council's Corporate Risk Register to inform the audit planning process and at the same time can provide assurance that appropriate measures are being taken to manage the Council's key business risks.

6.0 Resource availability, allocation & jobs completed

6.1 For 2020/2021, the planned and actual resource availability is summarised in table A over the following page. This sets out the resource of 1771 days, of which 1106 was for planned audit time. The actual resource availability for the year was 1,750 days of which 1029 days was for planned reviews, with the difference due to a vacancy at the beginning of the year and increased sick leave.

Table A Resource (Planned v Actual)	Planned (Days)	Actual Totals (Days)	Variance + / - days	% Complete
Total Available Time	1771	1750	-21	99%
Planned time				
RBC	828	731	-97	88%
BFC	278	298	20	107%
	1106	1029	-77	93%
Non-Audit Work				
Risk Management (1)	8	23	-15	281%
Emergency Planning (2)	4	16	-12	400%
Assisting Corporate Investigations (3)	39	33	6	85%
Insurance (4)	12	23	-11	194%
Elections (5)	8	0	8	0%
Other:				
Annual Leave	212	196	17	92%
Sickness	35	86	-51	245%
Training (6)	24	22	2	93%
Internal Seminars/Courses (7)	47	22	25	47%
Staffing (8)	94	99	-6	106%
IT Downtime	0	33	-33	
Management (9)	73	88	-15	121%
Administration (10)	97	70	27	72%
External Group Meetings (11)	12	10	2	83%
	665	721	-56	108%

1. Facilitation of risk registers, training etc.
2. Assisting emergency planning during COVID-19 response.
3. Management of the Corporate Investigations Team
4. Management of Insurance Team
5. Assisting in Elections
6. Professional training support, external courses & seminars,
7. Internal courses/training.
8. One to ones, appraisals, team meetings
9. Budget monitoring, performance monitoring, health & safety and work review
10. Updating office procedures, research, preparation etc.
11. Audit Group Meetings

6.2 Performance of the Internal audit Service

- 6.2.1 The Public Sector Internal Audit Standards documents the expected professional standards for internal audit in Local Government and are the applicable standards against which the quality of internal audit in local government is assessed. The Chief Auditor monitors compliance against the code, by self-assessment and/or external review.
- 6.2.2 Our performance during the year in relation to the performance indicators agreed for the internal audit service is shown in table B below: -

Table B: Key performance Indicators for internal audit

Key Performance Indicators		Actual			
		Target	2018/19	2019/20	2020/21
	Client Satisfaction	90% or above	85%	-	88%
i.	Production of final report within 2 weeks of receipt of management responses	90%	86%	87%	85%
ii.	Management responses received within 3 weeks of issue of draft report	90%	30%	61%	37%
iii.	Number of projects completed within agreed budgeted days relative to total number of projects undertaken	75%	49%	56%	56%
iv.	Number of audit projects completed relative to those in the (revised) plan	75%	80%	62%	82%
v.	Actual spending of controllable budget	100% or less	99%	90%	98%
vi.	% Of working days lost to sickness	2.0%	1.83%	1.01%	5.51%

- 6.2.3 There has been a significant drop with the timeliness of management responses and in some areas of the Council it has still been hard to get audits started and difficulty in getting prompt replies to draft reports. Line 'iv' shows that we have completed the majority of work we set out to achieve, which is commendable given some of the barriers put upon the audit team as a consequence of the pandemic and working from home. The percentage of days lost to sickness increased, due to the long-term sickness of one member of staff.

6.3 Annual Quality Review

- 6.3.1 We undertook an annual survey in May 2021 asking senior managers to assess the importance and quality of the service provided.
- 6.3.2 Managers were asked to rate a total of 42 questions against 6 service areas; the summaries of the findings are detailed in table C below on a scale of either 1 to 4 (where 1 is excellent and 4 is poor) or 1 to 5 (where 1 is strongly agree and 5 is strongly disagree).

Table C: Annual Quality Review

Importance Score	Service area	Performance Score
85%	Audit Services	77%
88%	Audit Staff	80%
90%	Conduct of Audits	78%
91%	Audit Reporting	80%
79%	Customer Service	76%
96%	Overall rating of Internal Audit	86%
88%	Authority specific topics	80%

Response rate 20% (18 of 89)

- 6.3.3 In addition to the set questions, six free text fields were made available for individuals to provide further comments.
- 6.3.4 The detail supporting the results are set out in Annex 2 of the report.

7.0 Counter Fraud Activity

- 7.1 Best practice advises that the results of corporate investigations, including the number and types of investigations undertaken, should be reported annually. Progress on investigations is reported every quarter to the Audit & Governance Committee with a summary on the types of investigations in progress. Table C provides a high-level overview of investigations undertaken compared to previous financial years. The counter fraud resource consists of four experienced investigators; however, the Covid-19 pandemic, sick leave and vacancies have impacted on the Corporate Investigations team considerably over the past 12 months, with only two officers in post for a considerable time throughout the year.
- 7.2 The Investigations Team deals with benefit, housing tenancy, blue badge and internal fraud etc. and has had a successful year, demonstrating the value that they bring to Reading Borough Council.
- 7.3 This is apparent when we take into account that the team have identified approximately £1.28m in notional and cashable savings (see table C below for

more detail) with reduced resources and during the pandemic. The deterrent effect of this activity should not be underestimated.

Table C Annual Summary of Investigations	2018/19	2019/20	2020/21
Housing tenancy Fraud			
No. Housing Tenancy Referrals investigated	57	49	43
Properties Recovered	21	7	9
Estimated saving from Recoveries ¹	£1,953,000	£651,000	£837,000
Prosecutions Secured	3	0	0
Application under the Proceeds of Crime Act	0	0	0
Value of POCA/Compensation award	0	0	0
Right to Buy Fraud			
No. of RTB applications investigated	35	34	43
No of RTB applications refused as a result of investigation ²	1	9	3
Estimated savings from preventing sale of property ³	£65,000	£585,000	£270,511
Parking Fraud			
Blue badge referrals	27	52	12
Blue Badges recovered	10	6	2
Prosecutions secured	3	8	2
PCN's issued	6	8	0
Estimated annual savings ⁴	£5,750	£3,450	£1, 350
Residual Housing Benefit			
Prosecutions	1	0	0
Value of fraudulent overpayments identified	£34,360	0	0
Council Tax Support			
No. CTAX Referrals investigated	296	73	66
Prosecutions	0	0	1
Add pens	2	2	0
Value of fraudulent overpayments identified	26,943	£9,732.64	£6,071
Value of add pens	£1,091	£1,386.98	0
Single Person Discount			
Value of fraudulent overpayments identified ⁵	£195,247	£208,632	£112,601
New Homes Bonus			
Reduction in no. of long-term empty properties	115	0	0
NHB reward	£106,467	0	0
Social Care			
No. Social Care Referrals investigated	1	3	2
Financial value of cases ⁶	£62,000	£62,000	£47,000

	2018/19	2019/20	2020/21
Business Grants (Covid-19)			

No. Grants checked ⁷			1278
Value of fraudulent overpayments identified			2
Prosecutions			0
Financial value of cases			£20,000
Internal Investigations			
No. Internal Referrals	2	0	1
Number of cases investigated	2	0	1
Cases prosecuted	2	0	0
Financial value of cases	£14,598	0	0
Other:			
Adult Social Care trace of undisclosed capital ⁸			£34,000

Notes:

- ¹ Notional £93,000 (previously £18,000) per property recovered based on average four-year fraudulent tenancy - this includes temporary accommodation for genuine applicants; legal costs to recover property; re-let cost; and rent foregone during the void period between tenancies. The notional savings multiplier is used by the Cabinet Office in its National Fraud Initiative report.
- ² Social housing tenants who were not entitled to right to buy because of their status in the UK, or who had secured multiple tenancies unlawfully.
- ³ The notional saving for a Right to Buy (RTB) application that has been withdrawn is calculated by the Cabinet Office based on the region in which the property is based, the increases in the maximum RTB cap and the changes in average house prices (RTB discount of £84,200 Plus the rental income for the period of 12 months, which RBC would have lost if RTB approved)
- ⁴ £575 is the notional value applied by the Cabinet Office per blue badge cancelled to reflect lost parking and congestion charge revenue.
- ⁵ Following a data matching exercise, matching address records against tracing and occupier lookup databases to determine the strength of residency for all individuals in a household within the borough, investigations officers worked with Council Tax reviewing the very-high, high and medium risk matches. Very high- and high-risk categories have been completed and medium risk are still being reviewed by CTAX.
- ⁶ One case is closed and referred for FAB team to invoice for the alleged lost funds circa £3,000. The second is pending Interview Under Caution with the estimated value of the fraud at £44,000K (on going case).
- ⁷ The investigations team used government fraud prevention tools, which interface with other departments and agencies so that a sample data can be validated to substantiate claims or facts
- ⁸ Assisted ASC to track and recover undisclosed capital.

ANNEX 1: Detailed analysis of internal audit reviews 2019/20

Title	Start	Draft	Final	H	M	L
Accounts Payable	Feb-21	Mar-21	Mar-21	0	3	3
Payroll	Nov-20	Feb-21	Apr-21	0	2	1
NNDR & Council Tax Administration	Mar-21	May-21	Jun-21	0	0	3

REASONABLE ASSURANCE REVIEWS

				Recs		
Title	Start	Draft	Final	H	M	L
Stores Contract	May-20	Jul-20	Jul-20	0	4	1
Rent Guarantee Scheme	May-20	Jun-20	Aug-20	0	5	1
New Directions (ESFA funded adult education budget)	Jun-20	Aug-20	Aug-20	0	5	0
Licensing	Jun-20	Sep-20	Dec-20	0	3	9
Additional Payments	Sep-20	Jan-21	Jan-21	0	5	2
Car Parks (off street)	May-20	Dec-20	Feb-21	0	3	0
General Ledger	Feb-21	Mar-21	Jun-21	0	4	3

LIMITED ASSURANCE REVIEWS

				Recs		
Title	Start	Draft	Final	H	M	L
Intercompany accounting	Mar-20	Jun-20	Jul-20	2	3	1
Transparency Code Compliance	Jul-20	Aug-20	Oct-20	1	1	0
Staff Vehicle Documentation (Grey Fleet)	May-20	Aug-20	Oct-20	4	6	1
CIL 15% local projects	Oct-20	Nov-20	Dec-20	1	4	2
Purchasing cards	Aug-20	Oct-20	Dec-20	0	12	3
Records Management & Document Retention Policy	Jul-20	Dec-20	Jan-21	2	3	3
PCN	Nov-20	Dec-20	Feb-21	1	3	2
Housing Revenue Account	Jan-21	Mar-21	Apr-21	2	4	0
Sundry Debtors	Feb-21	Mar-21	Apr-21	3	8	0

NO ASSURANCE REVIEWS

				Recs		
Title	Start	Draft	Final	H	M	L
N/A	N/A					

GRANTS

				Recs		
Title	Start	Draft	Final	H	M	L

LOCAL TRANSPORT REVENUE BLOCK FUNDING - BLUE BADGE	May-20	May-20	May-20	0	0	0
Local Transport Plan Capital Settlement (Grant Certification)	Aug-20	Sep-20	Sep-20	0	0	0
Bus Subsidy Grant	Aug-20	Sep-20	Sep-20	0	0	0
ADEPT's Live Lab trials Capital Funding	Aug-20	Sep-20	Sep-20	0	0	0

PLANNED AUDITS CARRIED OVER TO 2020/2021

Title	Start	Draft	Final	Recs		
				H	M	L
Feeder system interface and reconciliation	Feb-21					
Commercialisation	Mar-21	Jun-21		0	3	2
MOSAIC payment controls (Finance Module)	Jul-20	May-21		3	5	1
Budgetary Control	Jan-21	Jun-21		0	4	2

ANNEX 2: Detailed analysis of Annual survey

Audit services

Importance	Internal audit undertakes work in a number of different areas. In respect of the following areas, where would you like to see them concentrate their efforts and how well do they currently perform?	Performance
78%	Advice and guidance on policies/procedures	77%
90%	Review of compliance with policies/procedures	78%
96%	Internal Control Reviews	78%
77%	Review of completed capital projects	68%
91%	Value for money reviews	78%
82%	Review of security of corporate assets	78%
90%	Audit of IT systems and controls	77%
83%	Facilitating the risk management process	75%
82%	Investigation of allegations	83%

Audit staff

Importance	Based on your contact with internal audit staff in the past year how well do you rate them in the following areas?	Performance
96%	Professionalism	89%
96%	Positive attitude	79%
96%	Unbiased and objective	93%
93%	Ability to establish positive rapport	86%
80%	Knowledge of key policies and procedure	74%
78%	Knowledge of the operation	69%
77%	Knowledge of the IT system	73%

Conduct of audits

Importance	Based on your experience how well does Internal Audit plan and carry out individual audits?	Performance
89%	The timing of audits is appropriate	72%
85%	Audit objectives and procedures are discussed prior to commencement of the audit	78%
92%	Opportunity is given to change/comment on the audit brief	81%
96%	Audit's focus on significant risks	81%
96%	Business concerns and perspectives are adequately considered during the review	80%
91%	Auditors take care to minimise disruption to operations	75%
83%	Auditors' requests for information are reasonable	79%
91%	Auditors discuss issues with managers as they arise	75%
85%	The auditor offers a closure meeting to discuss audit findings	77%

Audit reporting

Importance	The final product of an audit is the report. How do you rate our reporting process?	Performance
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91%	Reports are well written and easily understood	81%
94%	Reports are factually correct	81%
81%	There is no delay in issuing reports	76%
96%	Conclusions are appropriate and supported by adequate evidence	79%
96%	Recommendations are constructive, practical and cost effective	79%
90%	Responses to issues raised are appropriately reflected in the report	81%

Customer service

Importance	The Internal Audit service aims to have a flexible and approachable manner, how do you rate:	Performance
76%	The degree of interaction with Internal Audit management	85%
75%	Fostering of service department participation	67%
76%	Response to special requests	75%
87%	The extent to which Internal Audit meet your needs	75%

Overall rating of Internal Audit

Importance	Overall rating of Internal Audit	Performance
96%	What is your overall rating of Internal Audit?	86%

Authority specific topics

Importance	Authority specific topics	Performance
87%	Does the current style of audit report meet your requirements	78%
80%	Time allocated to individual audits is sufficient	75%
96%	Audit role in combating fraud and corruption	90%
93%	Audit's role in contributing to the improvement of governance	82%
91%	Audit's role in contributing to the improvement of control processes	78%
83%	Audit's role in contributing to promoting appropriate ethics and values within the organisation	77%

READING BOROUGH COUNCIL

DIRECTOR OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	19 July 2021	AGENDA ITEM:	
TITLE:	INTERNAL AUDIT QUARTERLY UPDATE REPORT		
LEAD COUNCILLOR:	COUNCILLOR MCEWAN	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 April to the 30 June 2021.
- 1.2 The following document is appended:

Appendix 1 - Internal Audit & Investigations Update Report

Appendix 2 - MOSAIC payment controls (Finance Module)

2. RECOMMENDATIONS

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

3. SUMMARY

- 3.1 The primary objective of each audit is to arrive at an assurance opinion regarding the robustness of the internal controls within the financial or operational system under review. Where weaknesses are found internal audit will propose solutions to improve controls, thus reducing opportunities for error or fraud. In this respect, an audit is only effective if management agree audit recommendations and implement changes in a timely manner.
- 3.2 A total of four audit reviews and four grant certifications have been completed in the period between April and June 2021.
- 3.3 Three audit reviews received a positive assurance opinion and one received a negative assurance opinion.

3.4 Substantial Assurance Opinion Reviews

3.4.1 In general, we concluded that the **NNDR and CTAX** is administered well and is functioning effectively, despite the increased workload that has been placed on the service as a result of the Covid-19.

3.5 Reasonable Assurance Opinion Reviews

3.5.1 Our audit concluded that there was an appropriate governance structure in place for the oversight of **commercial services**, although we were unable to establish the extent to which the program to develop cost models had been implemented and there were instances where estimated costs for staff time were used to inform cost models, as opposed to actual time.

3.5.2 An audit of the **General Ledger** concluded that there had been a significant improvement in the journal process on Oracle Fusion. However, we noted that journal control for intercompany accounting between RBC and Brighter Futures for Children (BFfC) was lacking.

3.6 Limited Assurance Opinion Reviews

3.6.1 Our audit of the payment controls within **MOSAIC*** reported that generally, supplier payments had been made in a timely manner, however there was a significant balance on supplier prepayments. Purchase orders were not always raised on Mosaic in a timely manner and whilst supplier invoices were received, input onto Mosaic and matched to the relevant purchase order, they were not always attached to the relevant transaction in Oracle Fusion.

3.7 Grants

3.7.1 For certain grants the Chief Executive and Chief Auditor are required to sign and return a declaration to the relevant Government Department, in accordance with MHCLG timescales (30 June), to confirm that the conditions attached to the grant determination have been complied with.

3.7.2 We have audited the expenditure against the grant determination conditions for four grants. The Emergency Active Travel Grant, Travel Demand Management Grant, Compliance & Enforcement Surge Grant and Community Testing Grant.

3.7.3 Although all expenditure had been spent within the scope of the applicable grant determination, recommendations were made to address accounting entries for the Community Testing Grant. Therefore, and for

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

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Appendix 1

Internal Audit & Investigations

Quarterly Update Report

APPENDIX 1

1.0 OVERVIEW

1.1 Purpose & Scope of Report

1.1.1 The purpose of this report is to provide an update on the progress made against the delivery of the Internal Audit Plan. This report provides details of audits completed in quarter 1, as well as those carried over and completed from the 2020/21 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 Assurance	“Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.”
Limited	“Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.”
Reasonable	“There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.”
Substantial	“A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.”

1.2.2 The assurance opinion is based upon the initial risk factor allocated to the subject under review and the number and type of recommendations we make. It is management’s responsibility to ensure that effective controls operate within their service areas. Follow up work is undertaken on audits providing limited or ‘no’ assurance to ensure that agreed recommendations have been implemented in a timely manner.

2.0 HIGH LEVEL SUMMARY OF AUDIT FINDINGS

		Recs			Assurance
2.1	General Ledger	0	4	3	Reasonable

2.1.1 The General Ledger is the Council's main accounting system which operates via Oracle Fusion. There are also a number of feeder systems which interface with the General Ledger. The system is operated and monitored by the Finance Team, who have a wide remit including overseeing the budgeting process, the annual closedown of the accounts, publishing the financial statements and completion of a range of claims and returns.

2.1.2 Since our last audit, there had been a significant improvement in the journal process on Oracle Fusion, with journals now requiring authorisation by one of an agreed group of individuals prior to posting to the ledger. A number of key processes were also now documented and available on the intranet. However, we noted that journal control for intercompany accounting between RBC and Brighter Futures for Children (BFfC) was lacking, as reported previously to the Committee. We therefore proposed that it would be timely to carry out a review of the journal process to ensure consistent understanding and adoption of various procedures. In addition, there should be regular review of journals to help ensure best practice was being adhered to and any trends or irregularities identified, reported and addressed in a timely manner.

2.1.3 A review of the chart of accounts was well underway, with the number of cost and subjective codes being rationalised. Once completed, this needed to be reviewed on a regular basis to ensure the benefits of the review were not then negated over time. A process for agreeing the creation of new codes and the deletion of old codes needed to be confirmed, documented and made available to relevant staff in respect of this review.

		Recs			Assurance
2.2	NNDR and CTAX Administration	0	0	3	Substantial

2.2.1 Reading Borough Council, as the Billing Authority, collects Council Tax and Business Rates, from the residents and businesses within its area, into the Collection Fund on behalf of Central Government (Business Rates only), Royal Berkshire Fire & Rescue Service (Council Tax & Business Rates) and Thames Valley Police & Crime Commissioner (Council Tax only). The Council will transfer a fixed amount from the Collection Fund into its General Fund Budget annually that is equal to its Council Tax Requirement as set out in the Council Tax Setting Report that the Council approves at its annual budget setting meeting for that financial year.

2.2.2 Covid-19 has had an impact on the levels of collection of both Council Tax and Business Rates income in 2020/21 and to ease the immediate impact on 2021/22 budgets, Central Government had set out its intention to allow the phasing of 2020/21 Collection Fund deficits over a three-year period.

2.2.3 There were appropriate and detailed policy and procedures in place to support the effective management and recovery of revenues with respect to Council Tax and National non-domestic rates (NNDR).

2.2.4 There was detailed information in the form of monthly statements received from Capita identifying the collection of Council Tax and NNDR, the information also showed performance against target.

2.2.5 Whilst a program of reviews, following a risk-based approach, was in place to check that discounts and exemptions were correctly applied, we advised that this approach was formalised in order that any changes to the risk environment was formally recognised and that where reviews had not been performed, that these recommenced.

2.2.6 Relevant and accurate data was used as a part of the weekly property reconciliations between Business Rates and Valuation Office Listings. With respect to the Valuation Office Listings and Council Tax, it was evidenced that reports identifying individual properties had been requested and obtained from the Valuation Office Agency in order that a more detailed reconciliation could take place.

		Recs			Assurance
2.3	Commercialisation	0	3	2	Reasonable

2.3.1 As the Council develops proposals to deliver its budget over the coming years, it is considering the income generating opportunities presented by its frontline services. Environmental & Commercial Services have for several years sought to commercialise elements of their service provision, maximising the opportunities afforded to them by their general powers and charging legislation.

2.3.2 Income had long been a major element in funding Council services and fees and charges offered significant scope for authorities to improve their financial position. They could also use charging structures to control service demand and to deliver policy objectives in many service areas. In addition to being realistic about its charging aspirations, the Council needed to consider the impact of increased charges on residents, service users and businesses. Charging decisions were fettered by a complex series of statutes and regulations, as well as there being economic limitations (competition etc.) on how much new income may be generated from charges.

2.3.3 Our audit concluded that there was an appropriate governance structure in place for the oversight of commercialisation. A terms of reference clearly set out roles and responsibilities for the Commercialisation Programme Board (CPB) and also identified that each directorate would have a Directorate Commercialisation Board and that within each Department there would be Commercial Operations Teams. Whilst we were able to evidence the action logs and reporting to the Commercialisation Programme Board (CPB) it was not possible to do so for the sub committees. Cross Council engagement with the Commercialisation Programme Board (CPB) had also been raised as an area which requires improvement.

2.3.4 The Council had sought advice from Oxford City Council, the Association for Public Service Excellence (APSE) and the Barony Consulting Group in determining an appropriate operating model.

2.3.5 Where discussions were held with officers involved in billing processes, it was noted that there was an absence of key performance indicators with respect to the accuracy and timeliness of billing processes.

2.3.6 With respect to the application of appropriate cost models across workstreams, we were unable to establish the extent to which the program had been implemented, although it was possible to evidence elements of the work undertaken in the development of cost models, through review of documentation presented to the Commercialisation Programme Board (CPB).

2.3.7 It was also noted that and there were instances where estimated costs for staff time were used to inform cost models, as opposed to actual time. Thus, there was a possible risk that costs will not be fully recovered.

		Recs			Assurance
2.4	MOSAIC payment controls (Finance Module)	3	5	1	Limited

2.4.1 Mosaic is the Council's workflow-based case management system used to record and process social care data. Service users assessed needs and services are recorded, together with cost, and authorised on Mosaic. Once a provider has been agreed to deliver the service, a purchase order is generated, and invoices are matched against this. This then assists in the subsequent payment process.

- 2.4.2 Generally, supplier payments had been made in a timely manner. Payments were changed since the start of the pandemic in line with government guidelines and to support providers. However, it resulted in the introduction of some manual processes, which increased the risk of fraud. Of most concern, however, was the significant balance on supplier prepayments, which amounted to circa £2.8m at the start of March 2021. At the time of our audit (Feb 2021), it was unclear whether this related to services delivered but not yet invoiced, overpayments to providers, or a combination of the two. Discussion with the interim Adults Finance Strategic Business Partner identified that this was seen as a priority task to be resolved.
- 2.4.3 Service users' needs should be better identified, documented and signed off via the Assessment and Planning tool in a timely manner to ensure that the proposed services receive relevant scrutiny and meet the service users' needs. This was not always observed to be the case. Similarly, service requirements were not always entered onto Mosaic in a timely manner, although authorisation was observed to be timely.
- 2.4.4 Relevant information, such as service users' needs assessments, purchase orders and service start dates, were usually shared with planned suppliers.
- 2.4.5 Purchase orders were not always raised on Mosaic in a timely manner which meant that financial commitments were not accurately reflected. Whilst supplier invoices were received, input onto Mosaic and matched to the relevant purchase order, in the majority of cases they had not been attached to the relevant transaction in Oracle Fusion.
- 2.4.6 Invoices were included on the relevant payment cycle on Mosaic, certified and then transferred to Oracle Fusion. After details of the transfer were checked, invoices were either added to the relevant BACs run or offset against a prepayment.
- 2.4.7 Several recommendations from the previous Mosaic audit and associated follow up were still outstanding and needed to be addressed.

2.5 Emergency Active Travel Grant

- 2.5.1 The grant funding supports local transport authorities by producing cycling and walking facilities. The funding is in 2 tranches, with tranche 1, for £221,250 to support the installation of temporary projects for the COVID-19 pandemic and tranche 2, for £1,179,000 for the creation of longer-term projects.
- 2.5.2 The Chief Executive and Chief Internal Auditor of each of the recipient authorities were required to sign and return a declaration to the Department for Transport to confirm that the conditions attached to the grant determination have been complied with. This certification was for tranche 1 only, with tranche 2 certification to follow later.
- 2.5.3 We can confirm that expenditure claimed against this grant was in accordance with the determination notice, however recommendations were made to improve financial recording and reporting of both expenditure and grant receipts.

2.6 Travel Demand Management Grant

- 2.6.1 The purpose of the grant is for Local Authorities to understand the challenges and solutions to provide sufficient and safe transport for the return to education during the Covid-19 period.
- 2.6.2 The purpose of this audit was to provide assurance that the grant funds had been accounted for and used in accordance with the determination notices, which stipulated the grant may only be spent on travel demand activities with unallocated and/or underspends to be returned to the department of transport.
- 2.6.3 The council received two revenue travel demand grant payments mid-2020, totalling £175,000.
- 2.6.4 We were satisfied that the expenditure attributed to this grant was in accordance with spend criteria advised by the Department of Transport guidance and their determination notice, however we would highlight that the accounting arrangements for this grant need to be kept specific to the accounting coding structure established for the purpose intended, as unspent or allocated balances were required to be returned.

