

To: Councillor J Williams (Chair)
Councillors Dennis, Edwards, Emberson,
Gittings, Mitchell, Terry and Thompson

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20 September 2022

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

NOTICE OF MEETING - AUDIT AND GOVERNANCE COMMITTEE 28 SEPTEMBER 2022

A meeting of the Audit and Governance Committee will be held on Wednesday, 28 September 2022 at 6.30 pm in the Council Chamber, Civic Offices, Reading. The Agenda for the meeting is set out below.

	<u>WARDS AFFECTED</u>	<u>Page No</u>
1. DECLARATIONS OF INTEREST		
2. MINUTES OF THE PREVIOUS MEETING HELD ON 19 JULY 2022		5 - 10
3. QUESTIONS		
4. 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	11 - 46
5. INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT To receive a report on the external quality assessment of internal audit.	BOROUGH WIDE	47 - 70
6. STRATEGIC RISK REGISTER Q1 & Q2 2022/23 To receive a report on the Council's Strategic Risk Register for Quarter 2.	BOROUGH WIDE	71 - 90
7. IMPLEMENTATION OF THE FINANCE IMPROVEMENT PROGRAMME - UPDATE REPORT	BOROUGH WIDE	Verbal Update

CIVIC OFFICES EMERGENCY EVACUATION: If an alarm sounds, leave by the nearest fire exit quickly and calmly and assemble on the corner of Bridge Street and Fobney Street. You will be advised when it is safe to re-enter the building.

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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|--|-------------------------|----------------------|
| 8. ANNUAL GOVERNANCE STATEMENT 2021/22 | BOROUGH
WIDE | 91 - 104 |
| To receive a report on the draft Annual Governance Statement for 2021/22 for publication with the Council's accounts. | | |
| 9. INFORMATION GOVERNANCE QUARTERLY UPDATE | BOROUGH
WIDE | 105 -
110 |
| This report provides an update on the actions in progress to improve the Council's policies, systems and processes around Information Governance. | | |
| 10. QUARTER 1 PERFORMANCE REPORT (2022/23) | BOROUGH
WIDE | 111 -
160 |
| This 2022/23 Quarter 1 Performance and Monitoring Report was presented to Policy Committee on 21 September 2022. The report also sets out performance against the measures of success published in the Council's Corporate Plan. | | |
| 11. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER | | 161 -
174 |
| This report sets out a summary of those high and medium risk Internal Audit recommendations which remain outstanding together with an updated management response. | | |
| 12. CLOSING FINANCIAL ACCOUNTS UPDATE | BOROUGH
WIDE | 175 -
180 |
| This report provides an update on progress to complete the audit of the Council's Final Accounts for 2019/20 and the preparation for the 2020/21 and 2021/22 accounts. | | |
| 13. DRAFT AUDIT RESULTS REPORT | | 181 -
252 |
| This report summarises the preliminary audit conclusions in relation to the audit of Reading Borough Council and Group for 2019/20. | | |

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AUDIT AND GOVERNANCE COMMITTEE MINUTES - 19 JULY 2022

Present: Councillors Williams (Chair), Glenn Dennis, Edwards, Emberson, Gittings, Mitchell, Terry and Thompson;

In attendance Councillor Brock (via Microsoft Teams).

1. CHAIR'S ANNOUNCEMENTS

The Chair proposed a vote of thanks to David Stevens, who had previously chaired the Audit & Governance Committees since its establishment in May 2011. Councillor Dennis and Councillor Mitchell added their appreciation of David's service to the Audit & Governance Committee and the Council generally, which he had been a member of for 18 years until May 2022.

Resolved: That the Committee record its thanks to David Stevens for his dedicated service as chair of the Audit & Governance Committee between May 2011 and May 2022.

2. MINUTES

The Minutes of the meeting of 12 April 2022 were confirmed as a correct record and signed by the Chair.

3. QUESTIONS

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

	Questioner	Subject	Answer
1.	Mr J Wellum	Openness and Transparency with Council Data	Cllr Terry

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

4. INTERNAL AUDIT ANNUAL ASSURANCE REPORT

Paul Harrington, Chief Auditor, submitted a report setting out at Appendix 1 the Internal Audit Annual Assurance Report of the Chief Auditor, as required by the Accounts and Audit regulations and the Public Sector Internal Audit Standards. The report gave the Chief Auditor's opinion on the overall adequacy and effectiveness of the organisation's governance arrangements, risk management and internal control environment, drawing attention to any issues particularly relevant to the preparation of the Annual Governance Statement. It also set out key themes arising from the work of the Audit Team during the 2021/2022 financial year, and compared the audit work undertaken with that planned, summarising the performance of the Internal Audit function against its performance measures and targets.

The report explained that, on the basis of work completed during the course of the year, the Chief Auditor had concluded, that whilst no assurance could ever be absolute,

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he could give 'Reasonable Assurance' that arrangements to secure governance, risk management and internal control were in place in 2021/22. The basis for the assurance opinion was set out in section 2 of the report and the key areas for improvement identified during the audit work were set out in section 4. Whilst this demonstrated progress on the previous two financial years and the direction of travel was one of improvement, there was still more work to be done. The opinion did not imply that Internal Audit had reviewed all risks relating to the organisation and assurances should be taken from other sources, such as recommendations following the LGA Corporate Peer review.

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

5. INTERNAL AUDIT QUARTERLY UPDATE REPORT

Paul Harrington, Chief Auditor, submitted a report providing an update on key findings emanating from Internal Audit reports issued for the period 1 April to 30 June 2022. The report set out a summary of the audit reports in respect of: Treasury Management; Accounts Receivable; and Client Contributions. The report also listed the audits that were currently in progress and gave a summary of investigations work between 1 April to 30 June 2022.

Resolved: That the audit findings be noted, and the recommendations and management action underway, as set out in the Internal Audit & Investigations Quarter 1 Update Report, be endorsed.

6. RISK MANAGEMENT POLICY AND PROCEDURE

Paul Harrington, Chief Auditor, briefed the meeting on a report on the updated Risk Management Policy and Procedure document for consideration before onward submission to Policy Committee on 21 September 2022. The document had been updated to reflect best practice and to incorporate a formal Risk Management Procedure including clear instructions on how to utilise the SharePoint site to record and update risks. The aim of the Policy would be to identify, analyse and appropriately manage potential threats and opportunities posed by risk. The updated Risk Management Policy and Procedure was appended to the report for comment.

Resolved: That the Council's Risk Management Policy and Procedure, as attached to the report at Appendix 1, be recommended for adoption by Policy Committee at its meeting on 21 September 2022.

7. 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

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Phase I delivery and developing the financial management culture and governance framework across the Council.

The audit tracker recommendations (see Minute 9 below) continued to be included within individual workstream deliverables where appropriate and were managed as part of the Plan. There were now 17 (previously 9) recommendations within the tracker covered by the Finance Improvement Programme. These were rated as; Red 8 (2), Amber 4 (3), and Green 5 (4). The increase in recommendations and the number of those 'red' rated related to recent audits on Reconciliations and Accounts Receivable which had been completed since the last Committee.

The report highlighted each workstream's terms of reference and progress against the Plan. The report set out each workstream's RAG rating for its deliverables and Audit Tracker recommendations with the previously reported numbers shown in brackets for reference.

The report also set out the progress made to re-procure the finance system, which was being carried out by the Finance System Board, comprising stakeholders from each Directorate and BfC. System testing by the project team would be carried out in August and September 2022 and would be followed by system testing by users across all Directorates and BfC. The timing of training for all service users and final preparations for go-live would be confirmed in July 2022

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

8. INFORMATION GOVERNANCE QUARTERLY UPDATE

Michael Graham, Assistant Director of Legal & Democratic Services, presented a report outlining the action underway to improve the Council's policies, systems and processes for Information Governance following several limited assurance reports in this area.

The report provided an update on: recruitment to key posts in the Information Governance Team and the interim arrangements in place to cover the backlog of Subject Access Requests; the Central Management of FOI requests through the Customer Relations Team, which was aiming to increase responses within the required timescale to 90%, as expected by the Information Commissioner's Office; data transparency had been improved with the relevant information and sources of data now being identified and a Transparency Code page added to the Council's website; the work of the Information Governance (IG) Board; and the adoption of the Information Management Strategy by Policy Committee on 7 March 2022 (Minute 83 refers). In relation to the Strategy, the next step would be to train the Information Asset Owners (IAO), identified as the Assistant Directors and then to recruit an Information Champion (IC) from each service area to work with the Information Governance Team to roll out the further actions identified. The Committee would receive quarterly progress reports on implementation of the Action Plan, which would be overseen by the IG Board.

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The report also outlined the progress made on training being undertaken on Cyber Security and Information Governance, which had continued to improve since the last meeting in April 2022.

Resolved: That the progress being made to improve the Council's Information Governance be noted and the future action outlined in the report be endorsed.

9. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER

Jackie Yates, Acting Chief Executive, presented a report setting out progress with the Implementation of Audit Recommendations.

The report explained that each recommendation set out in Appendix 1 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.

The tracker report now had 96 high and medium risk recommendations from Internal Audit, of which 21 (21.9%) were currently green but not complete, 41 (42.7%) were amber and 16 (16.7%) were red. Eighteen recommendations had now been completed and would be removed from the next report and seventeen recommendations had been added to the tracker since the last report.

The Committee noted that the responses to the risks set out in the Appendix to the report included the Audit completion date, but not the date by which the recommendations should be implemented. The Committee requested that officers should look at how this information could be included in future reports, whilst ensuring that the content of the recommendation tracker remained manageable.

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.

10. ANNUAL TREASURY MANAGEMENT REVIEW 2021/22

Darren Carter, Director of Finance, submitted a report on the Council's Treasury Management Strategy and Annual Investment Strategy for 2021/22. The Treasury Management Strategy required an Annual Outturn Report reviewing the Treasury Management activity which had taken place during the year.

The report stated that the Council had continued to finance capital expenditure through maximising the use of capital receipts, capital grants and internal borrowing. During 2021/22 the Council had not taken out any long or short-term loans. The Council had not experienced any significant cashflow difficulties during the year due to the Covid-19 pandemic as although cash inflows had been reduced due to income losses, particularly from chargeable services such as car parking and leisure, they were offset by the receipt of additional one-off grant funding from Central Government and slippage in the Capital Programme.

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Overall, the Council had under borrowed by £206.614 million as at 31 March 2022. As a consequence, the Council had effectively avoided incurring external interest costs in the order of £7m during 2021/22, based on the average rate for the existing debt portfolio of 3.39%. Against the 2021/22 General Fund budget the Capital Financing budget came in online as reported in the 2021/22 Quarter 4 Performance report to Policy Committee on 11 July 2022. This budget included interest payable, interest receivable and Minimum Revenue Provision (MRP) and the setting aside of revenue funds for the future repayment of outstanding borrowing.

The report confirmed that the Council had not breached any of its treasury management performance indicators during 2021/2022. The Borrowing and Investment portfolios were appended to the report for further information.

Resolved: That the Treasury Management Outturn Report for 2021/22 be noted.

11. 2021/22 QUARTER 4 PERFORMANCE AND MONITORING REPORT

Darren Carter, Director of Finance, submitted a report, which had been considered by Policy Committee on 11 July 2022 (Minute 18 refers) setting out the projected revenue and capital outturn positions for 2021/22 for the General Fund and the Housing Revenue Accounts as at the end of March 2022 (Quarter 4). The report also summarised performance against the measures of success published in the Council's Corporate Plan. The following documents were attached to the report:

- Appendix 1 - General Fund Outturn;
- Appendix 2 - Housing Revenue Account (HRA) Outturn;
- Appendix 3 - Capital Programme Outturn;
- Appendix 4 - Savings;
- Appendix 5 - Delivery Fund;
- Appendix 6 - Reserves Position as at 31st March 2022;
- Appendix 7 - Corporate Plan Measures for Quarter 4;
- Appendix 8 - Corporate Plan Measures for Quarter 4 (Charts);
- Appendix 9 - Corporate Plan Projects for Quarter 4;
- Appendix 10 - Debt Write-Offs (not for publication).

Resolved: That the 2021/22 Quarter 4 Performance and Monitoring Report and the recommendations set out and approved by Policy Committee on 11 July 2022 be noted.

12. CLOSING FINANCIAL ACCOUNTS UPDATE

Mark Sanders, Chief Accountant, submitted a report on progress towards the completion of the audit of the Council's Final Accounts for 2019/20 and the preparation for the 2020/21 and 2021/22 accounts.

In relation to the 2019/20 accounts, there were two areas of work in progress which had now been completed, as follows: Cash Income Suspense - verifying that income collected should be set against debtors; and Inter Company Accounts - Verifying offsetting Debtor / Creditor Balances between Reading Borough Council and its wholly owned subsidiary Brighter Futures for Children, which would enable the external

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auditors, EY, to consider their view on the accounts. The final sign off would need to take account of the outcome of a technical CIPFA consultation on temporary changes to accounting for Infrastructure Assets. This consultation was affecting nearly all local authorities which may delay the receipt of formal audit opinions whilst the matters were being considered at a national level. Although it was not clear when the relevant Accounting Codes of Practice would be updated following the results of the consultation, it was anticipated that further information would be available in August 2022.

The report also highlighted the latest national data on the completion of audit opinions, which demonstrated that the sector was facing significant challenges in completing external audits. Up until 31 May 2022, a total of 51 local authorities had not had Audit Opinions issued for 2019/20, with a further 19 opinions delayed from earlier years. There were clearly several issues still being addressed at other authorities, and these issues presented a significant challenge for the sector to overcome and impact on external audit resource planning.

The Council's External Auditors, EY, had confirmed they would allocate their resources to begin the 2020/21 audit process at the beginning of August 2022 with the aim these accounts would be signed off by December 2022. This should, subject to any remaining audit matters arising, enable the draft 2020/21 accounts to be published for public inspection during August 2022. In relation to the 2021/22 accounts, the first stage in the production had been completed. Although focus would shortly turn to the 2020/21 process, many of the working papers for both years could be prepared and reviewed concurrently. The intention would be for the 2021/22 Statement of Accounts to be made available for public inspection in January 2023 to coincide with the external audit work commencing, subject to agreement with EY.

Resolved:

- (1) That progress made on the audit of the accounts for 2019/20, and the preparation for following years' 2020/21 and 2021/22 accounts, be noted;
- (2) That the Director of Finance, in consultation with the Chair of Audit & Governance Committee, be authorised to sign off the Statement of Accounts for 2019/20 on behalf of the Council.

13. EXTERNAL AUDIT PROGRESS UPDATE

Adrian Balmer, Ernst & Young (EY), gave a brief verbal update from the external auditors' perspective on the position in relation to the audit of the accounts for 2019/20 and 2020/21.

Resolved: That the progress update by EY be noted.

(The meeting commenced at 6.30pm and closed at 8.15pm).

READING BOROUGH COUNCIL
DIRECTOR OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	28 September 2022		
TITLE:	INTERNAL AUDIT QUARTERLY UPDATE REPORT		
LEAD COUNCILLOR:	COUNCILLOR TERRY	PORTFOLIO:	CORPORATE SERVICES & RESOURCES
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 the Internal Audit and Investigations Team for the period 1 July to the 30 September 2022.
- 1.2 The following document is appended:
 - Appendix 1 - Internal Audit & Investigations update report
 - Appendix 2 - Deferred Payments Internal Audit Report

2. RECOMMENDATIONS

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

3. SUMMARY

- 3.1 The primary objective of each audit is to arrive at an assurance opinion regarding the robustness of the internal controls within the financial or operational system under review. Where weaknesses are found Internal Audit will propose solutions to improve controls, thus reducing opportunities for error or fraud. In this respect, an audit is only effective if management agree audit recommendations and implement changes in a timely manner.
- 3.2 A total of five audit reviews were finalised in the period between July and September 2022, with four receiving a positive opinion and one receiving a negative opinion. In addition, six grants were certified to confirm they had met the conditions of the grant determination.

3.3 Substantial Assurance Opinion Reviews

3.3.1 The general impression given following an audit of **Waste Management Operations** is a well-run service that was operating efficiently. The governance in place for use of agency staff, sickness absence monitoring, round allocations we found to be robust and operating well. Statistically the rate of complaints is below 1% and that around 0.4% of all bins are missed of an estimated 7.2 million bins emptied each year.