2.7 Compliance & Enforcement Surge Grant

- 2.7.1 The purpose of this audit was to provide assurance that grant funds had been accounted for and used in accordance with the determination conditions.
- 2.7.2 The Council received £86,789 for the purpose of supporting any compliance, enforcement or measures to control the spread of Covid-19 across individuals, business and in the community was made available to the Council.
- 2.7.3 To the best of our knowledge and belief, and having carried out appropriate investigations and checks, it was our opinion that the conditions attached to the COVID 19 Local Authority Enforcement and Compliance Grant Determination had been complied with.

2.8 Community Testing Grant

- 2.8.1 The aim of the grant was to enable Local Authorities to carry out community testing for asymptomatic Covid-19 cases, which during the period of national restrictions focused on those individuals permitted to leave their home for essential reasons (i.e. work) and who were unable to access tests through other routes.
- 2.8.2 The scheme was initially prioritised based on tier levels but was then extended to encompass all authorities up until the end of March 2021; this had since been extended until at least the end of June 2021.
- 2.8.3 The grant was due to be paid in three tranches with the first payment calculated as £2.10 per test (15% of £14) for the number of tests detailed in the Local Authority's proposal, the second payment being £4.20 per test (30% of £14) for the proposed number of tests and the third payment being a "true up" payment of the difference between the costs incurred and estimated costs based on the submitted proposal, up to a maximum of £14 per test. The Council was allocated £144,900 for the first payment and £289,800 for the second one.
- 2.8.4 Responsibility for sourcing goods and services was split between the Department of Health and Social Care (DHSC) and the Local Authority in accordance with principles set out in the grant determination. Where goods were sourced in relation to testing, they should be acquired centrally where possible either via in stock goods or using central commercial contracts. There were also a set of measures to be considered before any additional expenditure was incurred to ensure value for money.
- 2.8.5 Although all expenditure had been spent within the scope of the determination, we did make some advisory suggestions to improve record keeping.

Appendix 1

Audit reviews carried over from 2020/2021

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Feeder system interface and reconciliation	x				Feb-21						
Commercialisation	x				Mar-21	Jun-21		0	3	2	
MOSAIC payment controls (Finance Module)	x				Aug-20	May-21		3	5	1	
Budgetary Control	x				Jan-21	Jun-21		0	5	2	
NNDR and CTAX Administration	x				Mar-21	Jun-21		0	0	3	

Audit reviews for 2021/2022

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Emergency Active Travel Grant	x				Apr 21	May-21	Jun-21	0	3	0	N/A
Travel Demand Management Grant	x				Apr-21	Jun-21	Jun-21	0	2	0	N/A
Compliance & Enforcement Surge Grant	x				May-21	May-21	May-21	0	0	0	N/A
Parks & Grounds Maintenance	x										
Facilities Management	x				Apr-21	Jun-21		2	6	1	
Housing Allocation Scheme	x				May-21						
Business Grants (Post Payment) Assurance	x				Jun-21						
NHS Test and Trace Grant Determination	x				Jun-21	Jun-21					N/A
Community Testing Funding Grant	x				May-21	Jun-21	Jun-21	1	4	0	N/A
Furlough Administration		x			Jun-21						

Appendix 1

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Corporate Governance Review	x				Apr-21	Jun-21		0	0	0	
Low Carbon project (Grant)*		x			Jun-21						
Local Transport Plan Capital Settlement (Grant Certification)		x									
Bus Subsidy Grant		x									
Housing Benefit		x			Jun-21						
Freedom of Information (Follow up Review)		x									
Accounts Receivable		x									
Contract Management (Adults)		x									
Accounts Payable			x								
Climate Change Strategy			x								
Green Homes BEIS Grant			x								
Staff (Grey Fleet) Vehicle Documentation - (Follow up Audit)				x							
Waste Operations				x							
Records Management & Document Retention Policy (Follow up review)				x							
Treasury Management				x							
Transitions from children's social care to adults				x							
Transparency Code Compliance (Follow up)				x							

Appendix 2

Internal Audit Report

MOSAIC PAYMENT CONTROLS

To: Jo Purser - Locality Manager
Stuart Donnelly - Financial Planning and Strategy Manager
Neil Sinclair - Interim Adults Finance Strategic Business Partner
Darren Carter, Director of Finance
Seona Douglas, Executive Director of Social Care and Health
Melissa Wise, Deputy Director of Commissioning and Transformation



Limited Assurance

From: Kirsty Hancock, Senior Auditor

Date: 7 July 2021

EXECUTIVE SUMMARY

1. BACKGROUND

- 1.1 The Care Act is the most significant piece of legislation that informs and forms the foundation of adult social care in England. It includes the duty to provide comprehensive advice and information to allow people to make the right decisions about their care and support so that they have more choice and control over their care and support, provides clarification as to what to expect from the care system, as well as promoting independence and wellbeing.
- 1.2 Mosaic is the Council's workflow-based case management system used to record and process social care data. Service users assessed needs and services are recorded, together with cost, and authorised on Mosaic. Once a provider has been agreed to deliver the service, a purchase order is generated and invoices (where appropriate) matched against this. This then assists in the subsequent payment process.
- 1.3 The last Mosaic audit was conducted in 2016, although it focused on a different area to this one, looking at whether expenditure was appropriately accounted for in the year-end accounts and that accruals were fairly stated, and was followed up the following year.
- 1.4 This audit was conducted during the coronavirus pandemic, with reference being made to this throughout the report. A number of changes have resulted due to the pandemic and are ongoing to address the changing situation.

2. OBJECTIVES & SCOPE OF THE AUDIT

- 2.1 The purpose of the audit was to ensure that there were appropriate controls in place around the Mosaic payment process.
- 2.2 The review encompassed the following areas:
- Ensuring that users' needs and service requirements were assessed, and appropriate authorisation obtained
 - Ensuring that the service was input onto Mosaic and appropriate authorisation was received
 - Ensuring that providers were sourced, and confirmation of the selected provider(s) was/were received
 - Ensuring that purchase orders were generated, and the relevant invoice(s) matched to them (where appropriate)
 - Ensuring that service reviews were conducted, and annual supplier increases were applied
 - Ensuring the timely and accurate transfer of relevant information from Mosaic to Fusion
 - Ensuring that supplier payments were made on a timely basis
 - Follow up of 2017 report audit recommendations
- 2.3 This audit (and report) was undertaken in accordance with the Public Sector Internal Audit Standards ([PSIAS](#)).

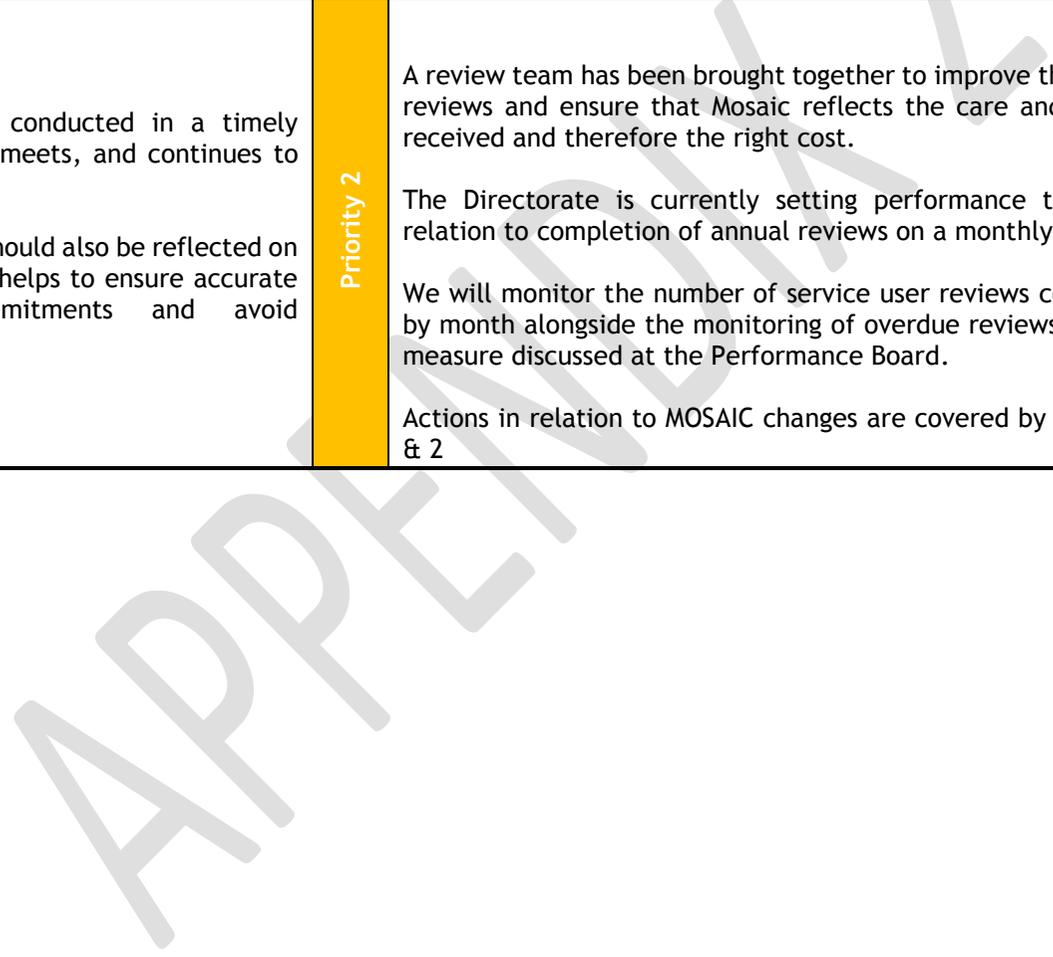
3. CONCLUSIONS

- 3.1 The audit has flagged several areas of significant concern that need appropriate consideration and attention, decisions and implementation to be undertaken, to ensure that the Council is adequately responding to and addressing the various risks in this area.
- 3.2 Generally, supplier payments have been made in a timely manner. Payments have changed since the start of the pandemic in line with government guidelines and to support providers. However, it resulted in the introduction of some manual processes which increased the risk of fraud. Of most concern, however, was the significant balance on supplier prepayments, which amounted to circa £2.8m at the start of March 2021. No evidence was found to specifically indicate unauthorised payments had been made, but the precise reasons for this need to be established and discussion with the interim Adults Finance Strategic Business Partner identified that this is seen as a priority task to be achieved.
- 3.3 Service users' needs should be documented and signed off in a timely manner, but this was not always observed to be the case. Similarly, service requirements were not always entered onto Mosaic in a timely manner, although the authorisation process was observed to be timely.

- 3.4 Relevant information, such as service users' needs assessments, purchase orders and service start dates, are usually shared with planned suppliers.
- 3.5 Purchase orders were not always raised on Mosaic in a timely manner with delays ranging from a few weeks to several months which meant that financial commitments were not accurately reflected. Whilst supplier invoices were received, input onto Mosaic and matched to the relevant purchase order, in the majority of cases they had not been attached to the relevant transaction in Oracle Fusion.
- 3.6 Service users' care (package) reviews were being conducted; however, these were not always carried out in a timely manner, which meant that services may not have been continuing to be appropriate or meet users' requirements.
- 3.7 Invoices were included on the relevant payment cycle on Mosaic, certified and then transferred to Oracle Fusion. After details of the transfer were checked, invoices were either added to the relevant BACs run or offset against a prepayment.
- 3.8 A number of recommendations from the previous Mosaic audit and associated follow up were still outstanding and needed to be addressed and as a consequence these are repeated in this report. Briefly these concern the following and are detailed further in in section 4.8 of this report:
- the year-end reconciliation between Oracle Fusion and Mosaic and associated accruals process has still not been documented;
 - services were not always being set up and associated purchase orders being raised in a timely manner on Mosaic
 - not all invoices received post-year end relating to services delivered in the year were being tracked
- 3.9 A total of 9 recommendations have been made in respect of this review, of which 3 are considered high priority. The recommendations and corresponding management action plan are attached at Appendix 1.

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
USERS' NEEDS IDENTIFICATION AND AUTHORISATION					
<i>RISK: Appropriate support for service users is not in place, putting them at increased risk of harm</i>					
1	The Assessment and Planning Tool (APT) needs to be completed, authorised and signed off in a timely manner to ensure that appropriate services can be put in place.	Priority 2	There is an aim in ASC to achieve a target of 46 days to complete an APT in 70% of cases. Who have identified eligible care and support needs.	Locality Manager, Adult Care	April 2022
PURCHASE ORDER GENERATION AND INVOICE MATCHING					
<i>RISK: Commitments are not accurately reflected, or invoice evidence attached, leading to inaccurate management information and inadequate supporting evidence</i>					
Page 56	All purchase orders should be raised in a timely manner on Mosaic to ensure commitments are accurately reflected, with invoices always attached to the relevant transaction in Oracle Fusion as supporting evidence. To assist in this process, the APT needs to be completed to allow the workflow to be generated in Mosaic.	Priority 1	<p>In order for purchase orders to be raised in a timely manner, APT's need to be completed, authorised and signed off by the manager (see Action 1)</p> <p>Post Covid we need to revert to previous instructions in line with to purchase to pay principles that PBST do not commission any care without a signed APT (see Action 1).</p> <p>Develop a mechanism to ensure that invoices are monitored, this will then allow the generation of purchase orders to be paid.</p>	<p>Deputy Director - Commissioning & Transformation</p> <p>Acting Accounts Payable and Accounts Receivable Manager</p>	<p>By 10th July 2021</p> <p>Ongoing</p>

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
SERVICE REVIEWS					
<i>RISK: Service provision is not meeting the service users' needs, leading to over/under dependency and possible excessive costs</i>					
3	<p>Service user reviews should be conducted in a timely manner to ensure that provision meets, and continues to meet, service users' needs.</p> <p>Any changes to service provision should also be reflected on Mosaic in a timely manner. This helps to ensure accurate reflection of financial commitments and avoid over/underpayment of providers.</p>	Priority 2	<p>A review team has been brought together to improve the rate of reviews and ensure that Mosaic reflects the care and support received and therefore the right cost.</p> <p>The Directorate is currently setting performance targets in relation to completion of annual reviews on a monthly basis.</p> <p>We will monitor the number of service user reviews completed by month alongside the monitoring of overdue reviews as a key measure discussed at the Performance Board.</p> <p>Actions in relation to MOSAIC changes are covered by Actions 1 & 2</p>	<p>Locality Manager, Adult Care</p>	<p>End of July 2021</p>



Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
SUPPLIER PAYMENTS					
<i>RISK: Providers not paid in a timely manner, leading to possible cash flow issues</i>					
4	As a priority, supplier prepayment balances due to Covid need to be reviewed to determine if they relate to services provided not yet invoiced, overpayment of suppliers or a combination of both. Where overpayment is identified, a documented arrangement needs to be put in place with the providers to recoup the additional amount paid.	Priority 1	Agreement with suppliers has been reached, whereby any agreed overpayment, where possible, will be offset against future invoices. Where that is not possible, any balance will be recovered over as short a time period as possible.	DACHS Strategic Business Partner	30 September 2021
5	The purchase order for discharge to assess provision for Covid related services needs to be amended to reflect the change in the number of beds provided and any overpayment resulting from the delay in amending the purchase order recovered. In addition, the description on the purchase order needs to be amended so that it clearly details what the provision relates to.	Priority 1	This service was set up during Covid and was used flexibly. However, the suggested system changes will be made.	Senior Commissioner, Commissioning and Improvement	30 June 2021
6	Payment needs to occur for the Infection Control Fund, if not already carried out. An agreement needs to be reached with a provider regarding repayment of infection control monies unable to be spent and all returned monies from providers repaid to central government.	Priority 3	Agreements are in place with Providers surrounding this Grant and future payments for this grant will be made promptly and any repayments made in line with Grant conditions.	DACHS Strategic Business Partner	30 June 2021

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Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
FOLLOW UP OF PREVIOUS AUDIT RECOMMENDATIONS					
7	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.	Priority 2	Methodologies are in place to determine the level of accruals required as part of closure for all payment type. These need to be fully documented as part of year end processes.	DACHS Strategic Business Partner	30 September 2021
8	Continued emphasis needs to be placed on the importance of ensuring that data held within Mosaic is of an appropriate quality. This includes ensuring that placements are reflected in a timely manner (purchase orders created, amended and closed), so that commitments are accurately reflected, and discrepancies and missing invoices can be identified and addressed.	Priority 2	The Directorate expectation is that 5 audits per month are undertaken across teams to ensure mosaic work steps are completed and appropriate data held and that this has been completed and quality assured to be reported via the Care & Quality Board in a timely manner.	Locality Manager, Adult Care & Personal Budget Principal Officer	January 2022
9	Consideration needs to be given to matching invoices received post year-end relating to previous financial year to year-end accruals to ensure all previous year service delivery is accounted for and no significant over-accruing has occurred.	Priority 2	This recommendation repeats in part 7 above. Any accruals made at the end of the financial year are reconciled to invoices received in new financial year and are subject to External Audit review. Any reconciliation will confirm any over as well as under accrual.	DACHS Strategic Business Partner	On-going

4. FINDINGS

4.1 USERS' NEEDS IDENTIFICATION AND AUTHORISATION

- 4.1.1 Service users' needs and service requirements should be identified and documented on the Assessment and Planning Tool (APT). This was observed in all cases sampled, as well as the appropriate authorisation obtained and documented, in all but one case.
- 4.1.2 However, there was a lack of timely completion and sign off of the APT in half the cases sampled, with the tool being open since 2018 in one instance and only signed off in 2020, and several other instances where the assessment had not been carried out in a timely manner (Rec 1). Assessments should be conducted, documented and signed off prior to services commencing to evidence the need for them and their appropriate cost. However, it is noted that there are various circumstances which may delay and impact completion of the APT and instances where services are required to start before assessments are completed.
-

4.2 SERVICE INPUT ONTO MOSAIC

- 4.2.1 In all cases sampled, a timely workflow was observed of service user needs and requirements before going to the Personal Budget Support Team (PBST), where appropriate.
- 4.2.2 However, there were delays observed in inputting service requirements onto Mosaic in approximately a third of cases sampled. Reasons for delays included awaiting confirmation of eligibility for funding for a depleted self-funder and awaiting confirmation from Continuing Healthcare as to their contribution towards the package. Management have advised that these are acceptable reasons for delays. Service requirements were observed to have been authorised in a timely manner though.
-

4.3 PROVIDER SOURCING AND CONFIRMATION

- 4.3.1 Potential providers were sourced for the service needs identified. In the majority of cases sampled, service users did not identify their preferred provider; however, this was not relevant in most cases as they were either remaining with the existing supplier or there was only one option available.
- 4.3.2 Relevant information such as the service user's needs assessment, the purchase order and start date of the service was also observed to have been shared with the provider in the majority of cases sampled.
-

4.4 PURCHASE ORDER GENERATION AND INVOICE MATCHING

- 4.4.1 Review of a sample of services identified that in half the cases, purchase orders were not raised in a timely manner, with delays ranging from a few weeks to several months (Rec 2). Purchase orders were generated once workflow had been completed on Mosaic, sent to PBST and care commissioned, therefore any delays were in the process before they reached PBST. Discussion identified that this often related to the APT not being completed. This is of concern as financial commitments were not then accurately reflected. However, purchase orders were observed to be fully detailing all the services to be provided.
- 4.4.2 Where relevant, supplier invoices were observed to have been received, input onto Mosaic and matched to the relevant purchase order or prepayment. However, it was noted that for the majority of services sampled, supplier invoices had not been attached to support the transaction in Oracle Fusion (Rec 2).
- 4.4.3 Supplier invoices were also matched to purchase orders in Mosaic, subject to agreed tolerances, with the invoiced amount agreeing to that detailed on the purchase order in all cases. There was one instance observed where the service amount had decreased part way through the service and had been backdated; however, discussion identified that the cost had been renegotiated down and backdated to the start of the provision.
- 4.4.4 The only rejected invoice observed was due to an inputting error relating to the start date; it had been re-raised with the correct information and authorised. No instances were observed where a purchase order was not in place. As is discussed later (section 4.7.4), where prepayments have been made to providers for services, invoices received subsequently for services have only been paid where the provision date fell outside the prepayment dates or the invoiced amount exceeded the prepaid amount.
-

4.5 SERVICE USER REVIEWS

- 4.5.1 Evidence of service user annual reviews being conducted was observed in all cases sampled, although in several cases, this was not always being carried out in a timely manner (Rec 3). In the audit sample of 10 people the reasons for this in one case were due to Covid 19, but in another there was no evidence that it had been completed. Where relevant, any increase in service requirements had evidence of appropriate review and authorisation, although changes were not always reflected in a timely manner on Mosaic (Rec 3), with two instances where changes were reflected approximately a month after the service changed.
-

4.6 TRANSFER FROM MOSAIC TO FUSION

- 4.6.1 Once invoices have been matched to a purchase order, they were included on the relevant payment cycle, depending on when they were due for payment. Once the cycle was created, invoices were either certified or rejected; the sole rejected invoice observed was due to a change in service commencement date.
- 4.6.2 After certification, the payment cycle being tested was transferred overnight to Oracle Fusion, with the Fusion Support Team informed of the transfer. After transfer, the Fusion Support Team completed the invoice loading manually and a report produced providing details of the transfer, such as number of invoices and amounts transferred, which was checked by the Exchequer Manager. This was verified by observation of a test transfer. Invoices were then either added to the relevant BACs run for payment, when due or offset against the relevant prepayment(s) - see later for further details.
-

4.7 SUPPLIER PAYMENTS

- 4.7.1 Review of a sample of payments to service providers identified that generally payments had been made in a timely manner, although there had been a couple of delays in payment to one provider prior to the pandemic, with delays of circa six weeks to two months between invoice date and payment observed.
- 4.7.2 Since the start of the pandemic, payments to service providers have changed in a number of instances to meet various government guidelines, which included ensuring that:
- contract portfolios were urgently reviewed and suppliers at risk identified and informed that they would continue to be paid as normal until at least the end of June.
 - the most appropriate payment measures were put in place to support supplier cash flow, such as forward ordering, payment in advance/prepayment, interim payments and payment on order (not receipt).
 - any contract which involved payment by results should be paid on the basis of previous invoices.
 - to qualify, suppliers should act on an open book basis, making cost data available to the contracting authority during this period and continuing to pay employees and ensure flow down funding to their subcontractors.
 - invoices submitted by suppliers were paid immediately on receipt in order to maintain cash flow in the supply chain and protect jobs.

- 4.7.3 Provider resilience payments of 3% were made to suppliers on top of normal payments to keep them running, based on previous weekly costs. Payments covered April to August 2020 inclusive. The percentage was decided on by the Council, with payment approved by Executive Director of Social Care and Health and also the Director of Resources. There were no specific conditions as to what these payments needed to be spent on apart from to support Providers with the additional Covid costs they were facing and no money needed to be returned, although providers were asked to keep a record of what the money was used for. This was in line with the approach of other Councils. Payments were initially made to Home Care, Extra Care, Supported Living, Residential and Nursing Care providers but not to day services as those had ceased to provide services (although they were later paid to support them). Payments in August were only made to residential and nursing care providers.
- 4.7.4 Payments to Home Care, Supported Living and Extra Care providers were switched from payments in arrears to payments in advance, based on commitment, for the period from April to November 2020 inclusive. When an invoice was received covering wholly or partly a period that had been prepaid, it was processed through Mosaic in the normal way and then put on hold. A daily report of invoices on hold was generated and each one reviewed to determine the appropriate course of action. If the invoice solely covered a prepayment period, it was offset against the prepayment for that period, unless all the prepayment was used, in which case the invoice was paid. If it covered multiple prepayment periods, it was allocated against the prepayments on a pro-rata basis or if it covered only part of the prepayment period, only part was allocated against it and the balance then paid. However, it was noted that the process of allocating invoices to prepayments was manual and therefore subject to error and possible fraud, in addition to being time-consuming.
- 4.7.5 Reconciliations between the amount prepaid to providers and invoiced had been conducted by Finance at the start of 2021. Review of the balance remaining on supplier prepayments by audit identified a balance of just over £3m as at 21st January 2021, with 15 providers having balances in excess of £60,000 and making up 69% of the total. The largest provider prepayment balance was just over £355,000. As of the start of March 2021, this balance was circa £2.77m, with 14 providers having balances in excess of £60,000 and making up 69% of the total. It was currently unclear whether balances related to services provided but not yet invoiced, overpayment of providers or a combination of both (Rec 4). In terms of risk mitigation agreements with Providers in relation to these pre payments, senior DACHS management have asserted they were very clear in terms of the expectation that monies over paid would be returned to the Council or equivalent amounts deducted from future payments.
- 4.7.6 In addition, residential and nursing providers payments were switched to ensure, where possible, that all were made in advance.