3.4 Reasonable Assurance Opinion Reviews

3.4.1 A review of **Rent Accounting** reported debt collection and recovery policies were in place, with debt monitoring and income collection regularly reported at management and committee level. However, debt recovery performance on former tenants could be improved. The administration of rent accounting for Homes for Reading (HfR) properties also requires some improvement, with a consistent approach to calculating rent increases required.

3.4.2 A follow up review benchmarking the council's compliance with the **Local Government Transparency Code 2015** noted that whilst good progress has been made since the last audit with regard to the 14 areas of information required by the Code, there is still work to be done to be fully compliant and ensure that it this remains the case.

3.4.3 A follow-up review, since our last audit of **Freedom of Information (FOI)** compliance, noted that whilst progress has been made, there remain some gaps in control. Processes are now more automated; guidance has been published and performance monitoring has improved. Notwithstanding these measures, performance across the council remains disappointingly low¹, despite some pockets of improved performance which have been reported to previous A&G Committee meetings. The council aspires to meet the 90% response rate expected by the Information Commissioner and this has been included as a Corporate Plan KPI.

¹ 66.9% and 67.3% met the 20-day timeline in the last two quarters of 2021-22

3.5 Limited Assurance Opinion Reviews

3.5.1 Whilst the volume of reported Deferred Payment Agreements is relatively small, we concluded that processes which underpin the administration of **Deferred Payments** require improvement. This is primarily due to most deferred payment applications being either progressed as a solicitor's undertaking or remaining as an unsecured interim funding arrangement. Inadequate internal processes, combined with poor communication, and coordination between Adult Social Care and Legal Services, has resulted in deferred payment applications not being processed on a timely basis.

3.6 No Assurance Opinion Reviews

3.6.1 N/A

4. Consultancy work

4.1.1 The definition of Internal Audit outlines the scope of the Internal Audit function which is not limited to assurance but includes a consultancy activity. Internal Audit's purpose is to be the 'critical' friend by questioning process and controls within the outturn of these groups. With this in mind the Internal Audit function is currently involved in a number of boards/groups across the Council, including:

- SharePoint Strategy and Data Migration Group. - To ensure that only required information is migrated to SharePoint sites by identifying owners of information to be migrated to SharePoint and the structures within it.
- Office 365 realisation Project - involved in the promotion of Office 365 and cascading key messages and functionality. Being the conduit between the end user and project team.
- Finance Transformation and Systems Board - attended by the Chief Auditor, with audit staff in the design and build stages.

4.1.2 In addition to these formal groups and forums, Internal Audit provides advice on an adhoc basis, most recently this has included:

- School Support - in the production of standard manuals and guidance documents in good governance and financial management of schools
- School Effectiveness Forum -coordinating cross-Council support to ensure Reading schools demonstrate effective leadership and management

5. Resources

- 5.1 There is currently two long-term sickness in the Audit Team, of which one post has been temporarily backfilled by an agency member of staff. The other post has been covered by internal promotion, creating a vacancy which we will look to fill on a permanent basis following a recruitment exercise. This will no doubt impact on the ability of the Team to complete the audit plan in its entirety, with resources predicted to be considerably stretched in Quarter 3 of this financial year.
- 5.2 The Committee will be kept informed of developments and any future appointments going forward.

6.0 Investigations

- 6.1.1 Since April 2022, we have received a total of 8 blue badge misuse referrals, all of which were investigated. 1 case was successfully prosecuted in April 2022, and 5 cases have been sent a formal warning letter and the remaining cases under ongoing investigation.
- 6.1.2 Officers have commenced investigation into several referrals of tenancy fraud, with 26 cases ongoing and since April 2022 3 properties having been returned. The team has also assisted in the return to stock of 2 Registered Social housing landlords' properties.
- 6.1.3 There is one ongoing direct payment investigation (Adults) currently in progress, which is linked to potential money laundering offences and in a separate case are working with RBC legal services to recover £16k in misused monies linked to an ongoing investigation into direct payment fraud.
- 6.1.4 Officers have been working with Adult Social Care (ASC) in reviewing high-cost cases to ensure monies are being spent in accordance with the care plans. £51k had been recouped, out of a potential £97.5k.
- 6.1.5 The investigations team have recently achieved a successful prosecution, in respect of a fraudulent Covid Business Grant Claim, with the defendant admitted to fraud by false representation and made to pay compensation of £10,000 to RBC. The defendant was also handed a community order to undertake 100 hours of unpaid work.

7. CONTRIBUTION TO STRATEGIC AIMS

7.1 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.

8. COMMUNITY ENGAGEMENT AND INFORMATION

8.1 *N/A*

9. LEGAL IMPLICATIONS

9.1.1 Legislation dictates the objectives and purpose of Internal Audit the requirement for an Internal Audit function is either explicit or implied in the relevant local government legislation.

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

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

9. FINANCIAL IMPLICATIONS

9.1 *N/A*

10. BACKGROUND PAPERS

10.1 *N/A*

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Appendix 1

Internal Audit & Investigations

Quarterly Update Report Q2

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 2 of the 2022/2023 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	Waste Operations	0	2	0	Substantial

- 2.1.1 This audit reviewed the arrangements for waste collection after a period of reorganisation over the summer of 2021. This included a review of the use of personnel resources, including overtime, shift patterns, rounds and use of agency staff. Vehicle management, including monitoring of rounds, vehicle usage and accident rates was also appraised.
- 2.1.2 The general impression given as a result of the audit is that Waste Management is a well-run service that was operating efficiently. Statistically the rate of complaints is below 1% and that around 0.4% of all bins are missed of an estimated 7.2 million bins emptied each year.
- 2.1.3 The audit found there was clear evidence of sickness and absence procedures in place and being utilised.
- 2.1.4 At the time of audit (April/May 2022), the usage of agency staff had been declining and the full-time roster was just above the establishment level. However, during the summer of 20222, the service has seen an increase in sickness, inc long term cases which has led to agency use and overtime increasing to get rounds completed each week.
- 2.1.5 The fleet is tracked and recorded via Fleet Management and route completion is monitored through operatives completing information on pads and this is stored on the White Space database which shows the round details and completions.
- 2.1.6 There was room for improvement in data collection and management to reinforce performance monitoring and it was suggested that there was a greater interface between the data collected in respect of rounds; crewing and vehicle usage to present a more complete accessible dataset for performance measurement.
- 2.1.7 There was no reporting of vehicle accident data to the operational management at the current time and these issues were dealt with purely by the fleet management rather than being incorporated into overall performance monitoring.

	Recs			Assurance	
2.2	Rent Accounting	0	6	4	Reasonable

- 2.2.1 The purpose of the audit was to confirm that all Reading Borough Council (RBC) and Home for Reading (HfR) properties were identified and accurately recorded in the rent accounting system, the gross rent and other charges had been correctly calculated in respect of each dwelling and correctly credited to tenants rent accounts and that all tenancy charges were correctly approved and recorded.
- 2.2.2 RBC rent increases for 2022/23 had been appropriately approved, notified to tenants in a timely manner and implemented from April 2022. For HfR properties, annual rent increases were applied on the anniversary of the tenancy at the lower of CPI+0.5% and 4%. Whilst these had been implemented in a timely manner, notifications of the increase to tenants had not been located in all instances. In addition, there were several instances where lower increases had been applied without authorisation and an appropriate audit trail, and inconsistency in the calculations.
- 2.2.3 Whilst we found a clear record of rent increase calculations for RBC properties for 2022/23, calculations for HfR increases were not documented other than on the letter of notification to the tenants. HfR tenancies due a rent increase were identified manually and were therefore subject to possible error and omission.
- 2.2.4 There was a separate rent account for each RBC and HfR letting with a unique reference number, with rent accounts showing payments received, allowances given, refunds and arrears history. Rent payments were set up in a timely manner with monies allocated to Ohms¹ rent accounts. Payments received in Civica² were automatically transferred to Ohms overnight. Daily cash reconciliations between Civica and Ohms were conducted, including review of the Ohms suspense account.
- 2.2.5 Debt collection and recovery policies were found to be in place, with debt monitoring and income collection regularly reported at management and committee level. It was noted, however, that debt recovery performance on former RBC and HfR tenants could be improved.

¹ Northgate OHMS Housing Rents System

² The council's cash receipting system

- 2.2.6 Debt monitoring and income collection were included as part of the quarterly financial reporting to Policy Committee. The 2020/21 year-end collection rate of 97.61% (which exceeded the target 97.4%) and positive variance on bad debt provision was reported as part of 2020/21 outturn report to July 2021 Policy Committee. Rent collection/arrears figures were regularly discussed at AD performance management meetings and the overall collection rate reported to Finance each month. For 2021/22, this had ranged between 97.53-97.91% and it was noted that more than half of the HRA debt was in excess of two years old. The Housing Income Team Leader also received weekly reports of actions taken by Officers in relation to monitoring of debt.
- 2.2.7 Whilst quarterly reconciliations were conducted between Ohms and Oracle Fusion³ by Accountancy, reconciliations between the RBC and HfR property databases and Ohms had not been completed for 2021/2022.
- 2.2.8 Policies and procedures were generally in place, although they would benefit from review and updating, as appropriate.
- 2.2.9 Officers were required to declare any interests prior to being granted access to the rents system (Ohms). However, users' access could not be blocked to specific accounts nor could access by an individual to a specific account be proved.

	Recs			Assurance
2.3	Transparency Code (Follow up)			Reasonable

- 2.3.1 The purpose of the audit was to benchmark the council's compliance with the Local Government Transparency Code 2015 and to highlight those areas where attention is required. It was not the purpose of the audit to confirm the accuracy of the supporting data provided.
- 2.3.2 The last audit undertaken in 2020 flagged areas of concern that needed appropriate consideration and action. The original audit report identified that due to a lack of oversight, the council had ceased to comply with the statutory requirements of the Transparency Code and created 66 freedom of information requests which could have otherwise been averted by the transparent publication of this information. Although the Code requires the summarisation of 14 areas of information, at the time of the audit only 2 of these areas were fully compliant, 5 were partially compliant and 7 areas failed to comply.

³ Oracle Fusion - council's financial management system

- 2.3.3 This audit follow-up review noted that whilst progress has been made since the last audit with regard to the 14 areas of information required by the Code, one of the original management actions remained outstanding. For information, as of 12 July 2022, 10 of these areas were now fully compliant, 3 were partially compliant and 1⁴ area failed to comply at the time of the audit but has since been rectified.
- 2.3.4 The Transparency Code procedures are still in a draft format and include information required to comply with the code, information that must be published quarterly to comply, and the service areas that own the data. There is evidence within the draft procedures that they include and address the majority of the audit concerns, however the requirement for a protocol for publishing historical information from previous years is missing. We would also like it to be much more specific and turned into a standard operating procedure explaining “this is what to do” and “this is how to do it”.
- 2.3.5 There is no evidence of a review of the data being done quarterly by the Information Governance (IG) team and a report to the IG Board or CMT, rather there is only anecdotal evidence that this is occurring.
- 2.3.6 A total of 2 recommendations were made in respect of the original review, of which one was considered high priority. Neither of the two original recommendations have been fully implemented, and both require further management action, at the time of audit testing in June 2022.

	Recs			Assurance
2.4	Freedom for Information (Follow up)	-	-	Reasonable

- 2.4.1 The Freedom of Information Act (FOI) 2000 provides public access to information held by public authorities. It does this by requiring public authorities to publish certain information about their activities and enabling members of the public to request information from them.

⁴ Local authorities must publish the following information annually, about their counter fraud work: number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers, total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud, total number (absolute and full time equivalent) of professionally accredited counter fraud specialists, total amount spent by the authority on the investigation and prosecution of fraud, and total number of fraud cases investigated.

- 2.4.2 The internal audit undertaken in 2019, flagged a significant number of areas of concern that needed appropriate consideration and action to ensure that the council adequately responded to and addressed various potential and significant risks in this area. The audit concluded that Reading Borough Council (RBC) complied with the basic principles of the Freedom of Information Act (FOIA), although processes followed did not necessarily facilitate timely responses.
- 2.4.3 In April 2020 we reported some good progress had been made in implementing audit recommendations and indeed, the quick wins, those not requiring budget and significant resource input, had been implemented and were found to be working well.
- 2.4.4 This recent audit follow-up review noted that whilst further progress has been made since the last audit, there remain some gaps in control which mean that certain risks for the council remain.
- 2.4.5 The management of the council and Brighter Futures for Children (BFfC's) FOI's were centralised in April 2020 and are now managed by the Customer Relations Team (CRT). This team sits under the Service Manager for the Customer Relations & Information Governance. The Information Governance Team is responsible for carrying out internal reviews of FOI's, responding to enquiries from the ICO about FOI's and giving advice to council officers on how to deal with complex FOI's. The Customer Relations & Information Governance Manager reports to the AD for Legal and Democratic Services.
- 2.4.6 In March 2021 the team implemented a system (Granicus FOI Module) which automated the FOI management and response service. Operationally within the CRT and the wider council, this module is known as 'Firm Step' or 'Dash'. The Module allows the customer to log their FOI via the RBC website, this page has guidance information for the customer around the FOI Act. The system generates an acknowledgement email to the customer and reminder emails to the officer until they complete the task allocated to them.
- 2.4.7 FOI performance reporting has improved following the implementation of the Granicus FOI Module, with annual and quarterly reports submitted to CMT and A&G. We've advised that consideration should now be given to expanding this performance data to include the rates of disclosure of requested information, the numbers of exemptions applied when withholding information and the outcome of internal reviews and external appeals. In addition to the quarterly and annual reports, weekly updates on new and outstanding FOI's are emailed to Directorate Management Teams.

2.4.8 Guidance has now been publicised for staff to follow and training has been made available and therefore officers are more aware of their responsibilities in the process. There is a need, however, for this guidance to be updated and incorporate the operational processes in the FOI module and include the original audit requirements in terms of the service standards and performance targets based on statutory requirements.

2.4.9 Notwithstanding these measures, performance across the council remains disappointingly low⁵, despite some pockets of improved performance which have been reported to previous A&G Committee meetings. The council aspires to meet the 90% response rate expected by the Information Commissioner and this has been included as a Corporate Plan KPI.

2.4.10 Out of a total of 13 recommendations made following the original audit, 9 have now been fully implemented, and 4 had been partially implemented and require further management action.

		Recs			Assurance
2.5	Deferred Payments	1	8	0	Limited

2.5.1 A Deferred Payment Agreement (DPA) is an arrangement with the local authority that enables people to use the value of their homes to help pay for care home costs. If eligible, the local authority will help to pay a client’s care home bills on their behalf. The client can delay repaying the local authority until they choose to sell their home, or until after their death.

2.5.2 DPAs don’t work in the same way as a conventional loan. Instead of loaning a fixed sum of money, the council pays the care costs on the person’s behalf and allows the agreed care costs to accrue (with interest) under a legal Deferred Payment Agreement (secured against the property). This loan must be repaid in full (plus interest and administration costs) when their property is sold or from their estate.

2.5.3 Since April 2015, DPAs have been available from all local authorities across England. Annual statistics published by the NHS, records the average number and value of outstanding deferred payments per local authority in England as at the 31 March 2021 was 42.6 and £1,570m respectively. In context, RBC reported it had 5 DPA’S at a total value of £470k as at the 31 March 2021 compared to a Berkshire average of 17.5 DPA’s at an average value of £1.31m.

⁵ 66.9% and 67.3% met the 20-day timeline in the last two quarters of 2021-22

- 2.5.4 Whilst the volume of reported DPA's is relatively small, this could be due to the number of applications progressed as a solicitor's undertaking⁶. No information is collected by the NHS specifically for care organised under an interim funding arrangement or where a property has been secured using a solicitor's undertaking.
- 2.5.5 We concluded that communication and coordination between services in Adult Social Care and Legal Services needs to be improved to ensure deferred payment applications are processed on a timely basis. We found that most deferred payment applications had been either progressed as a solicitor's undertaking or remained as an unsecured interim funding arrangement. Hence there is a risk of carrying higher levels of unsecured debt than potentially necessary because deferred payment applications are not being processed on a timely basis.
- 2.5.6 The process would benefit from an overarching DPA register to help reconcile the completeness of records, legal agreements, and supplementary documents, as currently there is too much reliance upon 'officers' knowledge. The audit found it difficult to reconcile the precise number of DPA's, with MOSAIC recording 22 DPA's in April 2022, albeit only 13 records recorded any DPA information. The remaining 9 were recorded as an interim funding arrangement.
- 2.5.7 There is a lack of supporting estate agent valuations on file to substantiate the valuation of properties used as the basis for security for the care loan. Also there does not appear to be any procedures to ensure annual re-valuations are carried out so that the latest market values are considered, increasing the risk that the equities which form the basis for calculating the level of debt, declared on the annual statement for the customer, are incorrect.
- 2.5.8 We are satisfied that there are arrangements in place to monitor the recovery status of these debts on a regular basis by the Social Care Debt Monitoring Group, albeit we understand further emphasis to include interim funding arrangements and solicitor undertaking cases may be required to enable a fuller analysis of the DPA position.
- 2.5.9 The Deferred Payments Internal Audit Report is attached in appendix 2.