- 4.7.7 A discharge to assess service was set up at one location, whereby a number of beds were block booked with an isolation wing/infection control being set up so hospital patients with nursing or residential care needs could be discharged there. The number of beds booked had been decreased as a result of low demand, with the contract due to finish at the end of March 2021. However, discussion identified that this decrease had not been reflected on Mosaic, leading to overpayment of the provider (Rec 5). The description on the Mosaic purchase order also did not make it clear what the beds were booked for (Rec 5).
- 4.7.8 A 'care hotel' discharge service was also set up with a hotel provider, whereby a number of rooms were block booked and a care provider also block booked to provide care staff. Those patients returning to the community were discharged there until mid-June 2020, and the provision restarted in December 2020. It is noted that this service is being paid via purchase order on Oracle Fusion i.e. not reflected on Mosaic.
- 4.7.9 Infection control payments have also been made to providers. This is a government scheme with detailed eligibility and criteria that has to be met. There have been two tranches of payments to date, with money allocated to providers based on the number of care home beds. The majority of the money was allocated to registered care home providers using a capacity tracker, with spend required to meet specified criteria, with the remainder given to care home providers for infection control and to employ dedicated infection control nurse (the latter of which had not yet been paid) (Rec 6). Some monies had been returned by providers who were either unable to spend it or expenditure did not meet the necessary requirements. Repayment from one provider was yet to be agreed (Rec 6). These monies will need to be returned to central government (Rec 6).
- 4.7.10 Agreements have been put in place with providers detailing they would abide by the terms and conditions of the award. Where terms had not been met or money misspent, further money was withheld, and recovery of amounts instigated. Each tranche of money allocated to providers had an accompanying letter detailing the amount being paid, payment schedule and reporting requirements. Reliance has been placed on providers giving reports to provide assurance as to what monies have been spent on in line with the grant guidance.
- 4.7.11 Some ad hoc financial support payments have also been made to a few suppliers experiencing severe financial difficulties. Providers submitted a request and then various financial information was reviewed (audited accounts, bank statements and personal protective equipment (PPE) costs) before a decision was made alongside consideration of whether alternative funding streams e.g. Government grants could be used instead. Payments to the providers were agreed with the DACHS strategic business partner and approved by the Assistant Director for Commissioning, Transformation and Performance, which is in line with the Scheme of Delegation during emergencies and major incidents, which details that each CMT member and Head of Service has authority to take executive action to assign Council resources without prior Committee consent.

- 4.7.12 It was noted that two of the providers that have been given additional financial support had been identified as requiring improvement. They had action plans in place, with the Council monitoring their service quality. It was noted in discussion that both were improving and meeting targets.
- 4.7.13 Discussion identified that there was a clear exit strategy in place in relation to payments to providers, although this had been revised in some instances as a result of increased Covid infection rates at the end of 2020. The 3% provider resilience payments ceased, with the last payment being made in August 2020 and the last prepayments to providers were made jointly for October and November 2020. Infection control payments were a centrally funded government initiative and therefore controlled by government.
- 4.7.14 The discharge to assess service was set up for a year, but with a six-month break point. At that stage, the contract was reviewed, and the number of beds block booked decreased. The contract is due to finish at the end of March 2021. The 'care hotel' discharge service closed in June 2020 but restarted in December 2020.
- 4.7.15 Ad hoc support provided to a limited number of providers was given for a finite period and amount. The providers will need to review their long-term financial viability. However, it was noted that Reading was a very small market and the loss of a provider could lead to reliance on a sole supplier in some areas.
- 4.7.16 It was noted during testing that several invoices in the sample have been put on hold due to querying whether they were duplicate payments. However, it was identified that payments related to different service users in each case. Further discussion identified that there was a duplicate invoice checker in Oracle Fusion, which identified invoices with the same date and amount to supplier and put them on hold until they have been reviewed to check for example the invoice number/date was correct or related to different service users.

4.8 FOLLOW UP OF PREVIOUS AUDIT RECOMMENDATIONS

- 4.8.1 A follow-up audit was carried out in 2017 focusing on whether expenditure was appropriately accounted for in the year-end accounts and that accruals were fairly stated. A number of recommendations from the original audit were identified as still outstanding and have been reviewed as part of this audit.
- 4.8.2 Discussion identified that the year-end reconciliation between Oracle Fusion and Mosaic and associated accruals process has still not been documented, which could prove problematic in the event of loss of key staff members (Rec 7). However, it was understood there was a timetable for the year-end process and a post year-end review was also conducted (although the latter was also not documented). It was planned that documentation of the process would take place during this year's year-end process, facilitated by the finance apprentice.

- 4.8.3 Whilst data quality within Mosaic had improved, it was noted (as detailed earlier - sections 4.2.2, 4.4.1) that services were not always set up and associated purchase orders raised in a timely manner on Mosaic (Rec 8).
- 4.8.4 However, retention of supporting documentation has now much improved. The year-end accrual journal raised for community services was reviewed and observed to have a link to and match supporting documentation. In addition, journals now need to be independently authorised after being raised before they are posted.
- 4.8.5 Discussion identified that the main point of contact for adult services finance at the year-end relating to the accruals process was with the Personal Budget Support Team (PBST), who were asked to provide details of new service users and suppliers not yet set up on Mosaic. The Funding Panel had now become the Eligibility, Risk and Review Group (ERRG). This did not have a Finance representative in attendance, although Finance did receive a spreadsheet from the Performance Team detailing what had been agreed to at the panel, in addition to holding monthly budget monitoring meetings. It has been noted that ERRG's primary function is to agree eligibility and need for care and support and therefore a finance representative was not deemed necessary.
- 4.8.6 The year-end accruals process was based on commitment reflected in Mosaic, with an adjustment made for homecare to reflect some likely non-delivery of services. The journal process had been revised after previous audit recommendations to ensure that journals were reviewed and approved by a separate individual from the one raising it. However, it was noted that not all invoices received post-year end relating to services delivered in the year were tracked (Rec 9).
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APP

READING BOROUGH COUNCIL

REPORT BY DEPUTY CHIEF EXECUTIVE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	19 JULY 2021		
TITLE:	IMPLEMENTATION OF THE FINANCE IMPROVEMENT PROGRAMME - PROGRESS UPDATE		
LEAD COUNCILLOR:	COUNCILLOR McEwan	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 in April this year.

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 'get 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.
- 3.2 The Programme is led and overseen by the Finance Transformation Board chaired by the Deputy Chief Executive 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 which also includes relevant 'Audit Tracker' recommendations to help ensure progress on implementation.

4. PROGRAMME UPDATE - PLAN AND DELIVERABLES

- 4.1 Progress has continued against the Phase I plan since the last Committee with a number of deliverables being achieved.

The accounts payable, accounts receivable and chart of accounts workstreams are now moving towards completion, with deliverables relating to the ongoing monitoring and training around revised and improved arrangements being finalised.

In addition, the recent Internal Audit review of Accounts Payable resulted in a positive assurance commentary which recognises the improvements and impact made as part of the Finance Improvement Programme.

The final accounts and reconciliations workstream continues, activity and progress is reported separately to the Committee on this agenda.

The Finance Transformation Board continue to oversee the Programme and monitor and challenge delivery timelines where appropriate. The Board are now also concentrating; where appropriate, on ensuring that the changes made through the Programme are embedded, complied with and monitored through agreed reporting mechanisms.

The finance system replacement workstream continues and has a timeline for completion of the 1st April 2022, the 'go live' date. Approval has now been given under delegated powers to appoint Advanced as supplier and the contract has been signed.

- 4.2 Phase II of the transformation programme (developing corporate financial management governance and the overarching financial management environment) will be aligned to the implementation of the new finance system. This is now provisionally scheduled to commence at the end of August. Phase II of the programme will both ensure that the opportunities and benefits of the new system are realised and that the necessary development of the organisational approach to financial management and governance takes place and is embedded.
- 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 is a total of 34 (previously 43) recommendations within the tracker covered by the Finance Improvement Programme. These are rated as; Red 0 (5), Amber 12 (22), and Green 22 (20).

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): 30 April 2021, Monitoring - Ongoing

The accounts payable workstream had 10 specific deliverables.

Completed	In progress	Not Started
9 (8)	1 (2)	0 (0)
Commentary		
<ul style="list-style-type: none"> • There is one remaining task outstanding: • Reconciliations of AP system for RBC and BFfC business units which will be included as part of the final accounts and reconciliation workstream. 		

- The Audit Recommendations Tracker has 17 (27) recommendations relating to Accounts Payable (3 new recommendations were added in April relating to relating operational processes which are rated as amber).
- Of the 17 recommendations included in the tracker ratings are: **8(10) Green, 9 (16) Amber and 0(1) 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): 4 May 2021

The Accounts Receivable workstream has 12 specific deliverables.

Completed	In progress	Not Started
6(5)	5(3)	1(4)
Commentary		
<ul style="list-style-type: none"> • In progress deliverables are 1) addressing historic debt and debt reporting arrangements, 2) developing a SLA 3) delivery of user guides and training, 4) developing compliance monitoring and 5) introducing compliance reporting arrangements. • The deliverable yet to start relates to refining team roles, which can now commence as the AR migration to Fusion has been completed. 		

- The Audit Recommendations Tracker has 4 recommendations relating to Accounts Receivable.
- Of the 4 (4) recommendations included in the tracker ratings are: **Amber 3(4) and Green 1 (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): 30 April 2021

The Chart of accounts workstream has 13 specific deliverables.

Completed	In progress	Not Started
12(8)	1(3)	0 (0)
Commentary		
<ul style="list-style-type: none">• All 11 original deliverables have been completed.• Of the two additional deliverables, one is complete the second has one task, closure of non-grant holding codes to complete.		

- Following completion of the original deliverables it was been agreed that two additional deliverables would be transferred to this workstream from Reconciliations concerning the review and rationalisation of holding accounts. These are scheduled for completion at the end of July and are dependent on the closure of accounts schedule.
- The Audit Recommendations Tracker has 2 (3) recommendations relating to the Chart of Accounts. One of the recommendations, relates to objective and subjective codes and is complete and shown as green. The second relates to holding accounts for grant and non-grant related transactions. The final task for this recommendation is to close outstanding codes and will be completed as part of the closure of accounts schedule. This is also shown as green as it has one task remaining.
- Of the 2 recommendations included in the tracker, ratings are: **Amber 0(1)** and **Green 2(1)**.

5.4 Reconciliations and final accounts

Original 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. To also 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.

Revised approach

As indicated at the January Audit and Governance Committee the Chief Accountant reviewed work to date on the reconciliations workstream and prepared a joint plan.

The plan covered the closedown of 2018/19, 2019/20 and 2020/21 and as a consequence all reconciliation processes and issues will be addressed simultaneously.

An update on the closure of accounts is the subject of a separate paper to this Committee.

- The Audit Recommendations Tracker now has 11 (10) recommendations relating to reconciliations and final accounts.
- Of the 11 recommendations included in the tracker ratings are: **Amber 0(1)** and **Green 11 (9)**.

5.5 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 (revised): 1st April 2022.

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

Completed	In progress	Not Started
1(1)	1(1)	2 (2)
Commentary		
<ul style="list-style-type: none"> • The procurement exercise has been completed and the project has now received approval through delegated procedures. The contract has also been signed and implementation planning is underway. • The remaining activities not started relate to the implementation and go-live of the finance system. 		

- There are no recommendations in the Audit Tracker.

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. However, the implementation of the Finance Improvement Programme will streamline processes, reduce closure of accounts timelines and costs, and increase the capacity and value added by the Finance Team. In line with the approved business case for replacing the finance system, provision for funding has been made within the Capital Programme.

12. BACKGROUND PAPERS

12.1 Not applicable to this report.

READING BOROUGH COUNCIL

REPORT BY DEPUTY CHIEF EXECUTIVE

TO:	AUDIT AND GOVERNANCE COMMITTEE		
DATE:	19 JULY 2021		
TITLE:	INFORMATION GOVERNANCE QUARTERLY UPDATE		
LEAD COUNCILLOR:	CLLR RUTH McEWAN	PORTFOLIO:	CORPORATE AND CONSUMER
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 provides an update on the actions in progress to improve the Council's policies, systems and processes for better Information Governance.
- 1.2 In the last two years, the Committee has received a number of limited assurance reports in relation to information governance and work is ongoing to address the underlying issues in the following areas:
 - Freedom of Information
 - Data Transparency
 - Records Management
- 1.3 The Customer Relations Team's Data on Complaints, Freedom of Information (Fol) requests and Subject Access Requests (SARs) & MP Enquiries for 2020/21 is appended for the Committee's information.

2. RECOMMENDED ACTION

Audit and Governance Committee is asked:

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

3. POLICY CONTEXT

- 3.1 The Council's new Corporate Plan (2021) has established three themes for the year 2021/22. These themes are:
 - Healthy Environment
 - Thriving Communities
 - Inclusive Economy

- 3.2 These themes are underpinned by “Our Foundations” explaining the ways we work at the Council:
- People first
 - Digital transformation
 - Building self-reliance
 - Getting best value
 - Collaborating with others
- 3.3 Full details of the Council’s Corporate Plan and the projects 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.
- 3.4 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.
- 3.5 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
- 3.6 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 the 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

Recruitment

- 4.1 Two key posts are vacant in the Information Governance Team currently and these are out to recruitment. Recruitment is under way for an Information Governance Team Leader and the Information Governance Officer as the previous postholders left the organisation. The initial recruitment round for the Team Leader was unsuccessful, and the council is looking at benchmarking the salary to ensure the role attracts sufficiently qualified applicants. A number of applications have been received for Information Governance Officer and we hope to complete recruitment for this role by the end of July. We have an Interim Information Governance Officer in post, seconded from another service who started at the end of June. The implication for the Service is that with vacancies pending it is not able to quickly address issues such as Subject Access Requests. We are mindful of the need to provide cover for this Service and the interim resource was recruited to ensure we can deal with current SARs.

FOI cases

- 4.2 A new case management system for FOIs went live in March 2021. Training has been provided to officers and the initial signs are that the system is working as envisaged.

The FOI function is now centrally managed through the Customer Relations Team, with all requests and answers being channelled via the team. This was done to improve response times for FOIs. A separate report has been provided to Audit and Governance Committee tonight which summarises the response rate for FOI cases in 2020/21. The Council wishes to see a response rate of 90% within 20 working days and will be reviewing the performance of this function to establish where improvements can be made within the new centralised system. 90% is the expected response rate of the Information Commissioner.

- 4.3 FOIs, Complaints, Responses to MP and Cllr enquiries continue to be monitored weekly by CMT which ensures good organisational oversight and stresses the importance the Council gives to these matters.

Data Transparency (Transparency Code)

- 4.4 Members will recall that the audit in this area revealed that some of the information which was required to be published, was not available on the Council's website. Work has been ongoing to rectify this. All of the relevant information and sources of data have now been identified and a Transparency Code page will be added to the Council's website this month with the information that has been received and formatted. Two of the data sets collected require further formatting to meet the needs of the Code before publication. A process for review and publishing the required information for the future is in draft format. This will be reviewed by the Information Governance Board and finalised to complete the actions required following the audit recommendations.

Information Governance Board

- 4.5 The Board is currently reviewing a range of ICT Security Policies:

lct-camera-and-video-usage-policy v1.3
lct-controls-for-storage-and-carriage-of-hardcopy-documents v1.3
lct-Email Monitoring Policy v1.2
lct-huddle-acceptable-use-policy v 1.3
lct-information-risk-management-document-marking-policy v 1.7
lct-Internet Monitoring Policy v1.1
lct-pcidss-personal-commitment-policy V 1.4
lct-PSN-personal-commitment-policy V 1.5
lct-removable-electronic-media-usage-policy v1.4
lct-security-golden-rules v1.10
lct-security-policy-statement v1.8
lct-standards-expected-of-third-parties-policy v1.6
lct-use-and-information-security-policy v1.11

These policies will be signed off by the Information Governance Board following review. The Board will also be reviewing outcomes from ransomware attacks at other local authorities to assist with our own cyber security preparations.

- 4.6 The Board will consider the report from Leicester City Council (once finalised) and recommendations will be presented to the next Audit and Governance Committee.

Information Management Strategy

- 4.7 As previously advised, 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 Strategy will be informed by the technical review which is being completed by Leicester City Council and in the process of being finalised. The Strategy is expected to be provided to Policy Committee this Autumn.

Other Board Actions

- 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. There is nothing of note to report to members in relation to these issues.
- 4.9 The Board continues to monitor the Cyber Security training which is currently rolled out for all staff and members through Learning Pool, the Council's e-learning package. The Board is monitoring the uptake of this training and its effectiveness. Further reminders have been sent to staff. The previous indication of Audit and Governance Committee that this training should be mandatory has been communicated to staff. Data has been provided to managers about compliance in their service. Current figures are below:

	Jan 2021		April 2021		June 2021	
Councillors	6	13%	24	52%	27	59%
Officers	606	29%	699	33%	1043	50%

- 4.10 The continued support of the Audit Committee members and Group Leaders in helping to close the residual gap is appreciated. Actions are in hand to improve the take-up of the training by staff. This includes better monitoring of training take-up through the Council's HR system to give managers increased visibility of who has done the required training. Some work is also being undertaken to check the breakdown of the staff cohort which is expected to undertake the online training offer. There are a number of frontline staff (grounds staff, cleaners etc) who will need a different training approach to the online module. They still have a role in Cyber-Security as regards physical access and security of premises etc.
- 4.11 The Board is also monitoring the take up of the new Information Governance and Data Protection module. (This replaces the old Data Protection Module). At present 426 officers have completed this. However, this number does not account for those officers who had recently completed the previous DPA module and now are being asked to take the new module in line with everyone else. Again, further work is being done to promote this training and provide information to managers about the uptake.
- 4.12 The Board will make further recommendations to CMT on which training is to be mandated and the frequency of refresher training. CMT has already considered proposals from Human Resources about recording a range of mandated training on the iTrent system. After further work with Services to finalise the list of mandated training and the relevant refresher periods, CMT will be asked to endorse the final schedule. Cyber security, Data Protection and FOI are key topics to be included.

Next Steps

- 4.13 The focus in the next quarter will be to take on board the recommendations of the technical review which has been undertaken (as mentioned above). The review is proceeded along the same lines as an ICO consensual audit and will be a useful benchmark. We have the additional benefit of the long operational experience of the staff at Leicester City Council who have undertaken training for many other local authorities in FOI, data protection etc. This should also provide us with practical guidance for any recommended improvements, based on their previous experience with other councils.
- 4.14 Although the Strategy is in development, I will consider ways in which a report against progress (action plan) can be provided for future meetings along with key details of policy review, staffing issues and key metrics.

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 foundation of “Getting the best value”.

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. The cost of the LCC review has been met from the Service budget.

11. BACKGROUND PAPERS

11.1 There are none

READING BOROUGH COUNCIL

TO:	Audit and Governance		
DATE:	Committee - 19 July 21	AGENDA ITEM:	
TITLE:	2020/21 - Customer Relations Team - Data on Complaints, FOIs, SARs & MP Enquiries for Audit & Governance Committee		
LEAD OFFICER:	Nayana George	TEL:	0118 937 3748
JOB TITLE:	Customer Relations & Information Governance Manager	E-MAIL:	nayana.george@reading.gov.uk

1. PURPOSE OF REPORT

- 1.1 This report provides data relating to complaints received by the Council and Brighter Futures for Children (BFfC), response times from the Council and key themes and outcomes for the financial year of 2020/21. Also included are the MP Enquiries, Freedom of Information (Fol) requests and Subject Access Requests (SARs) received for the Council and BFfC. These figures are tracked during the year by CMT on a quarterly basis.

2. RECOMMENDATIONS -

- 2.1 Audit and Governance Committee is asked to note the data detailed in this report.

3. SUMMARY

- 3.1 The Customer Relations Team manages the Complaints Procedures for the Council, including the Children's Services Statutory procedure for BFfC. The Team also manages the MP Enquiry, Fol Act process and Subject Access Requests for the Council and BFfC. Councillor Enquiries, data for these are also included in this report and are managed by Councillor Services.

The Team's work includes training, advice and a quality assurance service for Managers and Officers dealing with the above processes. The Team also provides advice and guidance for customers to access the complaints procedure.

The Customer Relations and Information Governance Manager is also the Link Officer for the Housing Ombudsman and Local Government and Social Care Ombudsman (LGSCO). The LGSCO is due to publish their annual reports for Local Authorities this month. A summary of this report will be provided for the September 2021 Audit and Governance Committee.

Please note the Customer Relations service was suspended during Q1 2020/21 (01 Apr 20 to 30 Jun 20) during the initial Covid 19 lockdown as several of the staff from the team and Officers who normally respond to complaints and enquiries were redeployed to the One Reading Hub and other

projects that supported residents in the community.

4. COMPLAINTS RECEIVED

- 4.1 This report on complaints which were received in the reporting period (01 Apr 20 to 31 Mar 21) includes data on all complaints to the Council and BfC. Two Annual Statutory Complaints Reports for BfC and Adult Social Care (DACHS) are produced for ACE Committee in the Autumn providing further analysis on statutory complaints.

NOTE: This report includes all complaints received at either Stage 0 or Stage 1, both Statutory and Corporate, but does not include any which were escalated to either Stage 2 or Stage 3, as these would be a duplication of the original complaint).

For clarity, the Customer Relations Team manage three separate complaints processes - Adult Social Care Statutory; Children's Social Care Statutory, and the Council's Corporate procedure. The stages each of these involve are as follows and on conclusion of the different stages the complainant is advised to contact the Ombudsman:

Adult Social Care Statutory

One informal stage (Stage 0), and one formal stage (Stage 1)

Children's Social Care Statutory

One informal stage (Stage 0), and three formal stages (Stage 1, Stage 2, and Stage 3)

Corporate

One informal stage (Stage 0), and two formal stages (Stage 1 and Stage 2)

Any social care complaints received which do not directly relate to the statutory services provided are investigated under the Council's Corporate procedures.

4.2 Complaints Received, by Directorate for 20/21

Directorate	Total Received	%
BfC	95	10.9%
DACHS	78	9.0%
DEGNS	605	69.5%
DoR	92	10.6%
Total	870	100%

4.3 Complaints Responded to, by Directorate for 20/21

Please note: The information in the following three tables relates to complaints which were sent out during the reporting period. The reason that these figures do not add up to the same total as for the 'Complaints Received', above, is that some complaints sent out in this period were

received at the end of the previous reporting period (e.g. February or March 2020) and were still on-going when the current period (01 April 2020 to 31 Mar 2021) commenced.

Directorate	Total Sent Out	%
BFFC	86	11.9%
DACHS	67	9.3%
DEGNS	470	65.1%
DoR	99	13.7%
Total	722	100%

4.4 Complaints Responded to, Over Timescale, by Directorate for 20/21

Each complaint process managed by the Customer Relations Team has a different timescale attached to it. The timescales for each process are as follows:

Adult Social Care Statutory

Stage 0 = 5 working days

Stage 1 = 15 working days

Children's Social Care

Stage 0 = 5 working days

Stage 1 = 10 working days (but can be extended to 20 working days if the complaint is complex or require investigation by more than one team).

Corporate

Stage 0 = 5 working days

Stage 1 = 20 working days

Directorate	Number Responded to Over Timescale	%
BFFC	55	19.0%
DACHS	27	9.3%
DEGNS	185	63.8%
DoR	23	7.9%
Total	290	100%

4.5 Outcomes from Complaints

This table shows the numbers of complaints which were investigated to an outcome. This means that they reached the end of the relevant complaints process and were not withdrawn by the customer part-way through the investigation.

Outcome	Total Number	%
Fully Upheld	323	44.7%
Partially Upheld	77	10.7%
Not Upheld	241	33.4%
No Finding	39	5.4%
Multiple Outcomes	42	5.8%
Total	722	100%

NOTE:

‘No Finding’ is recorded against a complaint where the matter is a case of two opinions, and neither can be substantiated as there are no independent witnesses or a recording of a telephone conversation for example.

‘Partially Upheld’ means that the investigation has found fault with the Council’s actions however there are mitigating factors or there is some element of fault on both sides.

‘Multiple Outcomes’ means that a complaint had more than one complaint point, and the outcomes of the different points were not all recorded as the same.

5. Compliments Received, by Directorate in 20/21

Directorate	Number Received	%
BFFC	68	42.0%
DACHS	29	17.9%
DEGNS	49	30.2%
DoR	16	9.9%
Total	162	100%

6. Freedom of Information (Fol) Requests, by Directorate in 20/21

6.1 The FOI Act 2000 states all responses must be sent out within 20 working days.

Directorate	Number Received	%	Number Sent Out in Timescale	%
BFFC	169	16.2%	108	63.9%
DACHS	94	9.0%	62	66.0%
DEGNS	450	43.1%	246	54.7%
DoR	303	29.1%	175	57.8%
Various	27	2.6%	12	44.4%
Total	1043	100%	603	57.8%

The number sent out in timescales is lower than we would like it to be as in Q1 of 20/21 a high percentage of FOI’s were responded to over timescales due to the service for responding being suspended, the Council did however accept FOI requests at the time and 142 requests were received in Q1. This created a backlog as a further 296 new requests were received in Q2 followed by 302 in Q3 and 272 in Q4. In Q3 however response times improved and 66.6% were responded to in timescales followed by 77.9% in Q4.

6.2 FOI Performance since 1st March 21 - 30 June 21 (New Firmstep system introduced)

6.3

The Council's management of FOI's were transferred to the Customer Relations Team in June 2020, to ensure a central team had oversight of all requests. Receipt of and responses to FOI's were moved away from emails to an online form via the Council's website on 1 March 2021. The system workflow now allows the Customer Relations Team to manage and have oversight of all requests from start to finish. The system generates reminders to Officers at regular intervals and allows the Customer Relations Team to publish all FOI responses on the disclosure log.

Number of FOI's received	No. Sent Out in Timescale	%	No. Sent Out outside Timescale	%
253	153	60.5%	100	39.5%

We recognise that response times need to improve, in the first two months of the FOI system going live some Officers did not have access to the system and were also getting used to the system and new ways of working. Despite extensive testing on test system, the live system highlighted a number of issues which had to be resolved with input from the system provider. We are confident that the system is now working better, and staff are more confident using it. On line training, a frequently asked questions page on the intranet and one to one support for Officers is available should they have concerns/training needs.

7 MP Enquiries

7.1 MP Enquiries have a timescale of 10 working days by which the Council has to respond.

Directorate	Number Received	%	Number Sent Out in Timescale	%
BfFC	23	5.2%	14	60.9%
DACHS	21	4.7%	14	66.7%
DEGNS	367	82.5%	220	59.9%
DoR	34	7.6%	24	70.6%
Total	445	100%	272	61.1%

8 Councillor Enquiries received and response times (2020-21)

8.1 Councillor Enquiries have a timescale of 10 working days by which the Officers have to respond.

Directorate	Count	% of Total	Answered in Time	Answered in Time (%)
BFFC	35	1.9	29	82.9
DACHS	44	2.3	36	81.8
DEGNS	1703	90.1	1459	85.7
DoR	109	5.8	92	84.4
Total:	1891	-	1616	85.5

Councillor Enquiry statistics for 2020-21 financial year - please note Cllr enquiries were not recorded during the first lockdown period (April-May 2020).