⁶ Legal Services have commented "The Care Act lists a solicitor undertaking as security that a local authority would accept for DPA cases. A solicitor's undertaking is a binding promise and for this reason solicitors only ever give undertakings if they know they can be fulfilled as failure to do so can result in the solicitor being struck off. With regards to sale of a property a solicitor usually will give an undertaking at the stage they know the property is about to sell - sometimes you do get this in advance in DPA cases but very rarely is this the case."

2.6 Grant Certifications

Covid-19 NHS Test and Trace Support Payment Scheme Grant

- 2.6.1 The common purpose of these grants was to provide support to local authorities in England towards expenditure lawfully incurred or to be incurred in relation to the delivery of the Test and Trace Support Payment scheme. The scheme aimed to support people on low incomes who have been told to self-isolate and who are unable to work from home and will lose income as a result. RBC received £905,828 made up of seven separate grant determinations.
- 2.6.2 From a 5% block sample test of payments made, we are satisfied there were satisfactory procedures in place for recording and substantiating the legitimacy of payments against applications and isolation documentation, and that these were correctly paid and accounted for during 2020/21.

Covid-19 Test and Trace LA service support grant

- 2.6.3 The purpose of the grant was to provide support to local authorities in England towards expenditure lawfully incurred or to be incurred in relation to the mitigation against and management of local outbreaks of COVID-19. RBC received £901,002 and having carried out appropriate investigations and checks, it was our opinion, that the conditions attached to grant determination have been complied with.

Covid-19 LA Contain Outbreak Management Fund grant

- 2.6.4 The Contain Outbreak Management Fund (COMF) provided funding to local authorities in England to help reduce the spread of coronavirus and support local public health. RBC received £1,167,323 and having carried out appropriate investigations and checks, it was our opinion that the conditions attached to grant determination had been complied with.

Rough Sleeping Initiative Grant Determination 2021/2022 (tranche 1 & 2)

- 2.6.5 RBC received £1,038,523 grant funding to provide local support for those who are homeless. Having carried out appropriate investigations and checks, it was our opinion that the conditions attached to the Rough Sleeping Initiative 2021-22 grant payments paid last financial year (April 2021 - March 2022) have been complied with.

Protect and Vaccinate Grant

- 2.6.6 RBC received £208,298 grant funding to help support all local authorities across England to find appropriate accommodation and, most importantly, to use this as a way of boosting vaccination rates across this vulnerable population. The Chief Executive and Chief Internal Auditor of each of the recipient authorities were required to sign and return to the Homelessness and Rough Sleeping Directorate of the Department for Levelling Up, Housing and Communities a final spend declaration, including a breakdown of a) accommodation and associated costs b) spend on increasing vaccine up-take.
- 2.6.7 We can confirm that all grant funding was spent in accordance with the terms and conditions of the grant funding.

Crime and Harm Reduction Grant

- 2.6.8 RBC received £327,000 of revenue-only funding from Public Health England (PHE). This was a one-year funding scheme to support improvements in interventions to reduce drug-related offending and deaths.
- 2.6.9 In line with the conditions of the grant a Statement of Grant Usage (SOGU), the Head of Paid Service and Chief Auditor were required to confirm the grant had been spent in accordance with the terms and conditions of the grant determination. £7,994 was unspent and will therefore be repaid.
- 2.6.10 Following appropriate checks and investigations we were able to confirm that the conditions attached to the grant determination had been complied with and information supplied in the survey was accurate.

Key: ■ No Assurance ■ Limited Assurance ■ Reasonable Assurance ■ Substantial Assurance

Audit reviews carried over from 2021/2022

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Client Contributions (Adult care)	●				Feb-22	May-22	Jun-22	1	5	6	Reasonable Assurance
Freedom of Information (Follow-up Review)	●				Jun-22	Jul-22	Aug-22	-	-	-	Reasonable Assurance
Transparency Code Compliance (follow-up)	●				Jun-22	Jul-22	Aug-22	-	-	-	Reasonable Assurance

Audit reviews for 2022/2023

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Green Homes BEIS Grant*	●										
Waste Operations	●				Apr-22	Jun-22	Jun-22	0	2	0	Substantial Assurance
Rent Accounting	●				Apr-22	Jun-22	Aug-22	0	6	4	Reasonable Assurance
Deferred Payments	●				Apr-22	Jun-22	Aug-22	1	8	0	Limited Assurance
NHS Test and Trace Grant Determination	●				Jun-22	Jul-22	Jul-22	-	-	-	N/A
Contain Outbreak Management Fund Grant**	●				Jun-22	Jul-22	Jul-22	-	-	-	N/A
Practical Support Payment (PSP) grant**	●				Jun-22	Jul-22	Jul-22	-	-	-	N/A
Rough Sleepers Initiative Grant**	●				Jun-22	Jun-22	Jun-22	-	-	-	N/A
Salary Sacrifice schemes	●				Jul-22	Sep-22					

* Sign off delayed until October 2022

** The requirement for these grants to be signed off by the Chief Auditor was not known until mid-June this year

Key: ■ No Assurance ■ Limited Assurance ■ Reasonable Assurance ■ Substantial Assurance

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Deputyship and Appointeeship	●				Jul-22	Sep-22					
Crime & Reduction Grant***		●			Aug-22	Aug-22	Aug-22	-	-	-	N/A
Local Transport Plan Capital Settlement (Grant Certification)		●			Sep-22						
Waste PFI contract		●			Jun-22	Sep-22					
Cyber Security		●			Aug-22						
Inflationary Uplifts (follow-up)****		●									
Audit Committee Review		●									
Budget Setting/Monitoring		●									
Housing Repairs (responsive & planned maintenance)			●								
Housing PFI			●								
Records Management & Document Retention Policy (follow-up)			●								
General Ledger - New Finance System			●								
Accounts Payable			●								
BACS Security and controls over Faster Payments			●								
Furlough Administration			●								
Direct Payments			●								

*** unplanned

**** delayed until Q3

Key: ■ No Assurance ■ Limited Assurance ■ Reasonable Assurance ■ Substantial Assurance

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Adult Care Provider Payments (follow-up)			●								
Commercial Assets & Investments				●							
Intercompany accounting (Follow-Up Review)				●							
Contract Management				●							
Terminations (leavers and movers) processes				●							
Adults Contract Management (follow-up review)				●							
Client Contributions Adult Care (Follow Up)				●							
Adult Social Care Debt				●							

3.1 Council Tax Support Investigations

- 3.1.1 The Corporate Investigations Team (CIT) has referred several cases for financial reviews from 36 Council Tax Support investigations completed, where a discount was removed from the current account.

3.2 Housing Tenancy Investigations

- 3.2.1 Since 1st April 2022, officers have commenced investigation into several referrals of tenancy fraud, with 26 cases ongoing and 3 properties having been returned to stock to date. All these cases were tenancy-related investigations. The team has also assisted in the return to stock of 2 Registered Social housing landlords' properties.
- 3.2.2 The notional saving achieved on the properties returned to RBC stock is £279,000 adopting the notional savings multiplier used by the Cabinet Office in its National Fraud Initiative report.
- 3.2.3 CIT has also looked at 13 Right to buy applications 2 applications have been withdrawn in the period securing for RBC a rental income of £13,400 for this year and preventing £174,400 in grants been paid under the scheme
- 3.2.4 CIT also undertakes assurance verification by looking at new homeless applications. For the period, the team has reviewed 81 cases. There are 16 cases awaiting Council Tax to review the SPD, and to date, a total of £1,213.00 has been recorded as direct SPD savings.