9 Subject Access Requests received 20/21

9.1 Responses are required to be completed with 30 calendar days

Directorate	Number Received	%
BFFC	54	63.6%
DACHS	16	18.8%
DEGNS	8	9.4%
DoR	7	8.2%
Total	85	100%

Of the 85 SAR's received in 20/21, 38 cases remain open and waiting to be processed.

This backlog is as a result of the complexities involved in processing SAR's, the lack of resource to meet these needs coupled with of the suspension of the service in Q1 and the rise in the number of cases received since lockdown. Like with FOI's the door was left open for customers to submit their request however the processing was suspended.

The process for handling SAR's is complex, time consuming and involves several teams. The Customer Relations Team redact the documents of third-party information but is reliant on the Service area, Records Management Unit (could not be accessed during lockdown periods) and Printroom (scanning and printing) to ensure completion.

Specialist software is used to redact the documents one page at a time, this is very resource intensive.

In order to clear the backlogs, we have increased the existing resource hours in the Customer Relations Team on a temporary basis and are in the process of recruiting two full time apprentices (one each for the Customer Relations Team and the Information Governance Team) to assist with printing and scanning and two casual members of staff to assist with the redaction work.

REPORT BY DIRECTOR OF FINANCE

TO: AUDIT & GOVERNANCE COMMITTEE

DATE: 19th JULY 2021

TITLE ANNUAL TREASURY MANAGEMENT REVIEW 2020/21

LEAD COUNCILLOR: COUNCILLOR MCEWAN

**PORTFOLIO: CORPORATE &
CONSUMER SERVICES**

SERVICE: FINANCIAL SERVICES

WARDS: BOROUGHWIDE

LEAD OFFICER: STUART DONNELLY

**JOB TITLE: FINANCIAL PLANNING &
STRATEGY MANAGER**

**E-MAIL:
stuart.donnelly@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 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 2020 to 31st March 2021.
- 1.3 The Council has continued to finance capital expenditure through maximising the use of capital receipts, capital grants and internal borrowing. During 2020/21 the Council took out a short-term loan of £10 million (from another Local Authority) for one month during May 2020 to assist in managing the short-term cashflow position at that point in time but no long-term loans (over one year in duration) were taken out during the year.
- 1.4 The Council did not experience any significant cashflow difficulties during the year due to the Covid-19 pandemic as although cash inflows were reduced as a result of income losses, particularly from chargeable services such as car parking and leisure, they were more than offset by the receipt of additional one-off grant funding from Central Government and a slow down in capital expenditure. The Council also deliberately kept prudent levels of surplus cash in short-term accessible investments to protect against any unforeseen cashflow issues.
- 1.5 Overall, the Council was under borrowed by £197.051 million as at 31st March 2021. As a consequence, the Council has effectively avoided the requirement to budget and incur external interest costs in the order of £6.522 million during 2020/21, based on the average rate for the existing debt portfolio of 3.31%.
- 1.6 Against the 2020/21 General Fund budget there was an overall net General Fund underspend of £0.028 million on the Capital Financing budget as reported in the 2020/21 Quarter 4 Performance report to Policy Committee on 12th July 2021. This budget includes interest payable, interest receivable and Minimum Revenue Provision (MRP).
- 1.7 The Council did not breach any of its treasury management performance indicators during 2020/2021.

1.8 Further detail supporting this report is included in the following appendices:

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

2. RECOMMENDED ACTION

That the Committee notes:

2.1 The Treasury Management Outturn Report for 2020/21.

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 2020/21 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 Public Works Loans Board (PWLB) or through internal borrowing from the Council's own cash resources.

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

Table 1. Capital Expenditure and Financing - General Fund

General Fund	2019/20 Actual (£m)	2020/21 Original Estimate (£m)	2020/21 Actual (£m)
Capital Expenditure	85.495	64.938	38.670
Financed by:			
Capital Receipts	(7.622)	(6.954)	(3.256)
Government Grants & Other Contributions	(23.927)	(47.103)	(31.111)
Direct Revenue Financing	(0.139)	0.000	(0.153)
Net Borrowing Requirement	53.807	10.881	4.150

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

HRA	2019/20 Actual (£m)	2020/21 Original Estimate (£m)	2020/21 Actual (£m)
Capital Expenditure	14.504	20.457	16.149
Financed by:			
Capital Receipts	(3.462)	(0.000)	(0.798)
Government Grants & Other Contributions	(0.014)	(2.000)	(1.793)
Direct Revenue Financing	(0.000)	(0.327)	(0.249)
Major Repairs Reserve	(10.041)	(8.064)	(10.799)
Net Borrowing Requirement	0.987	10.066	2.510

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 (2020/21) plus the estimate of any additional capital financing requirement for the current (2021/22) 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 for 2020/21. The Council has complied with this prudential indicator.

Table 3. Gross Borrowing and the CFR

	31 st March 2020 Actual (£m)	2020/21 Estimate (£m)	31 st March 2021 Actual (£m)
Gross Borrowing	406.981	417.928	394.441
PFI Liabilities	26.244	25.270	25.270
Total Gross Borrowing	433.225	443.198	419.711
CFR - General Fund	415.696	409.801	403.566
CFR - HRA	176.895	195.696	187.926
Total CFR	592.591	605.497	591.492
(Under)/Over Funding of CFR	(159.366)	(162.299)	(171.781)
(Under)/Over Borrowing (exc PFI)	(185.610)	(187.569)	(197.051)

- 5.3 The movement in gross borrowing in 2020/21 is explained in paragraphs 6.3-6.5.
- 5.4 The 2020/21 prudential indicators for gross borrowing were set as part of the Treasury Management Strategy report to Council on 25th February 2020 and revised as part of the Treasury Management Strategy report to Council on 23rd February 2021 to align to the revised Capital Programme approved as part of 2021/22 budget setting. The Council's performance against these indicators is set out below, neither the Authorised Limit or Operational Boundary were breached in 2020/21:

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)
665.497	625.497	406.981	397.672

- 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 2020/21 for the General Fund and the HRA was set at 10.90%. The actual performance against this indicator for 2020/21 was 10.82% 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 2020/21 the Council's treasury position (excluding borrowing by PFI and finance leases) was as follows:

Table 5. Treasury Position as at 31st March

General Fund & HRA	31 st March 2020			31 st March 2021		
	Principal (£m)	Average Rate %	Average Life Remaining Years	Principal (£m)	Average Rate %	Average Life Remaining Years
Fixed Rate Loans						
PWLB	362.160	3.26	31	359.620	3.26	30
Market	40.000	3.71	43	30.000	4.18	49
PWLB	4.821	0.48	2	4.821	0.00	1
Total Debt	406.981	3.27	32	394.441	3.31	32
Total Investments	75.536	3.42		103.299	3.19	
Net Debt	331.445			291.609		

Borrowing

- 6.3 During 2020/21 a short-term loan of £10.000 million was drawn down for a month during May 2020 to assist in managing the cashflow position but no long-term loans were taken out during the year. The borrowing portfolio is detailed in full at Appendix 1.

- 6.4 During 2020/21 principal repayments totalling £22.540 million were made, this includes principal repayments of £2.540 million on long-term loans and £20.000 million on two short term loans; one drawn down at the end of 2019/20 but repaid in April 2020 and the other short-term loan taken out during May 2020.
- 6.5 The net change in the gross borrowing position between 31st March 2020 and 31st March 2021 was therefore a decrease of £12.540 million.

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 2021 is set out in Tables 6 and 7 below. The limits are set to control the Council's exposure to refinancing risk.

Table 6. Maturity Structure of the Debt Portfolio (Fixed Interest rate debt)

General Fund	31 st March 2020 Actual (£m)	2020/21 Original Upper Limit (%)	2020/21 Original Lower Limit (%)	31 st March 2021 Actual (£m)	2020/21 Actual (%)
Under 12 months	12.540	10	0	2.440	1
12 months and within 2 years	2.440	20	0	2.340	1
2 years and within 5 years	6.680	20	0	6.340	2
5 years and within 10 years	20.000	30	0	19.500	5
10 years and within 20 years	27.500	40	0	42.000	11
20 years and within 30 years	78.000	50	0	74.000	19
30 years and within 40 years	130.000	60	0	133.000	34
Over 40 years	125.000	60	0	110.000	28
Total	402.160			389.620	

Table 7. Maturity Structure of the Debt Portfolio (Variable Interest rate debt)

General Fund	31 st March 2020 Actual (£m)	2020/21 Original Upper Limit (%)	2020/21 Original Lower Limit (%)	31 st March 2021 Actual (£m)	2020/21 Actual (%)
Under 12 months	0.000	100	0	4.821	100
12 months and within 2 years	4.821	100	0	0.000	0
2 years and within 5 years	0.000	100	0	0.000	0
5 years and within 10 years	0.000	100	0	0.000	0
10 years and within 20 years	0.000	100	0	0.000	0
20 years and within 30 years	0.000	100	0	0.000	0
30 years and within 40 years	0.000	100	0	0.000	0
Over 40 years	0.000	100	0	0.000	0
Total	4.821			4.821	

Investments

- 6.9 The Council's Investment Policy is informed by the Ministry of Housing, Communities and Local Government (MHCLG) investment guidance, which was incorporated into the Annual Investment Strategy approved by the Council on 25th February 2020. 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 0.80%. The comparable performance indicator is the average bank rate, which was 0.10 %.
- 6.12 The Council's budgeted General Fund investment return for 2020/21 was £1.069 million, actual General Fund interest received from investments in 2020/21 was £0.554 million, a £0.515 million under achievement 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 £7.527 million against a budget of £8.193 million; a £0.666 million positive variance against the General Fund budget. The net General Fund position on interest receivable/payable is therefore an underspend of £0.151 million. This has been accounted for in the overall revenue General Fund outturn position for 2020/21.
- 6.14 The Council's investment position as at 31 March 2021 is detailed at Appendix 2 and summarised as follows:

Table 8. Investment Portfolio

	31st March 2020 (£m)	31st March 2020 (%)	31st March 2021 (£m)	31st March 2021 (%)
Treasury Investments				
Banks	1.000	2%	20.467	31%
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)	23.915	60%	31.511	47%
Total Managed In-house	24.915	62%	51.511	78%
Total Managed Externally - Property Funds	15.000	38%	15.000	22%
Total Treasury Investments	39.915	100%	66.978	100%
Non-Treasury Investments				
Subsidiaries/Companies	35.621	100%	36.321	100%
Total Non-Treasury Investments	35.621	100%	36.321	100%
Total - All Investments	75.536	100%	103.299	100%

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

Table 9. Maturity Structure of the Investment Portfolio

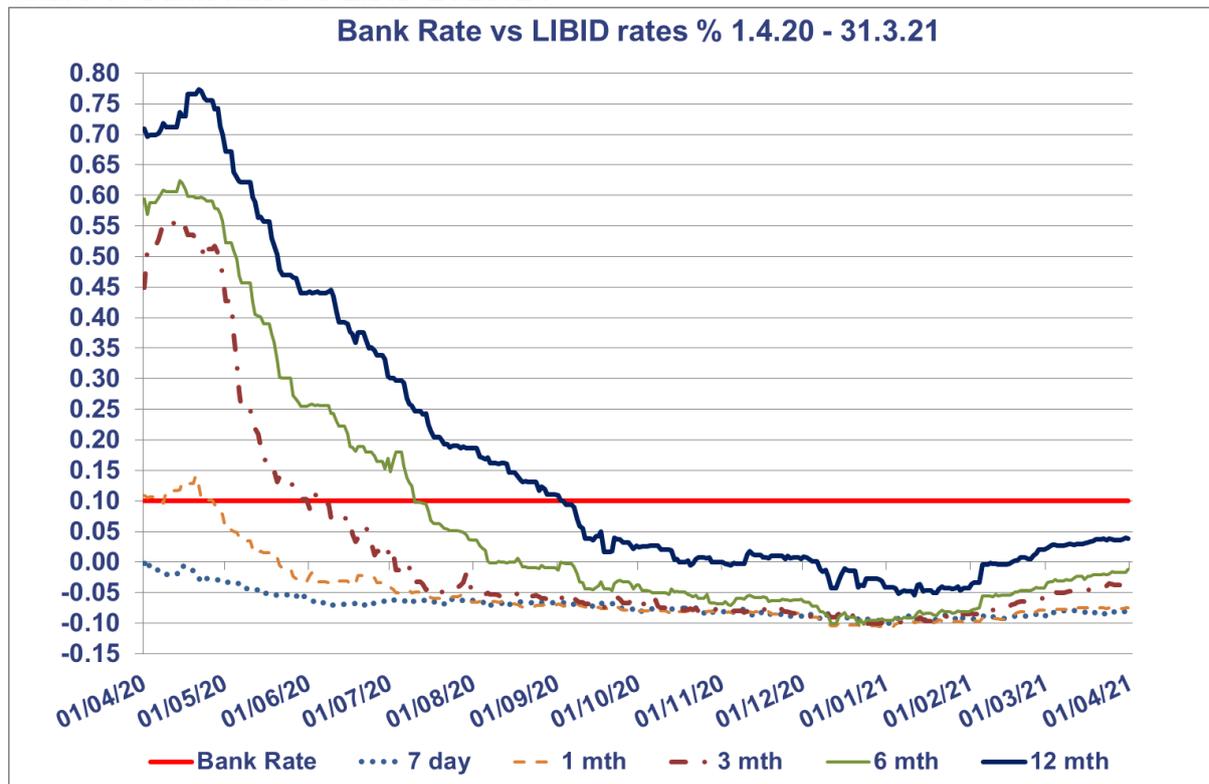
	31st March 2020 (£m)	31st March 2021 (£m)
Up to 1 year	24.915	52.578
Longer than 1 year	50.621	50.721
Total	75.536	103.299

7 TREASURY MANAGEMENT STRATEGY 2020/21

Investment Strategy and Control of Interest Rate Risk

- 7.1 Investment returns which had been low during 2019/20, reduced further during 2020/21 to near zero or even into negative territory. Nationally, most local authority lending managed to avoid negative rates and one feature of the year was the growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic arising in March 2020 which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on the economy.
- 7.2 The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment rates plummeted.
- 7.3 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 2020/21, 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. In addition, whilst fees and charges income has been impacted in 2020/21 by the Covid-19 pandemic this has been more than compensated for by additional grant funding. Given the uncertainty around the pandemic it was decided to invest any surplus cash on a short-term basis to ensure that it was accessible for in-year cash flow requirements.
- 7.4 Investment balances have been kept to a minimum in accordance with the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. As external borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below.
- 7.5 The following graph illustrates the interest rate trend throughout 2020/21:

Chart 1. Bank Rate vs LIBID 2020/21



Borrowing Strategy and Control of Interest Rate Risk

- 7.6 As set out above, during 2020/21 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 on an interim basis. As set out above, 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.
- 7.7 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 Council’s s151 Officer to ensure the Council’s financial position in overall terms was protected.
- 7.8 Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2020/21 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.
- 7.9 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. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have seen over the last two years, many bond yields up to 10 years in the Eurozone turn negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession.

- 7.10 Gilt yields fell sharply from the start of 2020 and then spiked up during a financial markets melt down in March caused by the pandemic hitting western countries; this was rapidly countered by central banks flooding the markets with liquidity. While US treasury yields do exert influence on UK gilt yields so that the two often move in tandem, they diverged during the first three quarters of 2020/21 but then converged in the final quarter. Expectations of economic recovery started earlier in the US than the UK but once the UK vaccination programme started making rapid progress in the new year of 2021, gilt yields and PWLB rates started rising sharply as confidence in economic recovery rebounded. Financial markets also expected Bank Rate to rise quicker than in the forecast table in this report.
- 7.11 At the close of the day on 31 March 2021, all gilt yields from 1 to 5 years were between 0.19 - 0.58% while the 10-year and 25-year yields were at 1.11% and 1.59%.
- 7.12 HM Treasury imposed two changes of margins over gilt yields for PWLB rates in 2019/20 without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then, at least partially, reversed for some forms of borrowing on 11th March 2020, but not for mainstream non-HRA capital schemes. A consultation was then held with local authorities and on 25th November 2020, the Chancellor announced the conclusion and standard and certainty margins were reduced by 1%, back to pre-October 2019 levels, but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme.
- 7.13 There is likely to be only a gentle rise in gilt yields and PWLB rates over the next three years as Bank Rate is not forecast to rise from 0.10% by March 2024 as the Bank of England has clearly stated that it will not raise rates until inflation is sustainably above its target of 2%; this sets a high bar for Bank Rate to start rising.

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 2020/21, the Council had a net unrealised loss of £0.104 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.

Purchase of Commercial Property

- 8.3 The “Purchase of Commercial Property” capital scheme was removed from the General Fund Capital Programme as part of the 2020/21 Quarter 2 Performance and Monitoring Report approved by Policy Committee at its meeting on 14th December 2020. This decision was made in light of the uncertainty in respect of property performance during the pandemic as well as the changes to the PWLB lending terms. The Council’s approach to capital investments is set out in the Capital Strategy 2021/22 approved by Full Council on 23rd February 2021.

9 CONTRIBUTION TO STRATEGIC AIMS

- 9.1 The Council’s Corporate Plan (2018-2021) priorities take account of our need to ensure that we are financially sustainable so that we can continue to shape and influence the future of Reading and play our part in protecting the most vulnerable and shaping the Town’s future by:
- Securing the economic success of Reading;
 - Improving access to decent housing to meet local needs;
 - Protecting and enhancing the lives of vulnerable adults and children;
 - Keeping Reading’s environment clean, green and safe;
 - Promoting great education, leisure and cultural opportunities for people in Reading; and
 - Ensuring the Council is fit for the future.
- 9.2 The Council’s new corporate plan ‘Investing in Reading’s Future: Reading Borough Council Corporate Plan 2021-22’ was approved by Council on 23rd March 2021.
- 9.3 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 The Council’s Treasury Management Strategy sets out that the Council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the Council’s Corporate Plan and values. This would include institutions with material links to:
- human rights abuse (e.g. child labour, political oppression)
 - environmentally harmful activities (e.g. pollution, destruction of habitat, fossil fuels)
 - socially harmful activities (e.g. tobacco, gambling)

11.2 The Council has provided loans totalling £1.7m to Reading Transport Limited to specifically fund improvements to their existing fleet of buses in respect of hybrid fuel conversions which produce lower emissions.

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 2020/21 to Council 25th February 2020
- Treasury Management Strategy 2020/21 to Council 23rd February 2021
- Quarter 4 Performance Report 2020/21 to Policy Committee 12th July 2021

Appendix 1 - Borrowing Portfolio as at 31st March 2021

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	1.64%	0.0820
PWLB	01/10/19	01/10/63	5.000	1.63%	0.0815
PWLB	07/10/19	07/10/66	5.000	1.63%	0.0815
PWLB	07/10/19	08/10/68	5.000	1.63%	0.0815
PWLB	11/03/20	25/09/69	15.000	2.07%	0.3105
PWLB	26/03/18	25/03/68	15.000	2.28%	0.3420
PWLB	01/04/19	01/04/64	10.000	2.20%	0.2200
PWLB	13/05/05	25/09/51	2.000	4.15%	0.0830
PWLB	11/01/06	25/09/55	5.000	3.90%	0.1950
PWLB	23/01/06	25/09/55	5.000	3.70%	0.1850
PWLB	23/05/06	25/09/47	2.000	4.20%	0.0840
PWLB	19/07/06	25/03/52	20.000	4.25%	0.8500
PWLB	20/09/06	25/09/51	5.000	4.20%	0.2100
PWLB	28/09/06	25/09/52	10.000	4.05%	0.4050
PWLB	08/03/07	25/03/53	10.000	4.25%	0.4250
PWLB	08/03/07	25/03/54	10.000	4.25%	0.4250
PWLB	05/08/08	25/03/58	2.000	4.48%	0.0896
PWLB	15/08/08	25/09/57	6.000	4.39%	0.2634
PWLB	02/12/08	25/09/58	10.000	4.12%	0.4120
PWLB	17/02/09	25/09/21	0.100	3.07%	0.0031
PWLB	20/08/09	25/03/59	5.000	4.20%	0.2100
PWLB	19/08/10	25/03/24	1.020	2.70%	0.0275
PWLB	31/08/10	25/03/60	10.000	3.92%	0.3920
PWLB	14/07/11	25/03/26	2.500	3.59%	0.0898
PWLB	15/09/11	25/03/31	5.000	3.35%	0.1675
PWLB	28/03/12	25/03/51	12.000	3.53%	0.4236
PWLB	28/03/12	25/09/26	12.000	2.97%	0.3564
PWLB	28/03/12	25/03/50	15.000	3.53%	0.5295
PWLB	28/03/12	25/03/41	15.000	3.49%	0.5235
PWLB	28/03/12	25/03/61	15.000	3.48%	0.5220
PWLB	27/09/18	25/09/43	15.000	2.82%	0.4230
PWLB	27/09/18	27/09/49	15.000	2.79%	0.4185
PWLB	11/03/19	11/03/66	15.000	2.38%	0.3570
PWLB	13/03/19	13/03/37	5.000	2.42%	0.1210
PWLB	13/03/19	13/03/57	5.000	2.42%	0.1210
PWLB	28/03/12	25/03/32	12.000	3.30%	0.3960
PWLB	28/03/12	25/09/41	15.000	3.49%	0.5235
PWLB	28/03/12	25/09/51	3.000	3.52%	0.1056
PWLB	28/03/12	25/03/62	15.000	3.48%	0.5220
PWLB	28/03/12	25/03/41	20.000	2.99%	0.5980
PWLB (Variable)	28/03/12	28/03/22	4.821	0.00%	0.0000
Total PWLB Loans			364.441		11.656

Lender	Start Date	Maturity Rate	Amount £m	Interest Rate	Annual Interest* £m
LOBO/Other Loans					
Eurohypo	19/05/05	19/11/54	5.000	4.32%	0.2160
Barclays Bank plc	06/12/05	06/12/55	5.000	3.99%	0.1995
Bayerische Landesbank	20/09/07	20/12/77	5.000	4.18%	0.2090
Bayerische Landesbank	20/09/07	20/12/77	5.000	4.18%	0.2090
Eurohypo	24/09/07	24/09/77	5.000	4.20%	0.2100
Dexia	30/01/08	31/01/78	5.000	4.19%	0.2095
Total LOBO/Other Loans			30.000		1.253
Total - All Loans					
			394.441		12.909

*Annual interest - Total amount of annual interest payable per loan outstanding as at 31 March 2021. This won't equal the amount of interest paid during 2020/21 - as the total loan portfolio has changed during the year.

Appendix 2 - Investment Portfolio as at 31st March 2021

Borrower	Amount £m	Interest rate	LAS Credit Rating
Treasury Investments			
Lloyds Bank Plc (RFB) - current a/c	0.467	0.00%	A+
Santander UK Plc	20.000	0.08%	A
SLI Sterling Liquidity/Cl 2	16.091	0.01%	AAA
CCLA The Public Sector Deposit Fund	5.000	0.04%	AAA
Federated Prime Rate Sterling Liquidity 4	10.420	0.01%	AAA
CCLA Local Authorities Property Fund	15.000	4.65%	N/A
Total Treasury Investments	66.978		
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
Reading Transport Ltd	0.700	5.00%	N/A
Total Non-Treasury Investments	36.321		
Total Investments*	103.299		

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

READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF FINANCE

TO: AUDIT & GOVERNANCE COMMITTEE

DATE: 19th JULY 2021

TITLE: FINANCIAL ACCOUNTS UPDATE

**LEAD
COUNCILLOR:**

**COUNCILLOR
McEWAN**

**PORTFOLIO: CORPORATE
& CONSUMER SERVICES**

SERVICE:

FINANCIAL SERVICES

WARDS: BOROUGHWIDE

LEAD OFFICER:

ANNETTE TRIGG

TEL:

JOB TITLE:

CHIEF ACCOUNTANT

E-MAIL: annette.trigg@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, 2019/20 and 2020/21.
- 1.2. The audit of the draft 2018/19 Statement of Accounts commenced in September 2020. The Statement was updated in November 2020 for the revised brought forward 2017/18 balances following completion of the 2017/18 audit. Officers have now completed all outstanding work in respect of the 2018/19 Accounts.
- 1.3. A revised Statement reflecting all amendments agreed as part of the audit was handed over to the Council's external auditors, Ernst & Young (EY) on 9 July 2021 ahead of EY's internal quality assurance panel meeting on the 14th July to review the audit.
- 1.4. Officers are on schedule to complete the updates required to the 2019/20 Statement of Accounts arising from the 2018/19 audit by the end of July 2021 to facilitate the audit commencing on the 2 August 2021. Preparation and completion of the 2020/21 Statement of Accounts is also underway.
- 1.5. The aim is to have both 2019/20 and 2020/21 Statement of Accounts signed off by 31 March 2022.

2. RECOMMENDED ACTION

That Audit & Governance Committee note:

- 2.1. The progress made in relation to the Audit of the 2018/19 Accounts.
- 2.2. The progress being made in closing the 2019/20 and 2020/21 Accounts.

3. BACKGROUND AND PROCESS

2018/19 Accounts

- 3.1. Officers have completed all outstanding work on the 2018/19 Statement of Accounts and an updated version of the Accounts was handed over to EY on 9 July 2021 in advance of the EY Partner Review meeting scheduled for 14 July 2021. A separate report from EY included elsewhere on the agenda will provide further progress updates.
- 3.2. As was reported to the Committee in April 2021, there will be a number of opening balance qualifications brought forward from 2017/18. However, EY have indicated that it is possible that some of the qualifications may be lifted on 2018/19 closing balances but this will be subject to review by their EY Partner Review Panel. The potential lifting of qualifications is in part possible due to additional sample testing that has been carried out in July. The separate report from EY will provide a further progress update.
- 3.3. EY will not be in a position to confirm the final outcome of the audit until all of their internal review processes have been completed up to partner level.

2019/20 Accounts

- 3.4. Work is underway to update the 2019/20 Statement of Accounts for the changes agreed as part of the 2018/19 audit we are on schedule to complete and handover to EY by the end of July 2021 to facilitate the audit commencing on 2 August 2021.
- 3.5. EY have also advised that they will look to cover aspects of the 2020/21 accounts alongside the audit of the 2019/20 accounts which will result in greater efficiency.

2020/21 Accounts

- 3.1. A timetable for preparation of the 2020/21 Accounts is in place and work is ongoing and being monitored in this regard.

4. THE ACCOUNTS AND AUDIT (AMENDMENTS) REGULATIONS 2021

- 4.1. The Accounts and Audit (amendment) Regulations 2021 came into force on 31 March 2021. The regulations amend the date for publication of the draft accounts from 1 June to the 1 August and the date for publication of the final accounts from the 31 July to 30 September for the next 2 accounting years, 2020/21 and 2021/22.
- 4.2. The regulations also include a new requirement for all local authorities to post a notice if they fail to publish their draft accounts by the deadline. The notice must state the reasons why it has not been possible to commence the period for the exercise of public rights. The draft accounts must be published as soon as reasonably practicable thereafter.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1. 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.

6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

6.1. None arising from this report.

7. COMMUNITY ENGAGEMENT AND INFORMATION

7.1. The 2018/19 Accounts have been made available for public inspection as required under Part Five of the Accounts and Audit Regulations 2015.

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

8. EQUALITY IMPACT ASSESSMENT

8.1. Not applicable

9. LEGAL IMPLICATIONS

9.1. 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.

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

10. FINANCIAL IMPLICATIONS

10.1. The audit fees for 2018/19 will be above the scale fee but EY have not provided an estimate at this stage.

11. BACKGROUND PAPERS

11.1. None

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READING BOROUGH COUNCIL REPORT

BY DEPUTY CHIEF EXECUTIVE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	19th JULY 2021		
TITLE:	IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER		
LEAD COUNCILLOR:	COUNCILLOR MCEWAN	PORTFOLIO:	CORPORATE & CONSUMER SERVICES
SERVICE:	AUDIT	WARDS:	BOROUGHWIDE
LEAD OFFICER:	JACQUELINE YATES	TEL:	x74710
JOB TITLE:	DEPUTY CHIEF EXECUTIVE	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 - July 2021.

3. POLICY CONTEXT

- 3.1 This report supports the 'our foundations' theme of the Council's Corporate Plan 2021/22.

4. THE PROPOSAL

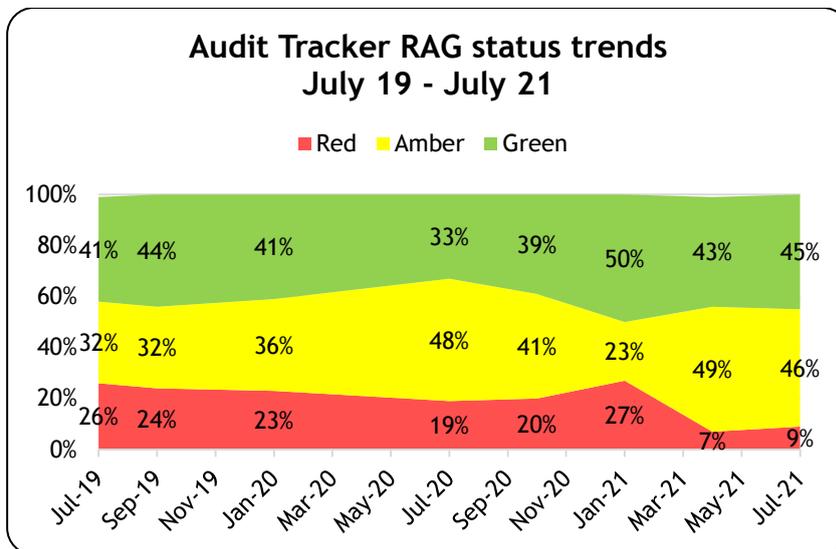
- 4.1 A summary of Internal Audit recommendations and updated management responses since the last Committee are provided in Appendix 1 attached. For continuity, and ease of monitoring, a column has been added for a unique tracker recommendation number.

- 4.2 15 new recommendations have been added to the report since the last meeting in October. 20 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 Director/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 117 Internal Audit recommendations on the tracker attached at Appendix 1.
- 4.6 Of those rated red, 4 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	16.2%	19
Green	29.1%	34
Amber	46.2%	54
Red	8.5%	10

RAG Status	Audit & Governance Meetings				Trend since previous quarter
	Oct 20	Jan 21	April 21	July 21	
Green	39%	50%	43%	45%	Increase
Amber	41%	23%	49%	46%	Decrease
Red	20%	27%	7%	9%	Increase

- 4.8 There has been a 2% increase in those rated green, a 3% decrease in those which are amber, and 2% increase in the proportion rated red.
- 4.9 The graph overleaf shows trends in status for recommendations presented to Audit & Governance meetings over the period from July 19 - July 21.



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 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 and the number of red recommendations has reduced year on year

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	Improvement Programme Workstream
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	Bank reconciliations are now up to date, and are completed, reviewed and authorised by the 21st of each month. Emphasis has been placed on ensuring that the timeliness of monthly bank recs does not slip and on refining / improving the reconciliation process. A list of all reconciliations has been put together and a framework for the monitoring of reconciliations has been put together. We have recently appointed a Reconciliations Officer who will be supporting the implementation the reconciliations monitoring which we aim to have in place by September 2021.	06 July 2021	76 or more	Green	Rec
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. A review of all Control, Holding and Suspense has been completed and a number of holding codes are in the process of being closed to facilitate efficient and effective working practice and a scheduled review process for the remaining control and suspense accounts will be implemented to ensure that they are reconciled at appropriate intervals.</p>	06 July 2021	76 or more	Green	Rec
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 have been incorporated into the documents.	06 July 2021	Complete	Green	AP
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.	06 July 2021	Complete	Green	AP
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. We encouraging suppliers to send invoices straight to the Fusion Webcenter, as part this we have setup a new enquiries only e-mail box advising suppliers that all invoices should be directed to the Fusion Webcenter. Work within the AP section has been reallocated in order to stop any single points of failure and improve the knowledge within the section. 24 Process guides have been completed.	06 July 2021	Complete	Green	AP
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. It was hoped that this would have been completed inline with the move of AR to Fusion. However, due to the issues caused by the system migration this has been delayed.	06 July 2021	51 to 75	Amber	AR
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	Daily reports produced and sent to owners of feeder systems for checking that totals loaded correctly. Subjective and objective codes and structures have been reviewed 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%. Approximately 180 subjective codes have been closed. A new process for requesting new codes, requiring appropriate approval has been implemented.	06 July 2021	76 or more	Green	CoA

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		Annette Trigg - Chief Accountant / Stuart Donnelly - Financial Planning & Strategy manager	Subjective and objective codes and structures have been reviewed 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%. Approximately 180 subjective codes have been closed. Grant holding codes have been identified for closure with grants to be coded directly going forwards. Non grant related holding codes are currently being reviewed. A new process for requesting new codes, requiring appropriate approval has been implemented.	06 July 2021	76 or more	Green	CoA		
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.	02 July 2021	25 or less	Red			
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. This work is proceeding well as part and linking with the Smarter Working project. PID approved for Information Governance project at the Information Governance Board which will result in greater ownership of information assets.	02 July 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 documentation work has been delayed. No Change from 29/03/21 due to capacity pressure of closure work for prior years. Aiming to complete by 30/09/2021.	06 July 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 recharge model for 20/21 is currently being finalised within Finance.	6th July 2021	76 or more	Green			
22 16/17	DOR	Use of Cash Vouchers & Cash Accounts	Documented procedures should be produced to:- 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.	06 July 2021	76 or more	Green	AP		
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	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.	06 July 2021	76 or more	Green	AP		
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 individual trade waste contracts itemise the bin type/cost per bin per collection/quantity to be included in the service, and this has to be signed by the customer to activate the agreement. All enquiries are saved on the Flare system. The pricing of individual bin types is controlled by the trade waste cost and pricing model which breaks down all costs per bin type and sets the minimum cost which must be recovered to cover costs and make a margin.	24 June 2021	76 or more	Green			
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. This review will be linked with a wider review of terms and conditions so it is likely to be autumn 2021 when all policies covering and allowances are reviewed and agreed.	30 June 2021	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 and green status. We decided to keep this action open until we have confirmed how Transport ICT will link in with the ICT Future Operating Model. The intent, as reported previously, is to examine this once transition to the new network management model is complete. While the switchover to the model happened in April 2021, the new model is still bedding down and it has not been feasible to allocate resource to looking at the issue. We are therefore targetting end Q2 for completion.	23 June 2021	76 or more	Green	Digital Futures		
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		Stuart Donnelly, Financial Planning and Strategy Manager	The Finance team 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 were signed off.	06 July 2021	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, AD 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 was sent to SLG on 30 June asking them to ensure that gifts and hospitality offers and declarations of interest are properly recorded within directorate registers.	30 June 2021	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. A reminder was sent to SLG on 30 June about the need to ensure staff declare gifts/hospitality/personal interests to them.	30 June 2021	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. A reminder was sent to SLG on 30 June about the need to ensure staff declare gifts/hospitality/personal interests to them.	30 June 2021	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 'the Workforce Review' which will aim to implement an Assets & Property structure that is fit for future purpose.	02 July 2021	26 to 50	Amber			
38 18/19	DEGNS	Commercial leases	There is a need for a corporate integrated property asset system that is fully compliant with accounting requirements. This is something we would encourage, in order to reduce staff time spent managing the spreadsheet and ensure greater accuracy in (financial) reporting.	18/19	05/12/2018		Charan Dhillon Assistant Director, Property & Asset Management Assistant Director of Finance	As part of the service review, the AD is looking at requirements across the service and is recommending this project following longterm sick. Discussions are taking place with CIPFA and providers of the existing Property/FM software to assess capabilities and IT in relation to forming this as part of the digital priority projects. At present we are gathering data to establish where different data sit and updates required.	02 July 2021	51 to 75	Amber			
39 18/19	DoR	Debtors - follow up review	New recommendation The procedures and processes for managing and monitoring sundry debt need to be strengthened to actively reduce and prevent the current level of debt. The following areas should be considered:- * distribution of aged debtors report should be specific to the service. * all services should promote payment at the point of supply of service etc. * arrears should be analysed to identify services and reasons for arrears so that a targeted approach can be instigated. * services should be required to provide an account of the reasons for their arrears alongside the reasons for their budget variance status as part of the regular budget monitoring process/es.	18/19	29/01/2019		Annette Trigg - Chief Accountant / Andrew Jehan - Exchequer 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. The system reporting is currently being worked on by Oracle Fusion Support.	06 July 2021	51 to 75	Amber	AR		
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 shortly now that Covid Grant work is reducing. We do however on a weekly basis reconcile the VOA changes and overall totals to the Academy System. To date we have obtained the data required from the VOA and are now reviewing the manuals to undertake the exercise.	01-Jul-21	26 to 50	Amber			

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 was scheduled for completion by May 2021. We were unable to achieve this deadline due to ongoing Covid Grant pressures, however anticipate commencing soon as the grant burden reduces. We do however on a weekly basis reconcile the VOA changes and overall totals to the Academy System. We have contacted the VOA to determine if a full listing can be supplied, they have confirmed it can be available upon request, we will then look to write a bespoke report to cross reference against the system as this is not a standard action.	01-Jul-21	26 to 50	Amber		
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, this should now be resolved following resolution of the issue in March 2021. The systems control team manager meets with individual officers on the 2nd week of each month to sign off the reconciliations. The team 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 been able to resolve by the deadline submission to finance but these should be far fewer now that Civica issues resolved. Processes have been implemented from April 21 for the systems control manager to review progress of the reconciliations with each member of staff ahead of submission to finance, with a view to ensuring we achieve the target and are able to complete this recommendation.	01-Jul-21	76 or more	Green		
46 18/19	DoR	AP Creditors	Issues around the supplier portal need to be resolved and the audit trail to supporting documentation reinstated .	18/19	05/04/2019		Annette Trigg - Chief Accountant / Andrew Jehan - Exchequer Manager / Kate Graefe - AD Procurement	The use of supplier portal falls under the AP Transformation project. The supplier cleanse and supplier categorisation for suppliers we have contracts with (370) has been completed. The use of the supplier portal is being reviewed by the Procurement team.	06 July 2021	51 to 75	Amber	AP	
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. Both projects are working on records of processing activities (ROPA) which document the governance issues referred to. Good progress is being made. It is hoped to finish this work by the summer.	02 July 2021	51 to 75	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.	02 July 2021	51 to 75	Amber		
50 18/19	DoR	Data Storage	Existing data that is being stored needs review with an ambition of deleting all non essential data before transitioning to Office 365 and cloud based operation.	18/19	05/04/2019		Michael Graham, SIRO Assistant Director for Legal & Democratic Services Martin Chalmers Chief Digital & Information Officer	See above. Action is ongoing.	02 July 2021	51 to 75	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.	01 April 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 2020/21. Performance statistics for the team have been developed and are recorded weekly. 69 cases are up to date (increase from 58 in Jan'21), 44 cases are less than 3 months overdue (decrease from 60 in Jan'21) and 251 cases are more than 3 months overdue (increase from 232 in Jan'21). Progress has been made though with the very longest overdue cases, with overdue cases from 2019 reducing from 126 in April 2020 to 52 in March 2021. The number of people receiving their Direct Payment through a pre-paid card or managed bank account has increased to 92% (increase from 90% in Jan'21).	31 March 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		Annette Trigg, Chief Accountant	Monthly reconciliations between payroll and GL have been produced and agreed. Guidance notes are in progress and updated reconciliation templates will be included as part of the improvement programme.	06 July 2021	76 or more	Green	REC		
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. Training was delivered for the new case management module in March 2021. Ongoing refresher training will be implemented through the IGB.	02 July 2021	76 or more	Green			
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.	02 July 2021	51 to 75	Amber			
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 • Timelessness of issuing a substantive response • The rates of disclosure of requested information • The numbers of exemptions applied when withholding information • The outcome of internal reviews and external appeals.	19/20	22/08/2019		Michael Graham, AD Legal & Democratic Services	A feature of the Firmstep FOI module will allow to produce such reports. At the current time all requests and internal reviews are logged and recorded if responded to on time. Quarterly report data to be wrapped into Annual summary. The Firmstep solution will also be configured to link in with InPhase., work on this is on-going.	02 July 2021	76 or more	Green			
68 19/20	DoR	Freedom of Information	The Council's Monitoring Officer (or nominated officer) should monitor the progress of all requests to verify that they are processed in accordance with specified timescales (performance indicators).	19/20	22/08/2019		Michael Graham, AD Legal & Democratic Services	A report on outstanding FOI's is produced to ED's and CMT on a weekly basis. InPhase will give live view of outstanding FOIs once the link to Firmstep and InPhase has been tested.	02 July 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.	02 July 2021	51 to 75	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	A review of policies is underway and being collated. Recent work has focussed on policies relating to faith burials in the new area of the cemetery. A full review took place and focused on 4 main areas - updated Cemetery & Crematorium Rules & Regulations, Policy on Grave types, Opening Hours & Resources and Accessibility. Report was submitted to the Policy Committee on 14th June and is currently the subject of a full public consultation. The results of the consultation will be submitted to the Policy Committee in September. Changes will be implemented subject to approval.	1st July 2021	76 or more	Green			

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	The Parks and Open Spaces and Streetcare FSR has included a review of the grave digging function and a detailed costing exercise will be carried out in Summer 2021 to establish the costs involved in bringing the service in-house before a decision is made whether to tender the works. As the revised proposals issued to the Policy Committee on 14th June include the proposal to introduce a new grave type to satisfy the needs of the Muslim community, and this forms part of the ongoing public consultation, the issuing of a revised agreement is on hold until after the September Policy Committee meeting.	1st July 2021	26 to 50	Amber		
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. A full review of the service has taken place and is currently subject to a public consultation. Once the results have been presented to the Policy Committee in September, subject to the outcome, all procedures will be reviewed and documented as changes are implemented.	1st July 2021	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	The process is now embedded in practice and supported through Mosaic. The PBST are not permitted to arrange any packages that have not been approved through ERRG with the exception of Conversation 2 emergency packages of care which are permitted to remove immediate risk.	23 March 2021	76 or more	Green		
76	19/20	Cross cutting	Secure Communication	There are reporting solutions available from Third Parties that will check and report correct compliance with the standard against listed domain names. Some authorities are using this approach to trigger further email processes or "force domain TLS" between correctly configured organisations for additional security. Until the Standard has been universally correctly implemented across the Public Sector, this further intervention is all that will ensure email is protected appropriately. This will need further work and investigation by the Council's ICT Partner Northgate Public Services limited, and should be understood this is to overcome the problems created by other Public Sector bodies adopting the standard incorrectly.	19/20	01.04.20		Martin Chalmers - Chief Digital & Information Officer	NPS has been making checks 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 has not been 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. The future approach to this issue will be reviewed as part of an overall review of our security plans. This was planned for completion in Q1 21-22 but resourcing constraints have forced us to slip this to Q2.	23 June 2021	26 to 50	Amber		
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		
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: - •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		Annette Trigg, Chief Accountant	The Accounts Receivable System has now migrated to Fusion from the Academy System. Systems reports support the monitoring of debt are in the process of being completed and process notes are being completed. KPIs have also been set up to monitor performance going forward although these have been delayed until the new system reports have been completed.	06 July 2021	51 to 75	Amber	AR	
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: - •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		Annette Trigg, Chief Accountant	A debt board has been set up, to ensure robust governance. The Corporate debt policy has been updated and approved. A review and update of the reporting and the recovery process and procedures are in progress.	06 July 2021	76 or more	Green	AR	
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		Annette Trigg, Chief Accountant	The business processes have been documented for Accounts Payable and the staffing position has been reviewed and work allocated accordingly. The supplier portal is not currently being used and the use of the supplier portal is being considered by the Procurement Team who now manage the input of supplier details.	06 July 2021	Complete	Green	AP	
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		Kate Graefe (AD of Procurement & Contracts)	The responsibility for supplier set up has now transferred to the Procurement Team who will review the use of the portal. It has been agreed that there is no merit in implementing supplier portal for Oracle Fusion given the impending move away from the system. Supplier portal implementation will be reviewed as part of the new Finance system implementation.	24 June 2021	51 to 75	Amber	AP	

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	Annette Trigg (Chief Accountant) Andrew Jehan (Exchequer Manager)	This is being Addressed as a part of the Finance Improvement Programme, which is reviewing end-to-end processes. Fusion invoices are now sent straight to the Oracle Fusion webcenter to speed up invoice processing and eliminate AP need to forward invoices. An additional resource is in the process of being recruited to manage the Adult Social Care issues with invoice processing. KPIs are currently under development to improve reporting and highlight problem areas.	06 July 2021	51 to 75	Amber	AP
89 19/20	DoR	Accounts payable	Action need to be taken to identify purchase orders where invoices are outstanding in Mosaic that cut across the period between the formation of BFFC.	19/20	03/04/2020	Annette Trigg (Chief Accountant) Andrew Jehan (Exchequer Manager)	This is being Addressed as a part of the Finance Improvement Programme, which is reviewing end-to-end processes. KPIs are in the process of being produced to improve management information and highlight areas of concern.	06 July 2021	51 to 75	Amber	AP
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	Annette Trigg (Chief Accountant) Andrew Jehan (Exchequer Manager)	This is being Addressed as a part of the Finance Improvement Programme, which is reviewing end-to-end processes. KPIs are in the process of being produced to improve management information and highlight areas of concern.	06 July 2021	51 to 75	Amber	AP
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	Annette Trigg (Chief Accountant) Andrew Jehan (Exchequer Manager)	A new e-mail box has been set up for enquiries only and the current AP inbox which was still receiving invoices will be closed. Suppliers have been advised to send all invoices direct to the Fusion Webcenter.	06 July 2021	76 or more	Green	AP
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	Annette Trigg (Chief Accountant) Andrew Jehan (Exchequer Manager)	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. In the 21/22 the way Purchase Orders are raised will be investigated to establish if this causes issues. It is intended to eliminate the use of the Accounts Payable inbox as a post office and this should see more original documents being received by the webcenter improving the failure rate.	06 July 2021	76 or more	Green	AP
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	Annette Trigg (Chief Accountant) Andrew Jehan (Exchequer Manager)	KPIs 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 KPIs are in the process of being updated and expanded and these will be reported to Senior Management and payment performance will be published alongside the Transparency report.	06 July 2021	51 to 75	Amber	AP
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	06 July 2021	Complete	Green	REC
100 19/20	DoR	Bank & Cash reconciliations	Reconciliation templates should be completed fully to record: a)The printed name of the officer that has prepared the reconciliation b)The signature of the officer that has prepared the reconciliation c)The date on which the reconciliation has been prepared d)The printed name of the officer that has check the reconciliation, if different to the approver e)The signature of the officer that has prepared the reconciliation, if different to the approver f)The date on which the reconciliation has been checked g)The printed name of the officer that has approved the reconciliation h)The signature of the officer that has approved the reconciliation i)The date on which the reconciliation has been approved	19/20	16/06/2020	Annette Trigg, Chief Accountant	These are prepared and being used.	06 July 2021	Complete	Green	REC
101 19/20	DoR	Bank & Cash reconciliations	•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. 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	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. A list of all reconciliations has been put together and a framework for the monitoring of reconciliations has been put together. We have recently appointed a Reconciliations Officer who will be supporting the implementation the reconciliations monitoring which we aim to have in place by September 2021.	06 July 2021	76 or more	Green	REC
105 20/21	DEGNS	Rent Guarantee Scheme	It is recommended that all housing related systems establish consistent naming conventions that will allow for easy data verification across systems, followed by a data cleansing operation to update current records to the new standard.	20/21	11/08/20	Housing system project team - Project manager Johnnie Stanley	OHMs migration project started, the project is addressing how to align the naming convention to GIS/Gazeteer. This will be achieved using the "address matching" module in NPS Housing. Person(s) data is also being standardised where possible	24 June 2021	25 or less	Red	

107 20/21	DEGNS	Rent Guarantee Scheme	A review of the Council's duties and legal responsibilities for housing needs and homelessness should be considered to see if / how these impact / contradict the tenancy agreement and regulations of the RGS scheme. It is also recommended the service should establish if a different debt treatment regime is applicable and legal for properties on this scheme, and if so, then implement this.	20/21	11/08/20		Emma Tytel, DGS Team Leader	We are 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.	02 July 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	15/07/20		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. Starting in July 2021 intercompany transfers will be completed by the Senior Accounts Payable Assistant and Authorised by the Exchequer Manager/AP Senior	06 July 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	15/07/20		Kate Graefe (AD Procurement & Contracts) & Finance	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. KG to confirm with finance percentage complete prior to closure.	24 June 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	15/07/20		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. Starting in July 2021 intercompany transfers will be completed by the Senior Accounts Payable Assistant and Authorised by the Exchequer Manager/AP Senior	06 July 2021	76 or more	Green			
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	15/07/20		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. The procedures for making and retaining the approvals for intercompany transfers have been reviewed and the authorisations are now attached to all payments.	06 July 2021	Complete	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	15/07/20		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 fixed element of the contract is processed and paid on a regular monthly schedule via an inter company transfer. The preventative use of CHAPS / Swiftpay is already in place. Further work to document the process in relation to variable aspects is currently underway.	06 July 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	03/08/20		Mike Carpenter, Housing Projects Team Manager	This is now just awaiting printing and will be available shortly. This will then be scanned	09 April 2021	76 or more	Green			
116 20/21	DEGNS	Stores Contract	For reconciliation purposes, although Travis Perkins provides Housing with a listing of all invoicing data and credit notes to support the consolidated invoice, we recommend TP is approached to request that it provides a detailed report of all stores issue and return transactions from the 'point of sale' onwards. Confirmation of the return policy specification within the contract and definition of faulty goods also needs to be clarified and confirmed.	20/21	03/08/20		Mike Carpenter, Housing Projects Team Manager	This is a known weakness, and we are working with Travis to resolve it, with a view to tracking materials electronically. Ultimately the cost of providing a solution to the problem may not be economically viable to track the small number of returns. A returns form is now available for staff to complete when they return a product and returns will be tracked from this. The returns policy specification will be identified and clarified as part of the contract review process. 01/07/21 - This will now be picked up and included in the retender exercise.	01 July 2021	76 or more	Green			

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	03/08/20	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. 31/03/21 - Due to other pressures (COVID and Client/Contractor split) it is not possible to produce the report for April now. This has been revised to the end of May 2021 and will contain recommendations for the way forward with this contract. 01/07/21 - Although the benchmarking report was fairly positive about the value it provided, there continues to be unresolved service delivery issues with the 'inbranch' solution provided. A decision has been made by Officers to retender this contract to try and obtain a merchant solution that better suits the needs of the DSO and Commercial Services as a whole.	01 July 2021	76 or more	Green		
124 20/21	Cross direct orate	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: • 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	01/10/20	Michael Graham, Assistant Director of Legal and Democratic Services	Actions to address this have been agreed at Information Governance Board. The is in progress, information owners have been identified except for the Housing Asset Owners.	02 July 2021	51 to 75	Amber		
125 20/21	Cross direct orate	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	01/10/20	Michael Graham, Assistant Director of Legal and Democratic Services	Actions to address this have been agreed at Information Governance Board. Actions from the Audit Report are being followed up. Information owners for all the requirements under Code have been identified apart from the Housing Asset Data. A Transparency Code page for the Website is being drafted and we hope to publish this as soon as possible stating the Housing Asset Data will follow. A process document will also be drafted, identifying the information owners and will include guidance to follow for keeping the information updated as required by the Code	02 July 2021	51 to 75	Amber		
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	02/12/20	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. We are still reviewing our conditions in respect of all areas of taxi / private hire and private hire (school transport) licencing and are still looking to complete by the end of July 2021 Due to covid there has been a delay in reviewing the conditions. Officers have now revised conditions and are finalising sign off. Aim for end of July.	24/06/2021 8/07/21	51 to 75	Amber		1
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	02/12/20	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. A self assessment inspection form has been drafted and sent to a sample of the licensed premises within the borough as a trial 15/03/2021 Feedback from the self assessment form has been received and amendments made to the form. A further trial group will be sent the form before the form is actively used for all licensed premises. 8/07/21.	8/07/21	51 to 75	Amber		1
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	07/12/20	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. A revised protocol for allocation of CIL funds was agreed at Policy Committee in February 2021, which particularly sets out procedures for consulting on and allocating 15% local CIL funds. This involves consulting on local priorities every 3-4 years, and the first such consultation took place between 19th February and 16th April. Results were reported to Policy Committee in May 2021.	8th July 2021	51 to 75	Amber		1