3.3 Social Care Fraud

- 3.3.1 There is one ongoing direct payment investigation (Adults) currently in progress, which is linked to potential money laundering offences and in a separate case are working with RBC legal services to recover £16,000 in misused monies linked to an ongoing investigation into direct payment fraud.
- 3.3.2 Officers have been working with Adult Social Care (ASC) in reviewing five cases to ensure monies are being spent in accordance with the care plans. The sample of 5 clients selected by ASC was classed as high-risk, as RBC had no access to the client's bank account and was reliant on them providing evidence of care being paid.
- 3.3.3 The purpose of our review was to establish that all clients have used the direct payments from RBC as intended, that all clients had received the care that ASC had confirmed was required and that all services had received payment for that care.

- 3.3.4 Whilst it is important to note that no fraudulent activity was found, it was identified that 4 of the 5 clients' bank accounts were shown to have significant surplus balances.
- 3.3.5 Our findings, with supporting evidence were referred to the Finance Assessments and Benefits (FAB) Team ASC for them to monitor direct payments on a more regular basis (recommended 3-6 months), and to refer all 5 cases to ASC to review each client's care package. As of 24 August 2022, we were informed that £51k had been recouped, out of a total of £97.5k. The investigations team have extended this work and are now reviewing a further 25 direct payment accounts.

3.4 Disabled Persons Parking (Blue) Badges

- 3.4.1 Blue Badges are parking permits issued by the council to assist disabled persons with parking across the area. A Blue Badge can give the badge holder exemption from some parking restrictions and access to designated parking spaces.
- 3.4.2 Over a 3-day period in May, Investigation Officers worked alongside the Blue Badge team and Parking Enforcement Officers to monitor and report on possible Blue Badge misuse across the Town Centre.
- 3.4.3 Over the 3-day period, officers undertook approximately 18 hours of monitoring, checking, and verifying a total of 307 vehicles. The investigations identified the following:
- Two badges were found to be in use, where the Badge holders were not present.
 - Five badges designated to a child, were found to be in use, when the child should have been in school.
 - One badge reported as stolen was found to be in use.
 - Four badges in use had expired, of which three were seized by officers and removed from Circulation.
 - One badge belonging to a deceased person was found to be in use.
- 3.4.4 All the above cases are subject to further investigation and possible legal action where applicable. All these cases were reported to NSL, and Fixed Penalty Charge (FPN) was issued. A further two vehicles were found to be parked in disabled bays, without displaying any Blue Badge. These vehicles were reported to Parking Enforcement Officers and an FPN was issued in both cases.
- 3.4.5 Including the vehicles which failed to display any badges, we reported fifteen issues linked to Blue Badge misuse over the period of inspection. This equates to approximately 5% of all vehicles inspected on the day.

3.4.6 In addition to the above, since April 2022, we have received a total of 8 misuse referrals, all of which were investigated. 1 case was successfully prosecuted in April 2022, and 5 cases have been sent a formal warning letter and the remaining cases under ongoing investigation.

3.5 Covid Business Grant Investigations

3.5.1 The investigations team have recently achieved a successful prosecution, in respect of a fraudulent Covid Business Grant Claim, with the defendant admitted to fraud by false representation and made to pay compensation of £10,000 to RBC. The defendant was also handed a community order to undertake 100 hours of unpaid work.

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Classification: UNCLASSIFIED

Internal Audit Report

DEFERRED PAYMENTS

To: Seona Douglas - Executive Director of Social Care & Health
Melissa Wise - Deputy Director of Commissioning & Transformation
Michael Graham - Assistant Director of Legal & Democratic Services
Lara Fromings - Head of Commissioning
Claire Gavagan - Strategic Business Partner

From: Robert Dunford, Senior Auditor

Date: 2/8/2022



Limited Assurance

EXECUTIVE SUMMARY

1. BACKGROUND

- 1.1 A deferred payment agreement (DPA) is an arrangement with the local authority that enables people to use the value of their homes to help pay for care home costs. If eligible, the local authority will help to pay a client's care home bills on their behalf. The client can delay repaying the local authority until they choose to sell their home, or until after their death.
- 1.2 DPAs don't work in the same way as a conventional loan. Instead of loaning a fixed sum of money, the council pays the care costs on the person's behalf and allows the agreed care costs to accrue (with interest) under a legal Deferred Payment Agreement (secured against the property). This loan must be repaid in full (plus interest and administration costs) when their property is sold or from their estate.
- 1.3 Since April 2015, DPAs have been available from all local authorities across England. In context, the government's national review of DPAs as at the 31/3/2021, published in October 2021 highlights the South-East Region accounts for 17% (1,090) of the total number of outstanding deferred payment agreements (DPAs), 2020-21 (6,435). As a comparison, Reading reported it had 5 DPAs.

2. OBJECTIVES & SCOPE OF THE AUDIT

- 2.1 The purpose of the audit was to verify how the deferred payments are recovered when due, from the proceeds of the sale of property or other means, and to verify the systems and controls for managing this process.
- 2.2 The review assessed whether:
- Existing strategies and tools are in place to promote awareness to ensure recovery.
 - The deferred payment scheme and procedure(s) are regularly reviewed.
 - Legal contract agreements between the Council and the individual(s) exist.
 - The Council has obtained adequate financial security when entering into a deferred payment agreement and this is monitored against the occurring costs.
 - An accurate record of deferred payment is recorded. All allowable costs have been charged and added to the deferred payment or settled independently.
 - The Council initiates the recovery process promptly, if appropriate, and all monies due are included in the recovery process.
 - Records are updated to reflect the process including once the debt has been paid.
- 2.3 This audit (and report) was undertaken in accordance with the Public Sector Internal Audit Standards ([PSIAS](#)).

3.0 CONCLUSIONS

- 3.1 It is our opinion that the Council is at risk of carrying higher levels of unsecured debt than potentially necessary because deferred payment applications are not being processed on a timely basis. Application complexities that could have been identified at the start of the process have meant that some loans are potentially not fully secured, albeit solicitor undertakings are being used to help minimize the risk of this. Given this, there is good risk awareness and an initiative to improve the procedures and workflow processes across services which will help both the customer and protect the public purse.
- 3.2 Guidance is provided by both the government and the Council to help inform applicants of the financial implications of the deferred payment scheme. However, better internal training, communication, and coordination between departments are required to ensure application complexities are highlighted and understood before the Eligibility Risk Review Group's review and agreement.
- 3.3 Although low DPA numbers in RBC and poor systems make the scheme difficult to fully evaluate, it is our opinion that the deferred payment scheme is not working as intended because most deferred payment applications are being either progressed as a solicitor's undertaking or remain as an unsecured interim funding arrangement. It is estimated that this accounts for debt totalling £1.3m.

- 3.4 There are good processes in place to measure each stage of the deferred payment application process, but a DPA register is required to help reconcile the completeness of records, legal agreements, and supplementary documents, as systems are currently too reliant upon officers' knowledge.
- 3.5 Due to a lack of documented estate agent valuations on file to substantiate the properties valued and used as the basis for security for the care loan, and procedures to ensure annual re-valuations are carried out to ensure the latest market values are considered, there is a risk that the equities which form the basis for calculating the level of debt, declared on the annual statement for the customer, could be incorrect.
- 3.6 We are satisfied that there are arrangements in place to monitor the recovery status of these debts on a regular basis by the Social Care Debt Monitoring Group, albeit we understand further emphasis to include interim funding arrangements and solicitor undertaking cases may be required to enable a fuller analysis of the DPA system so that it can be determined if the scheme is a success or not.
- 3.7 A total of 9 recommendations have been made in respect of this review, of which 1 is considered a high priority. The recommendations and corresponding management action plan are attached in Appendix 1.