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: • 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. 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. 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.	20/21	07/12/20		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.	8th July 2021	25 or less	Red			1
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	07/12/20		Andrew Edwards, Assistant Director of Environmental & Commercial Services / James Crosbie Assistant Director of Planning, Transport & Regulatory Services	Terms of reference for the CIL Officer 15% group completed and include composition of members, purpose of group and frequency of meetings. Group meeting regularly.	8th July 2021	76 or more	Green			1
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	07/12/20		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 is part of the new process to be agreed at Policy Committee in February. A Document will be prepared in Summer 2021.	8th July 2021	25 or less	Red			1
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	07/12/20		Andrew Edwards, Assistant Director of Environmental & Commercial Services	A series of meetings has been held between Capital Finance colleagues, Infrastructure Monitoring officer and AD E&CS to provide regular financial reporting for CIL 15% projects and also to allow the Infrastructure Monitoring Officer greater access to the information needed.	8th July 2021	51 to 75	Amber			1
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	07/12/20		Mark Worringham, 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.	8th July 2021	25 or less	Red			1
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	09/12/20		Andrew Jehan (Exchequer Manager) / Annette Trigg (Chief Accountant)	A review of all current card holders and the associated agreements has been carried out.	06 July 2021	Complete	Green	VPC		
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	09/12/20		Andrew Jehan (Exchequer Manager) / Annette Trigg (Chief Accountant)	A list of officers has been created for approval of business case and authorisation of transaction log. The firmstep form for confirmation statement for completeness has been added for cardholder and budget holder agreements.	06 July 2021	Complete	Green	VPC		
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	09/12/20		Andrew Jehan (Exchequer Manager) / Annette Trigg (Chief Accountant)/ Department Budget Managers	A list of officers has been created for approval of business case and authorisation of transaction log. The firmstep form for confirmation statement for completeness has been added for cardholder and budget holder agreements.	06 July 2021	Complete	Amber	VPC		
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	09/12/20		Andrew Jehan (Exchequer Manager)	Spend limits & categories logged against each card holder.	06 July 2021	Complete	Green	VPC		
150	20/21	DoR	Purchasing cards	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.	20/21	09/12/20		Andrew Jehan (Exchequer Manager)	A six monthly review will take place in September and March to review card usage.	06 July 2021	51 to 75	Amber	VPC		1

151 20/21	DoR	Purchasing cards	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: - <ul style="list-style-type: none"> Claims which have not been authorised at all or in appropriately. 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.	20/21	09/12/20		Andrew Jehan (Exchequer Manager / Annette Trigg (Chief Accountant)	New processes and procedures introduced and Card Holders and Budget Holders will be advised of transgressions. RBC will adopt a three strikes and you are out policy with cards being withdrawn.	06 July 2021	76 or more	Green	VPC		1
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	09/12/20		Annette Trigg (Chief Accountant)	The Technical Accountant to make arrangements with the Accounts Payable team and ensure the reconciliation is carried out monthly. The claim totals are reconciled to Lloyds bank totals on a monthly basis and journals to process the transactions on Fusion are also completed monthly. The reconciliation sign off will be added to the process for July 2021.	06 July 2021	51 to 75	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 circumnavigate the local purchase order policy and procedures. Areas of concern should be raised with the card holder and budget holder.	20/21	09/12/20		Andrew Jehan (Exchequer Manager)	All purchases will be retrospectively reviewed by an Accounts Payable Processing Assistant at the time of submission to ensure that they are applicable for Visa Purchasing Cards use. VPC payments over £500 will be subject to a further check by the AP Senior or Exchequer Manager and areas of concern will be raised with the card holders and budget holders and cards may be withdrawn if being used to circumnavigate the purchase order policy.	06 July 2021	76 or more	Amber	VPC		1
154 20/21	DoR	Purchasing cards	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 ascertain if there would be a benefit to developing a contract. 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.	20/21	09/12/20		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. Separately, a corporate Amazon Business Account has been set up, allowing Procurement & Contracts and Finance to track expenditure via PCards with the organisation. This is now regularised under a YPO framework, providing assurance of compliance with procurement legislation	24 June 2021	26 to 50	Amber			1
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	09/12/20		Andrew Jehan (Exchequer Manager) / Annette Trigg (Chief Accountant)	Currently all the receipts are checked for VAT and when not received, they are requested	06 July 2021	Complete	Green	VPC		
156 20/21	DoR	Purchasing cards	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.	20/21	09/12/20		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	06 July 2021	Complete	Green	VPC		
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	09/12/20		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.	06 July 2021	25 or less	Red			1
158 20/21	Cross direct orate	Records Management & Document Retention	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. 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. The policy also needs to be fully supported by senior management, with regular updates on progress against the policy provided to them. Where responsibility is delegated to teams and services, there needs to be appropriate local policies/guidelines in place.	21/22	15/01/21		Michael Graham, Assistant Director of Legal and Democratic Services	Actions have been identified and are in hand.	02 July 2021	26 to 50	Amber			

159 20/21	Cross direct orate	Records Management & Document Retention	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. 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).	21/22	15/01/21		Michael Graham, Assistant Director of Legal and Democratic Services	Actions have been identified and are in hand.	02 July 2021	26 to 50	Amber		
160 20/21	Cross direct orate	Records Management & Document Retention	There should be a centralised register, detailing records held across the Council, their format, location and responsible officer. Consideration also needs to be given to clearly documenting and addressing risks associated to records. 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). Risks relating to records remaining useable need to be identified and appropriate controls put in place.	21/22	15/01/21		Michael Graham, Assistant Director of Legal and Democratic Services	Actions have been identified and are in hand.	02 July 2021	26 to 50	Amber		
161 20/21	Cross direct orate	Records Management & Document Retention	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. 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.	21/22	15/01/21		Nayana George, Customer Relations & Information Governance Manager	Actions have been identified and are in hand.	02 July 2021	26 to 50	Amber		
162 20/21	Cross direct orate	Records Management & Document Retention	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.	21/22	15/01/21		Nayana George, Customer Relations & Information Governance Manager	Actions have been identified and are in hand.	02 July 2021	26 to 50	Amber		
164 20/21	DEGNS	Car Parks (off street)	Procedure notes should be set out for each reconciliation that set out in detail: •The frequency with which reconciliations should be completed. •The format and working papers that are required to be retained. •The process of completing the reconciliation. •The standards required in maintaining an audit trail and working papers.	21/22	11/02/21		Simon Beasley Network and Parking Services Manager Paul Allcock Assistant Car Parks Manager Elizabeth Robertson Civil Enforcement Manager	Procedure notes should be set out for each reconciliation that set out in detail: Partially written • The frequency with which reconciliations should be completed. Whilst the target will be weekly, due to delays in banking deposits and Oracle, Fortnightly. • The format and working papers that are required to be retained. Not sure what this means. Reconciliations will be shown on the relevant spreadsheets. Numbers will agree to each data source. • The process of completing the reconciliation. Data entry from system reports reconciled with cash collection reports and Oracle	01 July 2021	51 to 75	Amber		
165 20/21	DEGNS	Car Parks (off street)	In conjunction with the Finance Business Partner a reconciliation template should be set out that sufficiently performs the task required and working papers to support the reconciliation should be maintained in an agreed upon fashion. Items to be addressed in the reconciliations should include but not be limited to the following: a) The printed name of the officer that has prepared the reconciliation b) The signature of the officer that has prepared the reconciliation c) The date on which the reconciliation has been prepared d) The printed name of the officer that has check the reconciliation, if different to the approver e) The signature of the officer that has prepared the reconciliation, if different to the approver f) The date on which the reconciliation has been checked g) The printed name of the officer that has approved the reconciliation h) The signature of the officer that has approved the reconciliation i) The date on which the approving officer has reviewed the document j) A record of the unreconciled items for the period and commentary with respect to their cause and treatment. h) Information recorded within the reconciliation should be sufficient to demonstrate that systems reconcile and links to source data should be included.	21/22	11/02/21		Omo Okuonghae Finance Business Partner Paul Allcock Assistant Car Parks Manager Janet Ofili Car Park Administration Officer	A review of the existing spreadsheet is ongoing and will be appropriately updated following this review.	06 July 2021	51 to 75	Amber		

166 20/21	RES	Additional Payments (follow up)	All additional payments should have a start and end date recorded on the payroll system. Regular reports should be run to monitor those additional payments that are coming up to be ceased to assess whether these need to continue and should be done promptly.	21/22	20/01/21		Teresa Kaine, HR Services Manager	This is in progress. There are 6 monthly payroll reports distributed to HR staff members to discuss with managers (these are: overtime, acting up, first aid, honorariums, market supplements and standby). Their distribution has been reviewed to ensure they are going to the correct people each month and that they are always acted upon. The process will be documented within the HR and OD Admin Hub and circulated to relevant staff members in HR and OD to ensure that the correct approach is always followed in future.	02 July 2021	Complete	Green			
167 20/21	RES	Additional Payments (follow up)	A set of standard system reports designed to monitor additional payments and overtime should be written, a template saved and available to all applicable staff to allow for consistent like for like reporting.	21/22	20/01/21		Teresa Kaine, HR Services Manager Sharon Brown, Payroll and Pensions Manager	This is in progress. There are 6 monthly payroll reports distributed to HR staff members to discuss with managers (these are: overtime, acting up, first aid, honorariums, market supplements and standby). Their distribution needs to be reviewed to ensure they are going to the correct people each month and that they are always acted upon. The process will be documented within the HR and OD Admin Hub and circulated to relevant staff members in HR and OD to ensure that the correct approach is always followed in future.	02 July 2021	Complete	Green			
168 20/21	RES	Additional Payments (follow up)	A copy of each market supplement testing exercise result(s), justifying the additional payment or ceasing its continuation, should be held on the individual officer's HR file, be clearly named and referenced. Likewise supporting documentation for honorarium and acting up payments should be attached promptly to the file. This should also show the selection process used or reason why there was no selection process in this instance.	21/22	20/01/21		Teresa Kaine, HR Services Manager	The reports documenting payments have been reviewed and appropriate action taken. A process has been drafted to ensure honorarium and acting up payments are reviewed and filed appropriately.	02 July 2021	Complete	Green			
169 20/21	RES	Additional Payments (follow up)	Consideration should be given to review and rationalising the number of pay elements used and to reduce/rationalise them to make accounting and reporting easier and less complex.	21/22	20/01/21		Sharon Brown, Payroll and Pensions Manager Teresa Kaine HR Services Manager	This is in progress. We are working with Midland HR (iTrent providers) to consider whether pay elements can be reduced.	02 July 2021	Complete	Green			
170 20/21	RES	Additional Payments (follow up)	The review and approval of additional payment policies should be reinstated. All reviewed policies should be dated and available on the intranet.	21/22	20/01/21		Teresa Kaine, HR Services Manager	All additional payment policies have been reviewed and are currently being reviewed by the Trade Unions. The policies will be formally approved at Personnel Committee on July 15th.	02 July 2021	Complete	Green			
171 20/21	RES	Housing Revenue Account	The process for HRA 30-year model, annual budget setting, budget monitoring and reporting should be confirmed and followed to ensure there is consistent practice. This needs to include input and appropriate ownership from the service. Relevant documentation should be retained to allow reconciliation to be conducted between the 30-year financial model and the relevant MTFP and annual budget.	2020/21	06/04/21		Darren Carter Director of Finance	2021/22 budget monitoring for the HRA is aligned to the 2021/22 budget as set in February 2021. Guidance for 2022/23 budget setting, including alignment to the HRA 30 year model will be issued over the Summer. HRA finance processes and procedures have been documented and are being followed in the new financial cycle however some of the key tasks have not yet fallen due.	06 July 2021	51 to 75	Amber			
172 20/21	RES	Housing Revenue Account	It needs to be ensured that there is appropriate finance resource, ideally with specialist knowledge of HRA (or developing this knowledge from within the organisation), in place. Where possible, this should also avoid over-reliance on a sole individual as this creates a single point of failure.	2020/21	06/04/21		Darren Carter Director of Finance Zelda Wolfe Assistant Director of Housing	The permanent Strategic Business Partner role for DEGNS has been further reviewed and a market supplement added in order to help attract the calibre of applicant required. The recruitment process is currently being finalised and the advert will go live shortly. The new HRA staffing structure has been approved and is being recruited to.	06 July 2021	26 to 50	Amber			
173 20/21	RES	Housing Revenue Account	Finance should ensure that the transfer of 4 sites from the GF to the HRA is recognised in Oracle Fusion.	2020/21	06/04/21		Stuart Donnelly Financial Planning & Strategy Manager	The movement has been reflected within both the General Fund and HRA Capital Financing Requirement. The assets will transferred to the HRA within the financial system once the the required 2019/20 accounting adjustments have been made as part of the 2019/20 accounts process.	06 July 2021	26 to 50	Amber			
174 20/21	RES	Housing Revenue Account	The 30-year business plan needs to be viewed as a working model that requires updating as and when the situation changes. There needs to be a clear link from changes that are agreed to ensure the model is up to date and reflects the current position. Where possible, information included within the model need to be agreed with the service. Figures provided in the model need to have supporting evidence/workings so it is clear how the final figure has been arrived at.	2020/21	06/04/21		Stuart Donnelly Financial Planning & Strategy Manager	The 30 year plan was up to date for the beginning of the 2021/22 financial year. A new working group is being established to control the updating of the model going forwards.	06 July 2021	76 or more	Green			
175 20/21	RES	Housing Revenue Account	Consideration should be given to conducting reviews of various areas (such as service charges and cleaning services) with a view to obtaining improved value for money.	2020/21	06/04/21		Zelda Wolfe Assistant Director of Housing	Consideration has been given to carrying out reviews and this will be done further to sufficient finance resources being in place to do so. Reviews programmed to be carried out in 22/23	07 July 2021	76 or more	Green			
176 20/21	RES	Housing Revenue Account	There needs to be a common understanding regarding agreed budget, coding of expenditure and overhead allocation between finance and service teams. Reports need to be comprehensive, user friendly, automated where possible, and have clear line of sight between the agreed budget and that shown on budget monitoring reports. Regular reconciliations need to be conducted between reports and service plans to ensure that they are aligned.	2020/21	06/04/21		Mark Jones Strategic Business Partner	New written procedures for housing finance have been approved by the Director of Finance and are now in operation. These capture the principles of the audit recommendation, which are now being applied.	02 July 2021	51 to 75	Amber			
177 20/21	RES	Accounts Payable	Documented processes for all areas of operation linked to clearly defined roles and responsibilities for members of staff. There should be monthly reporting on performance against KPIs available to the organisation and management.	2020/21	09/04/21		Andy Jehan Exchequer Manager Annette Trigg Chief Accountant	This is being Addressed as a part of the Finance Improvement Programme, which is reviewing end-to-end processes. KPIs are in the process of being produced to improve management information and highlight areas of concern.	06 July 2021	26 to 50	Amber	AP		
178 20/21	RES	Accounts Payable	Supplier set up process need review to understand the volume requirements for certain types of supplier and how effective control over verification can be established.	2020/21	09/04/21		Kate Graefe (AD of Procurement & Contracts)	This is being captured as part of the new supplier set-up process and data capture to understand the base data before proposed solutions are determined/ assessed	07 July 2021	26 to 50	Amber	AP		
179 20/21	RES	Accounts Payable	There should be a reporting framework that identifies and records where there are outstanding invoices awaiting processing and days taken to process invoices. If possible, every area of the authority should receive management information regarding outstanding overdue payments and be encouraged to report if there are issues in their areas with outstanding unprocessed invoices.	2020/21	09/04/21		Andy Jehan Exchequer Manager	This is being Addressed as a part of the Finance Improvement Programme, which is reviewing end-to-end processes. KPIs are in the process of being produced to improve management information and highlight areas of concern.	06 July 2021	26 to 50	Amber	AP		

Reading Borough Council and Group Draft Audit Results Report

12 July 2021

Year ended 31 March 2019

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Building a better
working world

Agenda Item 11

14 July 2021



Dear Audit Committee Members

We are pleased to attach our draft audit results report for the forthcoming meeting of the Audit & Governance Committee. This report summarises our audit conclusion in relation to the audit of Reading Borough Council and Group for 2018/19.

Background and context: 2017/18 and 2018/19 - It is important that we set out the background and context to the 2018/19 audit. The previous audit year, 2017/18, was challenging for the Council, our audit opinion was qualified in four areas, Debtors, Creditors, I&E and Pensions, the value for money conclusion was an adverse report including updates on progress against the statutory recommendations we issued to the Council in 2016/17. It took just under one year to complete the work on the 2017/18 statements due to the issues identified and the opinion was issued in Oct 2020.

There have been a number of changes implemented to address our recommendations in relation to processes, documentation and controls and there have also been a number of new appointments during 2018/19 and to date. Due to the fact that the 2018/19 year was well underway whilst these changes were being implemented, the issues arising were not fully addressed by the 2018/19 year end. Therefore this report also highlights a number of matters where improvements were not yet embedded by 31 March 2019. We expect to see the improvements reflected in the 2019/20 financial statements.

Timelines 2018/19 - Given the timing of this report the Authority has significantly missed the deadline for certification of the accounts. This is due to the delays in certifying the 2017/18 accounts which were signed off in October 2020 and which therefore missed the deadline of 30 September 2018. The changes to date are reflected in the positive improvement in timescales and the 2018/19 audit has taken less than a year to complete which is a significant improvement on prior years. In addition, discussions and planning for the 2019/20 statements have already started and we are aiming to start the work on 2019/20 later in the summer. We expect to complete the work on 2019/20 in a shorter timescale again to help the Council get back on track in relation to the timing of the audit cycle.

Current position - We have substantially completed our audit of Reading Borough Council for the year ended 31st March 2019. We confirm that we expect to issue a qualified audit opinion on the financial statements in the form that appears at Section 3. We also have matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources. We should note however that even though the accounts are still being qualified the number of specific qualifications has been greatly reduced.

This report is intended solely for the use of the Audit & Governance Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent. We welcome the opportunity to discuss the contents of this report with you at the Audit & Governance Committee meeting on 19 July 2021. We would like to thank your staff for their help during the engagement.

Yours faithfully

Maria Grindley

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

Encl

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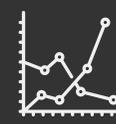
02 Areas of Audit Focus



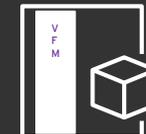
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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk). This Statement of responsibilities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

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

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

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



01

Executive Summary

Executive Summary

Scope update

In our audit planning report tabled at the 28 January 2021 Audit & Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Update on materiality:

In our Audit Committee Planning Report, we communicated that our audit procedures would be performed using a materiality for the Council of £5.291 m, with performance materiality, at 50% of overall materiality, of £2.645 m, and a threshold for reporting misstatements of £0.264 m. This level of materiality remained appropriate for the actual results for the financial year. The basis of our assessment has remained consistent with prior years at 1% of gross expenditure on provision of services. As we had already had received the draft unaudited financial statements at the date of our Audit Planning Report this has remained consistent throughout the audit.

However, as a result of a significant and material error identified in our testing we noted that £59.2 m of income and expenditure had been double counted. This therefore reduced the Gross Revenue Expenditure by £59.2 m and significantly impacted our headline materiality. We needed to re-assess all of our testing and as a result we identified a number of areas where we were required to complete additional testing. We will provide an update at the Audit & Governance Committee meeting to the status of this additional testing.

Group Scoping:

There has been no changes to report in our Group Scoping. For the purposes of in-scope components Reading Transport Limited (RTL) and Brighter Futures for Children (BFFC) are in-scope with Homes for Reading being review scope only.

Covid-19

We have reviewed the implications of Covid-19 on the audit in relation to the Council's assessment of going concern and post balance sheet events. The Council have included additional disclosures on Going Concern and Post Balance Sheet Events in respect of Covid-19. We have also included an Emphasis of Matter paragraph to our audit opinion at Section 3.

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

Status of the audit

We have substantially completed our audit of Reading Borough Council & Group's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit Planning Report.

A key element within this to bring to your attention is the impact of coronavirus (COVID-19) on the Council's going concern assessment. This is a new issue which the Council has reflected in their revised 2018/19 financial statements.

Subject to completion of our remaining audit work, we will be issuing a qualified opinion on the Authority's financial statements. For further details see the auditor report in Section 3.



Executive Summary

Areas of audit focus

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

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

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

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

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Audit differences

We have identified a significant number of audit differences which have been adjusted by management (subject to review of the final statement of accounts). Details can be found in Section 4 Audit Differences.

We have identified a number of uncorrected adjustments greater than our reporting threshold details of which are recorded at Section 4.

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



Executive Summary

Control observations

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

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

Value for money

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

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

Whilst we can see progress being made and changes coming through at the Council, a number of the issues in our report and covered by the recommendations still existed during the 2018/19 financial year. We therefore need to consider what progress was made during the year and the impact on our report.

We have the following matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources for the 2018/19 year.

1) Informed Decision Making:

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

ii) In 2016/17 and 2017/18 we also raised significant findings in respect of the system of internal control in effect at the Council. This focused specifically on concerns around the completion of key reconciliations and the lack of controls around journals. Whilst there was some improvement in respect of addressing these deficiencies this was not consistent or timely in 2018/19 to ensure that all noted deficiencies could be corrected. As a result this finding is noted as not having been fully corrected in 2018/19. We have raised a number of recommendations in respect of the control environment at Section 7.

2) Sustainable Resource Deployment:

i) In August 2016 Ofsted reported significant findings in respect of the provision of Children's services at Reading Borough Council. Given their significance this impacted on our value for money conclusion in 2016/17 and 2017/18. We committed to following up on this area in 2018/19. We reviewed the subsequent Ofsted inspection reports for 2018/19 and noted that despite pockets of improvement the consistent tone of the messaging in 2018/19 was still one which continued to raise concerns. Given the lack of sustained improvement and the continued concerns of the regulator this has therefore again impacted on our conclusions regarding the sustainable resource deployment sub-criteria.

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



Executive Summary

Other reporting issues

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

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

We have no other matters to report.

Independence

In our Audit Planning Report for 2018-19 presented at the January 2021 Audit & Governance Committee meeting we confirmed our independence. Please refer to Section 9 for our update on Independence.

Communications

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



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Incorrect capitalisation of revenue expenditure

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What is the risk?

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

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

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

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

What judgements are we focused on?

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

What did we do?

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

What are our conclusions?

Our testing is complete.

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

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

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



Areas of Audit Focus

Significant risk

Impact of Qualified Accounts from 2017/18 - Income and Expenditure, Debtors and Creditors, and IAS 19 Pension Assets

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: Income and Expenditure; Debtors; Creditors; and Pensions (IAS 19) Scheme Assets.

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. We will need to consider these accounts again as part of the 2018/19 audit. We would also note that where any of these accounts have a Balance Sheet impact then we would also need to qualify the opening balances as part of the 2017/18 audit given the fact that we were unable to satisfy ourselves on the material nature of the closing 2016/17 balances.

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What judgements are we focused on?

Our judgements are focused specifically on the closing balances from the qualified accounts in 2017/18 accounts and the potential need to qualify the corresponding opening balances carried forward in the 2018/19 accounts. Income and Expenditure account balances do not carry forward in the same way that balance sheet items (debtors and creditors) do for example. Our judgements were therefore focused on this distinction.

What did we do?

We reviewed any brought forward closing balances from 2017/18 which had an associated qualification and we considered the impact on qualification of opening balances for 2018/19 where appropriate.

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

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

What are our conclusions?

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

Income and Expenditure:

In the previous year, 2017/18, three specific lines on I&E were qualified. These were: Corporate Support Services Income; Environment and Neighbourhood Income and Expenditure. We completed our testing and that has not identified issues in these areas this year. However, the clearance of historical creditor balances in respect of NNDR through the I&E line, Corporate Support Services income has led to a qualification on this line this year.

Short-term Creditors (Council and Group):

We have completed our testing and whilst the opening balance was qualified, the Council has amended the balance for historical issues and therefore there is no closing balance qualification on short-term creditors.

Short-term Debtors (Council and Group):

We completed our testing and identified no material errors on short-term debtors. The qualification on this account has therefore been removed in 2018/19.

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



Areas of Audit Focus



Other significant risk matters

Misstatements due to fraud or error

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

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

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

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

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

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

We have not identified any issues or indications of management override in our testing as at the date of this report. We will provide an update at the conclusion of the audit.

Other areas of audit focus

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

What is the risk/area of focus?

Valuation of Land and Buildings

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

What did we do?

We:

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

Our work on this account is substantially complete.

We are completing some additional procedures as a result of the decrease in materiality highlighted in the Executive Summary. We will provide an update on the status of this testing at the Audit & Governance Committee meeting.

We note adjustments agreed to date in respect of valuations at Section 4.

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 did 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:</p> <ul style="list-style-type: none"> ▶ Liaised with the auditors of Royal Berkshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Reading Borough Council; ▶ Assessed the work of the Pension Fund'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; ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19; and ▶ Obtained evidence as to the impact of the McCloud ruling and Guaranteed Minimum Pension (GMP) on the 2018/19 accounts. <p>We are satisfied that the Authority has correctly reflected the IAS 19 entries provided by the actuaries in the financial statements. We are also satisfied that the actuaries are appropriately qualified.</p> <p>This year, there has been a national issue which resulted in a late change to the Council's pension net liability. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the "McCloud ruling".</p> <p>We noted no material issues from the work completed. We were able to remove the prior year qualification on IAS 19 having obtained the IAS 19 Assurance letter from the auditor of Berkshire Pension Fund.</p> <p>The Council have accounted for the McCloud impact in year. We noted a potential impact of £0.8 m in respect of the Goodwin ruling. The Council have not recognised this potential impact due to uncertainty on the impact. We have included the £0.8 m as a judgemental mis-statement at Section 4.</p>

Other areas of audit focus

What is the risk/area of focus?

What did we do?

IFRS 9 financial instruments

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:

- ▶ How financial assets are classified and measured;
- ▶ How the impairment of financial assets are calculated; and
- ▶ The disclosure requirements for financial assets.

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. We are currently in discussion with officers on the appropriate accounting treatment for some equities.

We:

- ▶ Obtained the Council's assessment of the impact of IFRS 9;
- ▶ Considered which elements of the financial statements would be most affected by the standard, and focused our testing on these areas - specifically bad debt provisions and the valuation and classification of financial assets;
- ▶ Considered the classification and valuation of financial instrument assets;
- ▶ Assessed whether or not bad debt provisions appropriately reflected the expected credit loss model; and
- ▶ Checked disclosure requirements.

As a result of the work performed, the financial statements have been updated to better reflect the impact of IFRS 9, including an update to the accounting policy, an amendment to the financial instruments note, and an update of terminology used.

IFRS 15 Revenue from contracts with customers

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year.

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.

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.

The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and 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.

We:

- ▶ Obtained the Council's assessment of the impact of IFRS 15, which concluded that the impact was not material;
- ▶ Considered application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- ▶ checked additional disclosure requirements.

There are no issues arising that we wished to bring to your attention. We note that IFRS 15 has not had a material impact on the Council in 2018/19.

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?

Group accounts: differences in accounting policies of the components

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.

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.

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Going concern disclosures

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.

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.

What did we do?

We:

- ▶ Identified material subsidiary balances and transactions consolidated in the Group accounts and assessed whether the accounting treatment of those amounts complies with the Group accounting policies and also the CIPFA Code;
- ▶ Where exceptions were identified, we requested for management's assessment and reviewed it for reasonableness;
- ▶ Instructed the relevant component auditors to report to us under the group accounting policies;
- ▶ Checked additional disclosure requirements in the Group accounts of the Council.

Our work is now complete. As a result of our procedures, we did not identify any significant differences in accounting policies that haven't been adjusted for in the group accounts. The audit process revealed a correction of error to align the group accounting treatment of investment properties held by the subsidiary Homes for Reading Ltd with the subsidiary's accounting treatment. The investments amounting to £27.3m at 31 March 2019 (£5.9m at 31 March 2018) were reclassified from property, plant and equipment in the group accounts to investment properties. This also resulted in a restatement of comparatives.

We:

- ▶ Assessed the adequacy of disclosures required in 2018/19, and the impact on our opinion, should these be inadequate;
- ▶ Discussed management's going concern assessment and considered any evidence of bias and consistency within the accounts;
- ▶ Ensured that an appropriate going concern disclosure has been made within the financial statements; and
- ▶ Considered the impact on our audit report and compliance with EY consultation requirements.

We are finalising our review of the updated Going Concern disclosures and will need to complete our internal consultation process.

Audit risks

Other areas of audit focus

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

What is the risk/area of focus?

PFI Long-Term Liabilities and Deferred Income

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.

What did we do?

We:

- ▶ Included a review of the assumptions used in the PFI accounting model to assess whether there have been any changes since our last review;
- ▶ reviewed the planned entries and disclosures for the Council's 2018/19 accounts and ensure that they are reported in line with the standards.

We are completing our final review of the PFI and will provide an update at the Audit & Governance Committee meeting.



03 Draft Audit Report



Draft Qualified Audit Report 2018-19

Draft qualified audit report 2018-19

Reading Borough Council 2018-19

Our opinion on the financial statements

We have audited the financial statements of Reading Borough Council and Group for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Reading Borough Council and Group Movement in Reserves Statement;
- Reading Borough Council and Group Comprehensive Income and Expenditure Statement;
- Reading Borough Council and Group Balance Sheet;
- Reading Borough Council and Group Cash Flow Statement;
- Related Notes 1 to 45;
- Related Group Notes 1 to 10;
- Housing Revenue Account Income and Expenditure Statement;
- Movement on the Housing Revenue Account Statement;
- Housing Revenue Account Notes 1 to 7;
- Collection Fund; and,
- Related Collection Fund notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Qualified opinion

In our opinion, except for the possible effects of the matters described in the basis for the qualified opinion section of our report, the financial statements:

- give a true and fair view of the financial position of Reading Borough Council and Group as at 31 March 2019 and of its expenditure and income for the year ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for qualified opinion

We have not been able to obtain sufficient appropriate audit evidence because management were unable to provide adequate supporting documentation in relation to the following areas: short-term creditors opening balances of £62.1m and £70.9m for the Council and for the Group and pension liability opening balances of £446.4 m for the Council and £464.1 for the Group. Due to the prior year qualifications on these matters, we are unable to determine and adjustments and resulting impacts on this year's income statements. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

The Council has identified historical National Non-Domestic Rates (NNDR) balances incorrectly included in short-term creditors. This balance of £4.9m has been transferred out of short-term creditors and taken through Corporate Support Services Income. Therefore we are satisfied with the year end short-term creditor balance but the £4.9 m amount in Corporate Support Services income is unsupported.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of Reading Borough Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Draft Qualified Audit Report 2018-19

Draft qualified audit report 2018-19

Reading Borough Council 2018-19

Our opinion on the financial statements

Emphasis of Matter - Impact of Covid-19

We draw attention to Note 1 and Note 6 of the Statement of Accounts which describes the financial and operational consequences Reading Borough Council and Group is facing as a result of COVID-19 and the additional cost pressures that this presents. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Narrative Report set out on pages 3 to 10, other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Other information (cont'd)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, our audit opinion is qualified because we were unable to satisfy ourselves concerning short-term creditors opening balances of £62.1 m and £70.9 m for the Council and for the Group and pension liability opening balances of £446.4 m for the Council and £464.1 for the Group. Due to the prior year qualifications on these matters, we are unable to determine and adjustments and resulting impacts on this year's income statements. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures. The Council has identified historical National Non-Domestic Rates (NNDR) balances incorrectly included in short-term creditors. This balance of £4.9m has been transferred out of short-term creditors and taken through Corporate Support Services Income. Therefore we are satisfied with the year end short-term creditor balance but the £4.9 m amount in Corporate Support Services income is unsupported.

Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.



Draft Qualified Audit Report 2018-19

Draft qualified audit report 2018-19

Reading Borough Council 2018-19

Our opinion on the financial statements

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

Basis for Adverse Conclusion

Informed decision making:

- ▶ Maintaining a sound system of internal control

We found that some of the basic financial controls were not working as expected, for example, the regular completion of reconciliations is not timely and the year-end bank reconciliation did not balance. This increases the risk of fraud and errors remaining undetected. In order to get our assurance, we took a substantive approach to our audit and therefore did not rely on controls.

Sustainable resource deployment and working with partners and third parties

- ▶ Children's Services

In August 2016, Ofsted issued an inspection report of services for children in need of help and protection; children looked after and care leavers and a review of the effectiveness of the local safeguarding children board.

It concluded that Children's services in Reading are inadequate and found serious, persistent and systemic failures in the services provided to children who need help and protection. The Inspection found that children are left too long in situations of unknown and acute risk.

The Council accepted the findings of the Inspection and put in place procedures to improve performance. Ofsted have monitored progress since the issue of its initial a report and in its update letter, issued in June 2017 concluded that the Council was not making the expected progress in improving services for its children and young people. Subsequent Ofsted reports throughout May and July 2018 and May 2019 continued to highlight concerns over the lack of consistency of both the improvements required and also of the services offered during the year.

Section 24 recommendations

We issued recommendations in 2017/18 under Section 24 Schedule 7 (2) of the Local Audit and Accountability Act 2014. The Council developed a action plan to monitor progress against the recommendations. We have reviewed the actions taken and concluded that whilst the Council have a challenge on strengthening their controls and processes, there are signs of improvement in financial reporting:

- more robust financial monitoring;
- clearer reporting and more consistent messages on the financial position;
- detailed savings plans which have been discussed and agreed with Members; and
- work continues on the financial position and reporting.

However, deficiencies in the systems of internal control were still in place during 2018/19 and therefore there is evidence of weakness in arrangements in sustainable resource deployment.



Draft Qualified Audit Report 2018-19

Reading Borough Council 2018-19

Our opinion on the financial statements

Qualified conclusion - Adverse

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are not satisfied that, in all significant respects, Reading Borough Council and Group put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014; or
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act.

We have nothing to report in these respects

Responsibility of the Director of Finance

As explained more fully in the Statement of the Director of Finance Responsibilities set out on page 20, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Draft Qualified Audit Report 2018-19

Reading Borough Council 2018-19

Our opinion on the financial statements

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Reading Borough Council and Group had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Reading Borough Council and Group put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Reading Borough Council and Group had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Draft Qualified Audit Report 2018-19

Reading Borough Council 2018-19

Our opinion on the financial statements

Certificate

We certify that we have completed the audit of the accounts of Reading Borough Council and Group in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Reading Borough Council and Group, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Reading Borough Council and Group, and Reading Borough Council and Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Maria Grindley (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
XX July 2021



04 Audit Differences





Audit Differences

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

Summary of adjusted differences agreed to date

We highlight the following known misstatements greater than £2.6m (Tolerable Error) which have been corrected by management that were identified during the course of our audit:

- Duplicate recording of Dedicated Schools Grant (DSG) and other grants in Children’s income and expenditure. This resulted in an overstatement of income and expenditure of £59.2 m.
- Adjustment to the valuation of council dwellings during the year as a result of a change in the Accounting Policy re: indexation. This resulted in the following adjustments: £48.5 m revaluation loss taken to the Revaluation Reserve and £11.0 m adjustment being the reversal of the revaluation gain on buildings to the Revaluation Reserve.
- Prior Period Adjustment to correct the treatment of Grants Receipts in Advance and re-classification: £33.8 m
- Adjustment to correct errors in duplicate recording of Children’s income and Brighter Futures for Children (BFfC). This resulted in an overstatement of children’s income of £5.1 m.
- Reclassification of BFfC loan to short term as the extension of the terms of the loan was made subsequent to 31 March 2019. This resulted in a re-classification adjustment of £5m between Long-term to Short-term debtors.
- Adjustments on the error on BFFC transactions which relates to duplicate BFFC invoice recorded by the council and the related VAT adjustments. Multiple adjustments required to correct this error:
 - To reverse the duplicated BFFC100002, BFFC100003, BFFC100004 and BFFC100005 invoices recorded by the council and the VAT component of the recorded amount: £5.8 m.
 - To reverse the duplicated BFFC100001 invoice recorded by the council and the VAT component of the recorded amount: £2.4 m.
 - To reverse the duplicated BFFC100006 and BFFC100007 invoice recorded by the council and the VAT component of the recorded amount: £4.5 m.
 - To reverse incorrect entry on debtor balance for payment made by the council relating to BFFC100007: £0.374 m.
 - To reverse incorrect entry on debtor balance for payment made by the council relating to BFFC100003 and BFFC100005: £0.74 m
- Adjustment in short term debtor as a result of incorrectly recording payroll transaction: £5.9 m
- To record the adjustment for the incorrectly recorded transaction in the short term creditor and the difference noted in the employer deficit contributions: £6.3 m
- Adjustment relating to impairment of investment in subsidiaries: £4.5 m.
- Clearance of the Collection Fund Short-term Creditor balances: £4.9 m

Audit Differences

Summary of adjusted differences

Other misstatements identified:

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

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

Audit Differences

Summary of un-adjusted differences

We highlight the following misstatements greater than £0.264 m which have not been corrected by management that were identified during the course of our audit:

Judgemental Mis-Statements

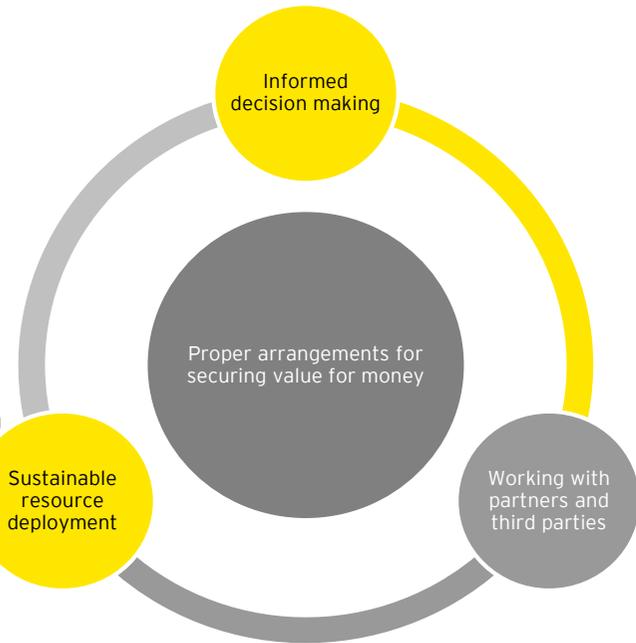
- IAS 19 Liability and consideration of the potential impact of the Goodwin ruling: £0.8 m
- Correction of an adjustment in respect of Housing Benefits: £0.3 m

Where audit differences remain uncorrected we would ask that management include representations in their Letter of Representation as to why these have not been corrected and are not considered to be material. The Letter of Representation is included at Appendix D.



05

Value for Money



Background

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

For 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.

Overall conclusion

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

In the prior year we highlighted weaknesses in arrangements across the three sub-criteria and our vfm conclusion opinion was qualified with an adverse opinion.

This year due to the progress in financial reporting we are removing the qualification in the following area:

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

We include some commentary on the following pages in respect of those areas where we have seen progress and also those where we still have identified weaknesses and therefore included qualifications. The specific areas of qualification are:

- Maintaining a sound system of internal control;
- Children's Services

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



Value for Money Risks

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

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

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

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

What is the significant value for money risk?

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.

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 2018/19 financial year. We therefore need to consider what progress was made during the year and the impact on our report.

What arrangements did the risk affect?

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

What are our findings?

In reaching our conclusion on the 2018/19 value for money conclusion we have specifically focused on revisiting the recommendations made as part of the 2017/18 audit to understand the Council’s progress against these. The areas specifically identified in the Section 24 Schedule 7 (2) Report included the following areas where we identified weaknesses in arrangements.

Informed Decision Making

- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance information;
- Reliable and timely financial reporting that supports the delivery of strategic priorities; and
- Maintaining a sound system of internal control.



Value for Money Risks

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

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

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

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

What are our findings?

Informed Decision Making (continued)

- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance information and
Reliable and timely financial reporting that supports the delivery of strategic priorities.

In respect of the appropriateness and reliability of financial information and reporting we have seen positive progress in this respect in 2018/19 as evidenced in the positive movement on financial outturn in 2018/19 resulting in a £7m underspend. This has been helped by more accurate financial reporting in 2018/19 as well which has enabled management to make better informed decisions.

As a result we have been able to lift the specific qualifications we previously had in this area.

- **Maintaining a sound system of internal control.**

With regards the financial controls highlighted as not operating effectively in the previous year, progress in correcting these was mixed and certainly even where progress was noted this was not in place throughout 2018/19.

Bank reconciliations was an area where we had raised concerns over their completion. This area has also been highlighted by Internal Audit in their reporting and we have included recommendations in respect of Bank Reconciliations at Section 7.

Given these issues in respect of maintaining a sound system of internal control we conclude that there remains evidence of weakness of arrangements in 2018/19. This impacts the criteria of Informed Decision Making. See Audit Report at Section 3.



Value for Money Risks

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

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

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

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

What are our findings?

Sustainable Resource Deployment and Working with Partners and Third Parties

- **Planning finances effectively to support the sustainable delivery of strategic priorities and to maintain statutory functions.**

In 2018/19 we noted an improved direction of travel with a significant £7m underspend on revenue budgets. This £7 m underspend represented an underspend of approximately 4%.

In addition, the Council also delivered approximately 90% of its savings programme in 2018/19 (PY: 75%).

This demonstrated a greater degree of financial stability and financial management and enabled the Council to return General Fund Reserves to £7.5m (PY: £7 m). This was an amount previously agreed by the Council as the minimum amount for such balances. In addition to the £7.5 m General Fund balances the Council also had a total of £33.3m in Earmarked Reserves as at 31 March 2019 (PY: £23.6 m). As a result we are satisfied with arrangements in place in this area.

We issued recommendations under Section 24 Schedule 7 (2) of the Local Audit and Accountability Act 2014. The Council developed an action plan to monitor progress against the recommendations. We have reviewed the actions taken and concluded that whilst the Council have made improvements in their financial position and there are also signs of improvement specifically in:

- more robust financial monitoring;
- clearer reporting and more consistent messages on the position;
- detailed savings plans which have been discussed and agreed with Members; and
- work continues on the financial position and reporting.

However deficiencies in the systems of internal control remain as highlighted above. This is evidence of weakness in arrangements during that year and results in a qualification on Sustainable Resource Deployment. See Audit Report at Section 3.



Value for Money Risks

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

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

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

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

What are our findings?

Sustainable Resource Deployment and Working with Partners and Third Parties

- Children’s Services (continued):**

In August 2016, Ofsted issued an inspection report of services for children in need of help and protection; children looked after; and care leavers and a review of the effectiveness of the local safeguarding children board.

Ofsted concluded that Children’s services in Reading are inadequate and found serious, persistent and systemic failures in the services provided to children who need help and protection. The Inspection found that children are left too long in situations of unknown and acute risk.

The Council accepted the findings of the Inspection and put in place procedures to improve performance. Ofsted have monitored progress since the issue of its initial a report and in its update letter, issued in June 2017 concluded that the Council was not making the expected progress in improving services for its children and young people. We note below our consideration of subsequent inspection findings throughout 2018/19:

<u>May 2018 Inspection Report</u>	<u>July 2018 Inspection Report</u>
<ul style="list-style-type: none"> - Children’s services gradually improving. - Social workers are exercising more care and attention when they record their work. - Overall progress however has been too fragmented and piecemeal. 	<ul style="list-style-type: none"> - Based on evidence children in Reading receiving better care than 2 years previous. - Evidence of improved measures for young people leaving care. - Senior leaders have continued to address findings of single inspection in 2016. - Some recommendations however have taken too long to address. - High case workloads have not reduced overall.

Taking the reports as representative of the position in Children’s services in 2018/19 there is evidence of improvement on the inspections taking place during 2018/19 however there is still a lack of consistency across Children’s services during that period with a number of concerns raised by the regulator at regular intervals in that period. We are aware that the Children’s Company ‘Brighter Futures for Children’ was incorporated in December 2018 and this will be a key focus of our work on value for money during the 2019/20 audit.

Taken together this is evidence of weakness in arrangements during that year and results in a qualification on Sustainable Resource Deployment. See Audit Report at Section 3.



06 Other Reporting Issues

Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2018/19 with the audited financial statements

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

Financial information in the Statement of Accounts 2018/19 and published with the financial statements was consistent with the audited financial statements. We noted a number of internal casting and consistency errors which have been accepted and corrected by management.

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

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Whole of Government Accounts

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

Given the delays in certifying the 2018/19 accounts we are not required to complete the certification as the national WGA certification for 2018/19 has been completed.

Other reporting issues

Other powers and duties

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

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

Other matters

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

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

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



07

Assessment of Control Environment



Assessment of Control Environment - 2017/18 and 2018/19

Financial controls

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

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

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

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

We wish to follow up on the matters previously reported in 2017/18 and to assess the status of these issues and also report additional following matters identified in 2018/19.

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

	High	Moderate	Low	Total
Points raised in FY17/18	2	7	0	9
New issues raised in FY 18/19	5	4	0	9

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

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

Assessment of Control Environment - Follow Up on 2017/18

Area	Payroll	Rating	Area	Payroll	Rating
Observation	Casual workers who have worked at the Council and subsequently left are not removed from payroll in a timely manner. As part of the audit we identified instances where the casual workers were not removed from the payroll system for up to 1 year after leaving.		Observation	We identified one instance where an employee was being paid but was not on the payroll Masterfile.	
Management comment	There is now a requirement for managers to notify HR and Payroll when a worker is no longer being used. Control is exercised by conducting a periodic exercise in Payroll to remove casual workers from the payroll, with the last payment date being used as their leaving date. Some casual workers e.g. election workers, are kept on the payroll due to the extended period of time between elections.		Management comment	A monthly reconciliation has since been implemented, which ties together all key files (including the Masterfile) and the net pay control codes. This is controlled by a dual-sign off process (payroll and finance), and ensures that any anomalies are identified and rectified.	

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Assessment of Control Environment - Follow Up on 2017/18

Area MOSAIC System **Rating** ■

Area Exit Packages **Rating** ■

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

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

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Management comment

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

The Process for authorisations is as follows:

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

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

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

Management comment

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



Assessment of Control Environment - Follow Up on 2017/18

Area Employee Recharging **Rating** ■

Observation

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

Management comment

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

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

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

Controls and consistency of approach are therefore now in place

Area NNDR Appeals Provision **Rating** ■

Observation

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

Management comment

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

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Assessment of Control Environment - Follow Up on 2017/18

Area	Council Tax Bad Debt Provision	Rating	■
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Observation

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

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Management comment

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

Area	NNDR Appeals Provision	Rating	■
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Observation

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

Management comment

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

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



Assessment of Control Environment - Follow Up on 2017/18

Area	NDR Impairment of Debt	Rating
Observation	We are unable to obtain evidence to conclude that the NDR write off is approved by authorised personnel.	
Page 164 Management comment	All write offs are now undertaken at the appropriate officer level (i.e. Head of Service), and signed documentation of approved write off kept on file. This is documented within the Financial Regulations. We are however in the process of reviewing the levels of delegation within the regs with the intention of allowing lower level write offs to be undertaken within the service by managers. The total value of write offs will be reported through the Corporate Debt Recovery Group and appropriate reports.	

Assessment of Control Environment - New for 2018/19

Area	HRA Financial Management	Rating	■
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Area	MRP Changes in Methodology	Rating	■
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Observation Page 165	<p>In 2018/19 the Council made a change to its MRP policy and thus, it was the first year that no MRP was charged for Housing Revenue Account (HRA). While this is not against the statutory requirements, the statutory guidance states that local authorities with HRAs are instead required to make a charge to their Major Repairs Reserve. We were informed by the Section 151 officer that there was a 30-year HRA business plan in place in 2018/19, however the previous HRA responsible individual left RBC and there is no traceability of how the accounts reflect that business plan for 2018/19. We identified this to be a control weakness around the financial management of the HRA account. As a remedial action by RBC, a new procedure was drafted which requires that "budgets proposed for the HRA must match with the 30-year financial plan, with clear reconciliations provided where necessary to prove that this is the case." Nevertheless, this remains an issue for 2018/19 accounting.</p>		
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Observation	<p>In 2018/19 the Council made a change to its MRP policy. Under the statutory guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003, where a local authority changes the method(s) that it uses to calculate MRP, it should explain in its Statement, why the change will better allow it to make prudent provision. We requested for the supporting Statement and explanations, however the Statement to the members dated 28 February 2018, which discusses the new MRP policy, does not explicitly state how the change will better allow it to make prudent provision. We consider this to be an internal control weakness and recommend the Council clearly explain to its stakeholders the rationale for the changes in its MRP policy according to the statutory guidance.</p>		
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Management comment	To follow		
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Management comment	To follow		
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Assessment of Control Environment - New for 2018/19

Area	Schools' Reporting Monitoring/Reconciliation Processes	Rating	
Page 166 Observation	<p>RBC collects school dedicated grants from the government and transfers those to the individual schools based on their allocation share. Every month, each school submits a return to RBC with all the income and expenses incurred by them, which are consolidated in the RBC's CIES as its own income and expenditure. RBC records the grants received as income before transferring to schools and then consolidates the school returns by eliminating transactions between RBC and the schools.</p> <p>The staff involved in processing the funding payments to schools/posting the journals are Brighter Futures For Children (BFFC) staff. RBC uses a coding structure and ensures that there are codes in place which are only used for the transfer of schools' funding transactions and therefore can easily be removed from the CIES transaction upon consolidation.</p> <p>The grant funding transactions transferred to schools are processed by staff working in schools into the schools' systems. The schools staff then submit monthly expenditure and income returns to the BFFC schools finance team showing the total value of transactions for each cost centre. These are processed monthly into the RBC schools' codes in the general ledger.</p> <p>During our audit, the Council identified that schools' staff do not consistently use the codes provided by BFFC staff for specific transactions such as funding and also code other income transactions incorrectly which makes it difficult to reconcile the funding transferred to maintained schools from RBC. This resulted in double counting in the 2018/19 accounts the Children's Income and Expenditure relating to schools.</p>		
Management comment	To follow		

Assessment of Control Environment - New for 2018/19

<p>Area</p> <p>Overall Analytical Review and Approval Procedures on the Accounts</p>	<p>Rating</p> <p>■</p>	<p>Area</p> <p>Testing Investments in Subsidiaries for Impairment</p>	<p>Rating</p> <p>■</p>
<p>Page 167</p> <p>Observation</p>	<p>As part of our audit, we identified that an appropriate overall analytical review of the accounts was not performed by senior accounting personnel before publishing the accounts and submitting them for audit. A proper reasonableness analytical review on the accounts acts as a detection control and it can enable management to identify errors on a timely basis. An approval process was not also observed or implemented prior to the release on the account in the council's website. A full quality control review of the draft financial statements by senior officers will help support a more efficient audit and reduce the burden on RBC staff of having to address subsequent audit queries and amendments which could be prevented. The control recommendation is: a senior member of the accounting team should be completing an overall analytical review of the Comprehensive Income and Expenditure Statement and Balance Sheet and relevant notes as part of preparing and approving the draft Statement of Accounts, thus highlighting any significant variances which require further investigation. A reasonable materiality threshold can be used, which is justified and approved by an appropriate senior level personnel. A detailed review and approval process should be designed and implemented prior to the release of the accounts in the council's website.</p>		<p>Observation</p> <p>During our audit work on the 18/19 accounts, we noted that investments in subsidiaries had not been tested for impairment in the single entity accounts of RBC. Management took appropriate actions in response to our comments. The recommendation is to test for impairment all the material investments carried at cost at each reporting date as a minimum.</p>
<p>Management comment</p>	<p>To follow</p>		<p>Management comment</p> <p>To follow</p>

Assessment of Control Environment - New for 2018/19

Area	Bank reconciliation was incorrectly performed and was not carried out frequently	Rating	■
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Area	Inconsistencies in the supporting documents received and the records of the starters and leavers	Rating	■
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Page 168 Observation	<p>During the 2018/19 audit, we noted that the bank reconciliation process was not performed in a monthly basis until January 2019.</p> <p>Our substantive procedures revealed that the bank reconciliation was not carried out correctly. We obtained our assurance over the existence of bank balance through bank confirmation and the bank statement; however, the client cannot provide explanation for some of the reconciling items reported in the bank reconciliation.</p> <p>The control recommendation is that a proper bank reconciliation should be carried out and reviewed by the senior management of the team before the transactions are posted in the general ledger.</p>
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Observation	<p>Our substantive testing on the starters and leavers during the 2018/19 revealed various inconsistencies in the records and the supporting documents received for employees starting in the council and the employees leaving the council. Some of the inconsistencies noted includes the following:</p> <ul style="list-style-type: none"> Some employees have signed their contract after the start date Some employees signature is not contained in the contract or the contract has not been provided at all Significant number of instances were noted that there were missing leaver paperwork and/or leaver forms are not signed. <p>The control recommendation is that the management should maintain a centralised record keeping and monitoring of the documents processed by HR and the payroll team should make sure that the documents are complete prior to updating the records in the payroll system.</p>
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Management comment	To follow
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Management comment	To follow
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Assessment of Control Environment - New for 2018/19

Area Reconciliations were not performed between subsidiary ledger or other reports to the general ledger

Rating ■

Area Review and approval process were not designed and implemented effectively

Rating ■

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Observation

During the walkthrough process and our substantive procedures, we noted various account in which no reconciliations were performed by the client during the year. These were noted in the following accounts.