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
STRATEGY AND RECOVERY AWARENESS					
<i>RISK: There's a risk that the Council's deferred payment policy is not being applied to protect the public purse and ensure funding choices are known and understood.</i>					
1	The success and failure of the deferred payment scheme, policy, and procedures operated by the Council should be benchmarked and evaluated.	Priority 1	<p>Agree.</p> <ol style="list-style-type: none"> 1. There is current work to improve internal procedures and subject knowledge around RBC's DPA scheme and to set-up monitoring of the scheme. 2. As a member of NAFAO, RBC will provide benchmarking information and receive feedback on DPA fees and numbers for 21/22 for all NAFAO members later in 2022. 3. It is anticipated the national DPA scheme will be amended by Regulations and statutory guidance through Care funding reform 2023 (DHSC have stated at NAFAO meetings they are keen to widen the availability and take up of DPAs nationally). It is suggested that benchmarking and evaluation will need revisiting at that stage. 	Sarah Stockle	<p>Monitoring procedures in place by 1 August 2022</p> <p>Benchmarking against NAFAO members (tbc 2022)</p> <p>Report back to DACHS DMT by March 2023</p>
Page 36	Feedback should be sought from the Eligibility Risk Review Group and used to identify those restricting factors which delay or complicate the approval of the deferred payment agreement and more widespread adoption of deferred payments as an option e.g., are social workers identifying and engaging on issues?	Priority 2	An Eligibility, Risk and Review Group meeting will be arranged to discuss restricting factors, the overall adoption of deferred payments and agree any next steps.	Steve Saunders	August 2022

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
DEFERRED PAYMENT AGREEMENTS & ACCOUNTING RECORDS					
<i>RISK: Poor audit trails and a lack of substantiating records undermines the Councils ability to account for the deferred payment debt.</i>					
3	The operational performance of services supporting the deferred payment scheme should be evaluated through a service level agreement e.g., Social Workers, FAB team, and Legal Services.	Priority 2	Agree in principle. Work is taking place to set out service requirements to share with senior management teams involved in supporting the DPA scheme. On agreement of the service requirements to support DPA scheme, a decision will be requested from senior management/corporate management on resourcing (and consideration within context of anticipated increase in DPA numbers from October 2023 due to Care Funding reform)	Sarah Stockle (draft DPA service requirements) DACHS DMT / CMT decision	Sept 2022 Dec 2022
Page 39	To confirm the completeness of records and confirm the assurance status of the assets to be used as security for a loan, a single master register should be established to clarify those people with existing DPAs and the status of their interim funding arrangements, deferred payments, or solicitors undertaking. This information should be used to help identify DPA debt and status of security, and visa-versa.	Priority 2	Agree. Propose reports from Mosaic ¹ form the register. We would suggest separate registers (reports) for Deferred Payment Agreements and Interim Funding Arrangements. This is due to the nature of Interim Funding Arrangements (unsecured, higher financial risk) and more frequent monitoring of ongoing Interim Funding Arrangements.	Sarah Stockle	Sept 2022
5	More care needs to be taken to ensure accurate and up to date supporting records are kept as part of any DPA case, including better documentary evidence and filing of solicitor arrangements.	Priority 2	Agree. This will be achieved by extending the prefixing on Mosaic attached documents by FAB team to identify DPAs: 'FAB CH DPA ...', uploading property valuations including web searches to attached documents on Mosaic and use of Mosaic case notes to indicate dates security obtained.	Tracey Maskell	August 2022

¹ Mosaic workload reports on incoming 'Deferred Payments Statement/Review' and 'Interim Funding Statement/Review' worksteps identify all current DPAs and Interim funding arrangements in place at any time. The date of legal charge is reportable from a field within the Deferred Payment Agreement recording form within those worksteps and could be pulled into a report, along with debtor reference (to act as a register).

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
DEBT SECURITY & RECOVERY					
<i>RISK: There is a risk that if loans to support residential care are being issued without proper security having been agreed upon the recovery of these debts may not be assured at a potential cost to the Council.</i>					
6	As confirmation, a signed copy of the deferred payment agreements, HM Land Registry charge evidence, and/or solicitor's undertaking should be required and documented as a key control /field on Mosaic.	Priority 2	Agree. We will look to establish a specific document type on Mosaic to file the legal documents accompanying a DPA	Sarah Stockle	Sept 2022
Page 40 7	Interim funding arrangements deferred payment agreements, and solicitor undertakings debts should be appropriately referenced as 'secured' or 'unsecured' on the ASC Aged Debt report to permit focus on the unsecured risk. These DPAs labels should be regularly reconciled against the DPA register or other Mosaic references to confirm completeness.	Priority 2	FAB and Financial Management currently keep a spreadsheet of all known DPA/IFA cases that are held by FAB, this is updated on a monthly basis between the 2 teams i.e of the current outstanding balance & what has happened in the last month on each case. The spreadsheet provides details of what debt is secured & unsecured along with how the debt is secured i.e solicitors undertaking or legal charge. This spreadsheet is also used at the weekly debt meetings that FAB & Financial Management attend. This spreadsheet is reconciled against each case & any new cases added to the spreadsheet. This spreadsheet is used by higher management within Financial Management of DPA/ID debts outstanding. Financial Management are now able to run reports from Fusion with invoice types ie SP3/SDF so reporting from Fusion seems to be much easier & these cases easily defined from the remaining other cases, however, the report does not show the difference between DPA/IF. In the latest debt monthly meeting, it has been suggested that there is a separate debt meeting to discuss these cases in greater detail with the help/support from legal services. The spreadsheets/reports will need to be led by Financial Management for FAB to update.	Tracey Maskell	No Further Action

8	A copy of the estate agent's property valuation should be held on Mosaic for each DPA, and a revaluation should be completed annually to ensure the equity available is appropriate so that the level of debt is correctly accounted for.	Priority 2	Annual re-evaluations will be secured for all life-time DPAs.	Tracey Maskell	August 2022
9	Greater emphasis needs to be placed on monitoring the security status and debt risk of those deferred payment agreements which remain as an interim funding arrangement.	Priority 2	Interim Funding arrangements: FAB officers will contact the representative of the arrangement at least every three months for update on progress towards more permanent funding arrangement and feed that into the FAB team member attending monthly debt monitoring meetings.	Tracy Maskell	August 2022

4 FINDINGS

4.1 STRATEGY & RECOVERY AWARENESS

4.1.1 Given the low number of deferred payments reported as active by the Council, and the lack of comparator information released by the NHS, it is difficult to measure the effectiveness and balance of the DPA scheme in Reading and of any associated risk(s) (See Rec 1): -

4.1.2 In particular:

- Annual statistics published by the NHS, records the average number and value of outstanding deferred payments per local authority in England on 31/3/2021 is 42.6² and £1,569,205 respectively.
- No information is collected by the NHS specifically for care organised under an interim funding arrangement or where a property has been secured using a solicitor's undertaking³.
- Compared to the average number of DPAs in Berkshire of 17.5, Reading only recorded 5, although Reading's FAB Team report this figure excludes those arrangements organised under a solicitor's undertaking (See table 1).

Table 1: NHS (ONS) DPA Data for 2020/21

The below table compares the number of reported DPAs in Berkshire as of 31/3/2021.

Local Authority	Number of DPA 2020-21	Value of DPA 2020-21	Ended DPAs where recovery was attempted, and a partial value was recovered during the year	Ended DPAs where the Local Authority did not attempt recovery during the year	Ended DPAs that were fully recovered during the year
Reading	5	£470,000	0	0	3
Bracknell Forest	20	£910,000	0	0	10
West Berkshire	35	£2,360,000	0	0	25
Slough	0	£370,000	0	0	5
Windsor & Maidenhead	10	£510,000	0	0	0
Wokingham	35	£1,570,000	0	0	20
Total	105	£6,190,000	0	0	63
Average	17.5	£1,031,666	0	0	10.5

4.1.2 In addition to the guidance provided by the government, further public information of the Council's approach for deferred payments is documented in its Deferred Payment Policy and Deferred Payment Agreement Scheme published on its website to ensure awareness: -

² NHS (ONS) data published October 2021 for 21/22 records for England records a) 151 local authorities, b) number of deferred payment agreements is 6,435, c) value of deferred payment agreements is £236,950,000.

³ Legal Services have commented "The Care Act lists a "solicitors undertaking" as security that a local authority would accept for DPA cases" ... "A solicitors undertaking is a binding promise and for this reason solicitors only ever give undertakings if they know they can be fulfilled as failure to do so can result in the solicitor being struck off. With regards to sale of a property a solicitor usually will give an undertaking at the stage they know the property is about to sell - sometimes you do get this in advance in DPA cases but very rarely is this the case."