No reconciliation between the receivable subsidiary ledger (Academy Report) and the general ledger sundry debtors account

No reconciliation performed between the general ledger account and subsidy claim form to determine the correct amount of housing benefit expenditure to be recorded.

No reconciliation to check completeness of data received from housing repairs team via email before uploading to Oracle. Similarly, there is no check to ensure completeness of data transfer from Ohms to Total however this is an automatic process.

The control recommendation is that reconciliation should be carried out in all the accounts of the council that uses subsidiary ledger and a proper review and approval process should be designed and implemented to capture and difference noted in the reconciliation so it can be duly corrected in a timely manner.

Observation

Our substantive testing on the starters and leavers during the 2018/19 revealed various inconsistencies in the records and the supporting documents received for employees starting in the council and the employees leaving the council. Some of the inconsistencies noted includes the following:

Some employees have signed their contract after the start date

Some employees signature is not contained in the contract or the contract has not been provided at all

Significant number of instances were noted that there were missing leaver paperwork and/or leaver forms are not signed.

The control recommendation is that the management should maintain a centralised record keeping and monitoring of the documents processed by HR and the payroll team should make sure that the documents are complete prior to updating the records in the payroll system.

Management comment To follow

Management comment To follow



08 Data Analytics



Use of Data Analytics in the Audit

► Data analytics – revenue and expenditure recognition and payroll

Analytics Driven Audit

Data analytics

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

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

In 2018/19, our use of these analysers in the authority's audit included testing [journal entries and employee expenses], to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

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

Journal Entry Analysis

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

Payroll Analysis

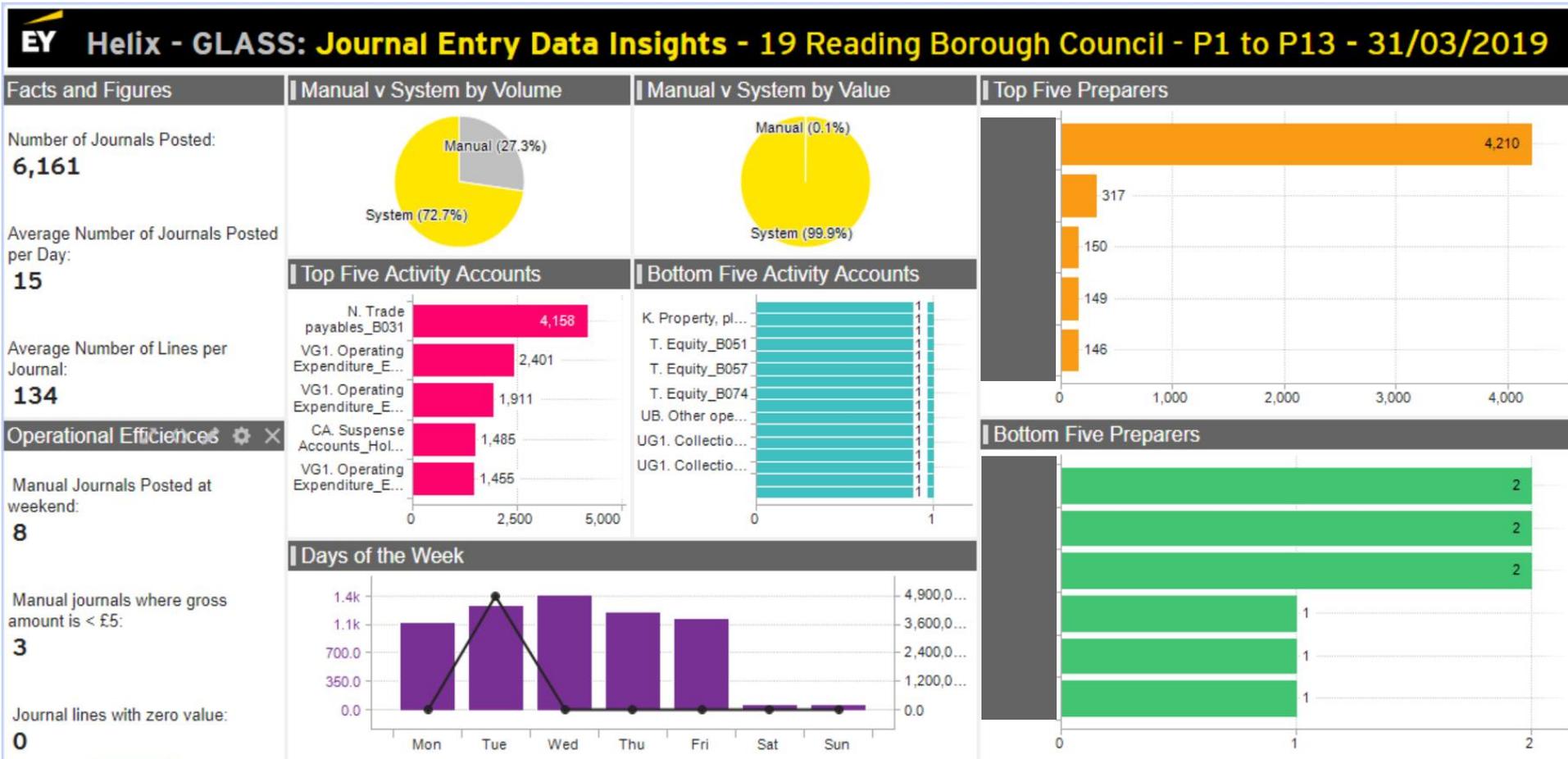
We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically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



Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2018/19. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

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



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Journal Entry Testing

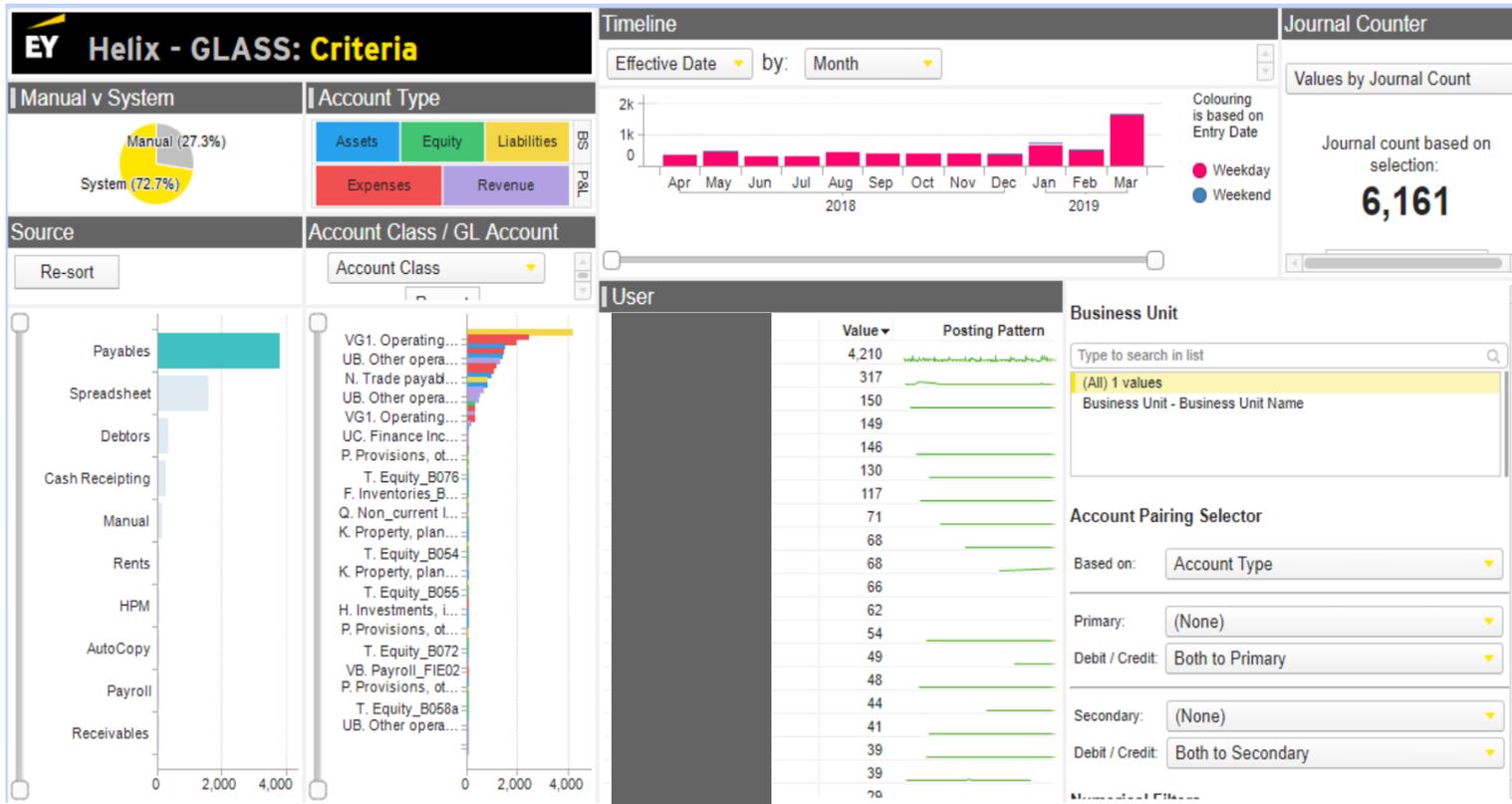
What is the risk?

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

What judgements are we focused on?

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

Journal entry data criteria – 31 March 2019



What did we do?

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

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

What are our conclusions?

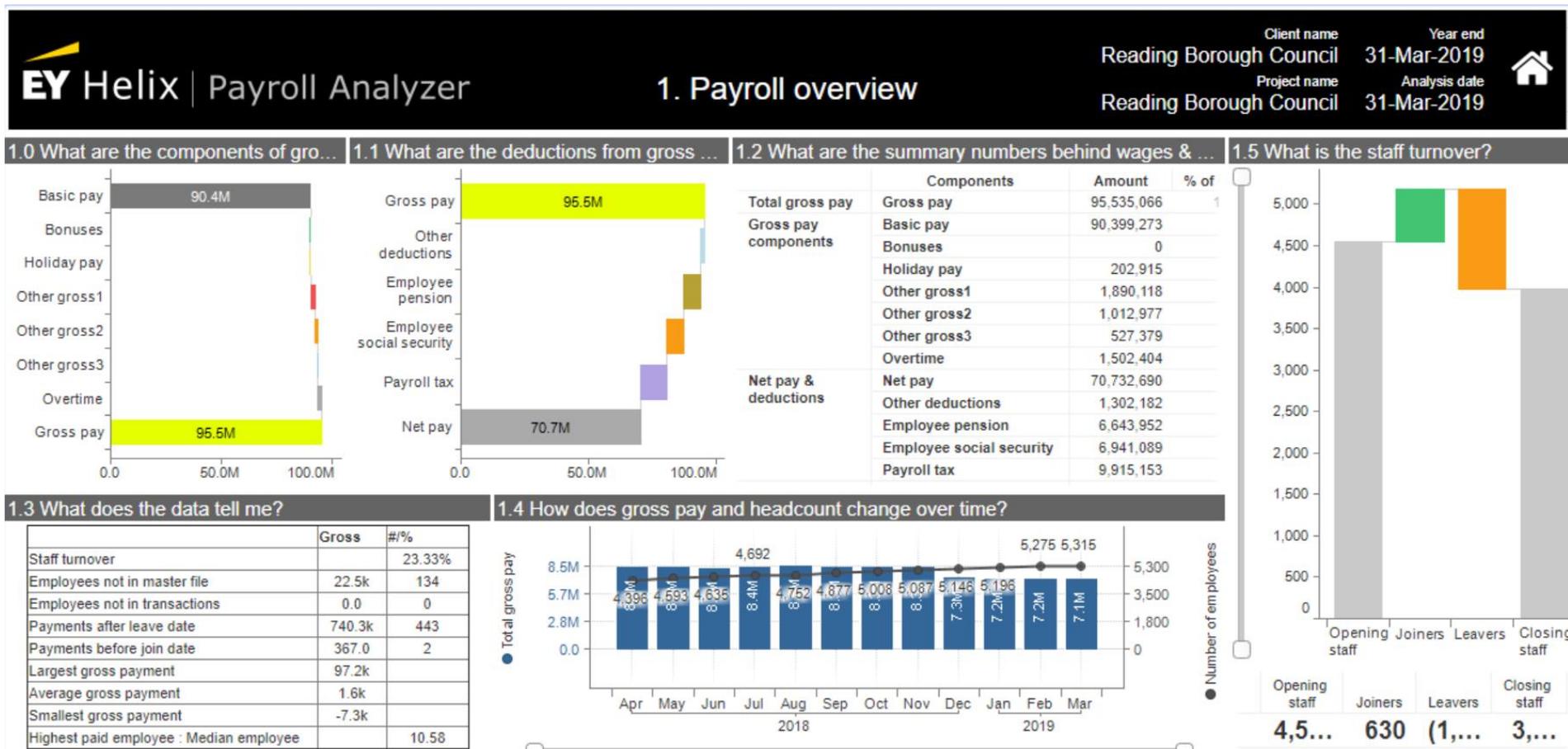
We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



Data Analytics

Payroll Analyser Insights

The graphic outlined below summarises the payroll data for 2018/19. We review transactions for payroll at a more granular level, which allows us to identify items with a higher likelihood of containing material misstatements or to identify unusual patterns within a population of data and to design tests of details. This allows us to provide a more effective and risk focused audit on payroll, improving efficiency for both audit and the management as we reduce the need for evidence support for larger random sample.



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Payroll Testing

What judgements are we focused on?

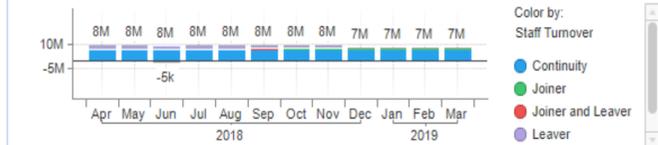
Using our analysers we are able to identify anomalies in the payroll data which allow us to focus our testing and enquires over unusual or unexpected transactions.

Payroll Data – 31 March 2019

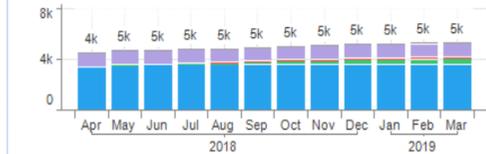
Select a variable from the drop down list below to view the analysis for different payroll transaction types. Select individual months in chart 4.0 to obtain transaction level data for the selected month, this will appear in 4.2 payment data drilldown.
Select variable: **Gross pay** Select frequency: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

4.0 Monthly summary: Gross pay by posting date

Gross pay Amount



Number of employees



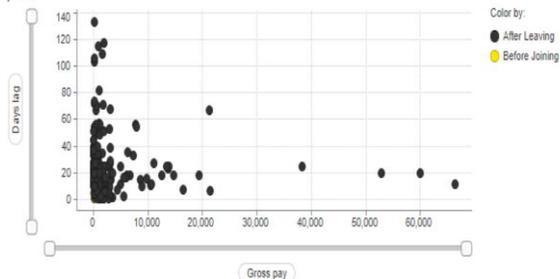
4.1 Monthly summary: Gross pay

Please select from bar or line graph in 4.0 to limit data shown.

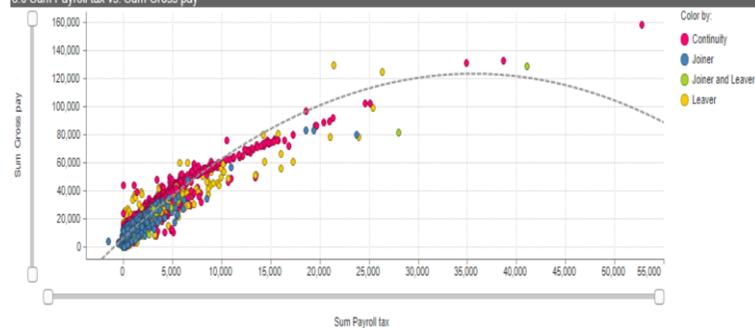
Year	Month	Total Gross pay	Avg Per Transaction	Number of transactions	% of Gross...	Nil Payment...	Monthly % ...
2018	Apr	8,384,336.20	1,907	4,396	100.00%	5/4396	
	May	8,334,553.58	1,815	4,593	100.00%	112/4593	-0.59%
	Jun	8,236,295.78	1,777	4,635	100.00%	294/4635	-1.18%
	Jul	8,389,973.33	1,788	4,692	100.00%	361/4692	1.87%
	Aug	8,496,164.26	1,788	4,752	100.00%	419/4752	1.27%
	Sep	8,299,913.74	1,702	4,877	100.00%	667/4877	-2.31%
	Oct	8,325,959.67	1,663	5,008	100.00%	725/5008	0.31%
	Nov	8,309,277.80	1,633	5,087	100.00%	852/5087	-0.20%
	Dec	7,301,124.28	1,419	5,146	100.00%	1314/5146	-12.13%
2019	Jan	7,212,441.40	1,388	5,196	100.00%	1379/5196	-1.21%
	Feb	7,155,226.46	1,356	5,275	100.00%	1482/5275	-0.79%
	Mar	7,089,799.43	1,334	5,315	100.00%	1556/5315	-0.91%
Grand total		95,535,065.93	1,620	58,972	100.00%	9166/58972	0.00%

7.1 Gross pay vs. days lag

This shows the employees paid before joining or after leaving. If an employee leaves and returns, it is possible for them to be paid both before joining and after leaving. In this case, the number of days on the vertical axis will be the number of days before they joined.



8.0 Sum Payroll tax vs. Sum Gross pay



What did we do?

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

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

What are our conclusions?

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



09

Independence

Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated January 2021.

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

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit & Governance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit & Governance Committee meeting on 19 July 2021.

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

Independence



Relationships, services and related threats and safeguards



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

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

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are set out in the following table. Further detail of all fees has been provided to the Audit & Governance Committee.

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

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

Independence

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31st March 2019.

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

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£	£
Total Audit Fee - Code work	TBC**	TBC**	108,938	528,304*
Housing Benefits	34,591	34,591	34,591	18,623
Non-audit work - Housing Capital Receipts	TBC***	6,500	6,500	6,000
Non-audit work - Teacher's Pensions	11,000	11,000	11,000	10,500
Total non-audit services	TBC***	51,591	51,591	34,623

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All figures are exclusive of VAT

* - Due to the extensive and pervasive issues identified during the 2017/18 audit certification was delayed by approximately 1.5 years and required significant additional audit input including significant specialist input. The 2017/18 accounts were qualified on a number of specific areas. An additional fee of £419,366 was incurred and this was approved by Public Sector Audit Appointments Ltd (PSAA) in January 2021 following review.

** - Given the significant issues identified in the 2017/18 audit, including qualification of the accounts, there will be additional fee on the 2018/19 audit. As the audit is still not complete we have not yet agreed this additional fee. Similar to 2017/18 the additional fee will be subject to approval by PSAA Ltd.

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



10 Appendices

Appendix A

Audit approach update

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

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

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

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

Appendix B

Summary of communications

Date 	Nature 	Summary 
January 2021	Report	The draft 2018/19 Audit Plan, including confirmation of independence, was issued to the Audit Committee.
January 2021	Meeting	The Associate Partner and senior members of the audit team met with the Audit Committee and senior members of the management team to provide an update on the status of the audit and to discuss the draft audit results report and specifically to discuss timelines for completion of the 2018/19 audit and also the indicative planned timescales for completion of the 2019/20 audit.
January 2021 through to July 2021	Meetings	There were a number of meetings to discuss progress with the audit and planned timings for completion - these were updated as progress was made so that all parties were up to speed on the latest position. This included senior officers including the Executive Director of Resources and senior members of the audit team including the Associate Partner.
May 2021	Meeting	The Associate Partner and senior members of the audit team met with the Audit Committee and senior members of the management team to provide an update on the status of the audit and to discuss the draft audit results report.
May 2021	Meeting	The Associate Partner and senior members of the audit team met with the Audit Committee and senior members of the management team to provide an update on the status of the audit and to discuss the audit results report and specifically to discuss timelines for completion of the 2018/19 audit and the planned timescales for completion of 2019/20.
July 2021	Meeting	The Associate Partner and senior members of the audit team met with the Audit Committee and senior members of the management team to provide an update on the status of the audit and to discuss the draft audit results report.
July 2021	Meeting	The Associate Partner and senior members of the audit team met with the Audit Committee and senior members of the management team to provide an update on the status of the audit and to discuss the audit results report and specifically to discuss the conclusion of the 2018/19 audit and the planned timescales for completion of 2019/20.

In addition to the above specific meetings and letters the audit team including the partner in charge of the audit met with the management team multiple times throughout the audit and held calls to discuss audit findings and specific technical issues.

Appendix C

Required communications with the Audit & Governance Committee

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

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the audit and governance committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report presented to the January 2021 Audit & Governance Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report presented to the January 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 ▶ Findings and issues regarding the opening balance on initial audits 	Draft Audit results report presented to the July 2021 Audit & Governance Committee

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	We have identified Covid-19 as an event or condition and we will be completing a process of internal consultation to determine the impact on our audit opinion.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Draft Audit results report presented to the July 2021 Audit & Governance Committee
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Draft Audit results report presented to the July 2021 Audit & Governance Committee
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	Draft Audit results report presented to the July 2021 Audit & Governance Committee

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	<p>Draft Audit results report presented to the July 2021 Audit & Governance Committee</p>
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report and audit results report presented to the January 2021 and July 2021 Audit & Governance Committee</p>

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Draft Audit results report presented to the July 2021 Audit & Governance Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Draft Audit results report presented to the July 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 and draft audit results report presented to the January 2021 and July 2021 Audit & Governance Committee respectively.

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Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Draft Audit results report presented to the July 2021 Audit & Governance Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Draft Audit results report presented to the July 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 July 2021 Audit & Governance Committee
See Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report and draft audit results report presented to the January 2021 and July 2021 Audit & Governance Committee respectively.
Certification work	<ul style="list-style-type: none"> ▶ Summary of certification work 	2018/19 Certification Report presented to the January 2019 Audit and Governance Committee.

Appendix D

Outstanding matters

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

Item 	Actions to resolve 	Responsibility 
Cashflow & Reserves	EY to review final Cashflow and Reserves at the end of the audit once all final amendments have been reflected in these accounts	EY and Management
Expenditure Testing (Top Up) - Children's and Environment	EY to complete additional top up testing as a result of the decrease in materiality	EY and Management
Prior Period Adjustments	EY to complete internal consultation and processes on these.	EY and Management
Financial Statement Review	Incorporation of EY review comments on the final set of financial statements	EY and Management
Going Concern Consultation	EY to complete review of Going Concern and submit for internal consultation with EY risk department	EY and Management
Internal review	EY to complete all internal reviews before final sign off	EY
Management representation Letter	Receipt of signed Management Representation Letter at the conclusion of the audit	EY and Management
Subsequent Events	Subsequent events to be completed up to date of signing including management enquiries	EY and Management
Technical Review of Accounts	Resolution of all matters highlighted as part of the EY Technical review of accounts	EY and Management



Appendix E

Management representation letter

Draft Management Rep Letter

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

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Reading Borough Council ("the Group and Council") for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Reading Borough Council as of 31 March 2019 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 for the Group and Council.

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

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

We acknowledge and accept the qualifications that you have highlighted in the following significant accounts and disclosures in respect of the Group and Council:

Short-term Creditors: Opening and Closing Balances;
Corporate Support Services Income

We also acknowledge the mis-statements which you have identified during your audit which has resulted in the qualifications on these areas. We comment further on the unadjusted mis-statements schedule later in this letter but for the sake of clarity any reference to unadjusted mis-statements refers solely to items not subject to any of the specific areas of qualification as noted above.

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



Appendix E

Management representation letter

Draft Management Rep Letter

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 for the Group and Council.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 for the Group and Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. **We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and council financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [please specify reasons]**

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

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



Appendix E

Management representation letter

Management Rep Letter (cont.)

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and council financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting of the Audit & Governance Committee on 19 July 2021.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter dated 29 October 2020 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

Management representation letter

Management Rep Letter (cont.)

D. Liabilities and Contingencies

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

E. Subsequent Events

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

F. Group audits

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

G. Other information

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

H. Going Concern

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

I. Ownership of Assets

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

J. Reserves

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

K. Use of the Work of a Specialist

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

L. Asset Valuation Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 for the Group and Council.
2. We confirm that the significant assumptions used in making the asset valuation estimates appropriately reflect our intent and ability to carry out planned uses of assets valued.



Appendix E

Management representation letter

Management Rep Letter (cont.)

3. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 for the Group and Council.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events, including due to the COVID-19 pandemic.

M. Retirement benefits

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

Yours faithfully,

Darren Carter - Executive Director of Finance

Councillor David Stevens - Chair of the Audit & Governance Committee

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