- The Council's deferred payment scheme, which is due to be reviewed this April 2022, was last approved by the Adult Social Care, Children's and Education committee on 20/3/2017.
- We can confirm guidance has been made available to applicants to help them appraise the potential risk(s) of the deferred payment scheme, which includes obtaining advice from an independent financial advisor. However, we have been informed that social workers are sometimes reluctant to discuss matters DPA with the family which can delay or create difficulties with proceeding with a DPA (See Rec 2).

4.2 DEFERRED PAYMENT AGREEMENTS

4.2.1 It is agreed process that a copy of the signed agreement should be held on file to support the charge placed with HM Land Registry so that the care loan can be recovered against the property used as security when sold.

4.2.2 Despite the government producing a deferred payment agreement template, agreements are bespoke⁴ by solicitors and local authorities. Due to the lack of a Service Level Agreement to ensure capacity within Legal Services, Adult Social Care has highlighted applications are delayed due to both legal debate⁵ and staff coverage (See Rec 3).

4.2.3 The Senior Legal Assistant (SLA) confirmed Legal Services only hold copies of those agreements which are produced by the service. We noted that two of these are excluded from the list of deferred payment records provided by Finance (See Rec 4 & 6); Legal Services have confirmed charges are held for 2 persons at the HM Land Registry.

4.2.4 Although Legal Services have advised that a solicitor's undertaking⁶ can be used as an alternative to the deferred payment agreement, we found there was a lack of documented confirmations from the clients' solicitors on Mosaic to support what this meant or how this would be instigated, which is important where the property intended to be used as security is put out to rent. Our testing found the Council currently has 4 DPAs managed as a 'solicitors undertaking' with a potential risk value of £164k (See Rec 5 & 6).

⁴ Legal Services comment "A bespoke RBC agreement was created for RBC as the government made it clear that Local Authorities had to adapt their model version based on each areas policy following implementation. We have not had changes as such to our standard agreement except in the one instance where someone wanted to either pay the interest upfront or defer - this is allowed in the Act and has to be accommodated within the DPA - the amendments were agreed following consultation and instructions from the FAB Team officers. On his particular case the rep had an issue with the interest charge generally these issues cannot be avoided as you will always have someone wanting to make changes some may be reasonable where others will not be agreeable to RBC - the default position is always amendments are not allowed unless there is an error or the interest payment mechanism as mentioned above needs to be reflected based on the rep/service users preference for payment of the interest."

⁵ Legal Services comment "Majority of the cases the family did not have a solicitor instructed which can be an issue as it is important that the service user/rep understand what they are entering into."

⁶ Legal Services comment "The Council's policy allows for a "Solicitors Undertaking" to be accepted as a form of security in accordance with the Care Act. I have previously advised the Fab Team that we would continue to deal with any undertaking cases so we can keep a record of the undertakings and release them - these should be managed by legal in conjunction with the Fab Team. I note the Fab Team have been dealing with these direct since Covid and I understand that these are cases that have not been referred to Legal - it is good practice that FAB Team now instruct legal Services on all DPA cases including Solicitors Undertaking for us to assist and support them Team in dealing with these case(s)."

4.3 ACCOUNTING RECORDS

- 4.3.1 Due to known interface problems which should be resolved in October 2022, Fusion cannot be used to specifically confirm the completeness of Deferred Payments records without the cooperative scrutiny of the FAB, Finance, and Legal teams. This means that other than the list of persons filtered on the ASC debtor report as a deferred payment, there are no alternative databases that allow the effective and timely substantiation of the completeness of deferred payment records (**See Rec 4 & 7**).
- 4.3.2 Although the method of property valuation is recorded on Mosaic, we found there was a lack of documentary evidence to substantiate the property valuations supplied by estate agents. The FAB team has highlighted emails are held to confirm those valuations are checked with the Valuations Team but the checks against Rightmove for reasonability are not (**See Rec 8**).

3.4 DEBT SECURITY & RECOVERY

- 3.4.1 Adult Social Care has confirmed deferred payment debt is monitored monthly as part of the general ASC debt review, but Legal Services have highlighted more emphasis focus is required on deferred payments. The ASC Debt Monitoring Group has agreed to focus on deferred payments in May 2022.
- 3.4.2 Deferred payment debt is administered via the Corporate Debtor system on Fusion. Our examination of the 'Aged Debt Report' (ADR) for February 2022 found there are 25 customers with an outstanding total debt of £1.3m. We noted: -
- The ADR records there are 8 deceased customers who account for £495k (37%) of the total debt. We note that 87% of this debt is between 1 and 5 years old (£430k). Managerial focus is required to establish the reasons why these debts have not been recovered given that an agreement or solicitor's undertaking should have been in place e.g., is the secured property still in possession of the family due to rental? (**See Rec 9**).
 - Deferred payments debts on the ADR are filtered for monitoring by ASC Finance and the FAB Team using personal knowledge due to a lack of labelling within the Accounts Received system (**See Rec 4, 6 & 7**).
 - As an observation, the Council is unable to use its council tax system to substantiate the usage status of those properties used as security outside of the borough.
- 3.4.2 Mosaic records there are 22 people with a DPA in April 2022, albeit only 13 records record any DPA information. The remaining 9 are recorded as an interim funding arrangement (**See Rec 9**). A comparison of the ADR status against these Mosaic records found: -
- An agreement statement record is held for 11 out of 13 DPAs.. The ADR debt for these 13 DPAs totals £663k.

- 6 out of 11 DPAs were progressed using a solicitor's undertaking. As of April 2022, 5 DPAs were found to be current. We noted the use of data fields for recording solicitor information on Mosaic varied making it difficult to ascertain an accurate overview. In addition, we were unable to find any confirmation notices from the solicitors that a relevant charge notice had been placed on Land Registry records. The ADR debt for these 5 DPAs totals £164k.
- 2 out of 11 DPAs had been progressed using Legal Services. The ADR debt for these 2 DPAs totals £371k, albeit Legal Services record 2 more DPAs with an outstanding debt of £256k, which if correct would make this £627k in total.
- We found there were 3 accounts for deceased people with an outstanding debt totalling £249k. Of these, 1 (DPA) property is under shared ownership and occupied, the remaining 2 were found to be under the interim funding arrangement (See Rec 9).

4.3.3 An annual statement of the deferred payment agreement status is produced at the end of the financial year for the customer. In addition:

- Although the deferred payment statement confirms the accrued care debt, interest fees and administration fees, we were unable to reconcile the statement balance of the outstanding care debt against the outstanding debt total recorded on the ADR (See Recs 4 & 7).
 - It should be noted the statements for 2021/22 were still in the process of being produced at the time of this review and had not yet been sent to service users/families due to the 2022/23 Implementation Project.
- 5 The annual deferred payment/interim funding statements record the initial property valuation. We note that because properties are not regularly revalued to consider the revised market rates there is a risk the property equities which form the basis for calculating the level of debt, declared on the annual statement for the customer could be incorrect, albeit the equity levels are monitored when the DPA statement is produced (See Rec 8).
- No settlement notice is held on Mosaic to confirm all outstanding debts are being fully paid, albeit this will be summarised on the annual deferred payment statement. The FAB Team have advised the solicitors should be advised once the Bank Reconciliation and Accounts Receivable Teams confirm payments have been fully received.

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**READING BOROUGH COUNCIL
REPORT BY DIRECTOR OF FINANCE**

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	28 September 2022		
TITLE:	External Quality Assessment of Conformance to the Public Sector Internal Audit Standards		
LEAD COUNCILLOR:	COUNCILLOR TERRY	PORTFOLIO:	CORPORATE SERVICES & RESOURCES
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 Internal Audit within the Public Sector in the UK is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since April 2013 (updated April 2016 and 2017).
- 1.2 The Professional Standards require an external quality assessment (EQA) at least once every 5 years as part of Internal Audit's Quality Assurance Framework. This is the second EQA of conformance to the (PSIAS) that the Internal Audit Service has undergone, since 2017.
- 1.3 This report provides the Audit & Governance Committee with information on the result of the latest external quality assessment undertaken in April 2022.
- 1.4 The assessment report shows that the Council's Internal Audit function 'fully conforms' to the requirements of the Public Sector Internal Audit Standards and the associated Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government advisory note (LGAN). The Assessor concluded that, "Reading Borough Council has a professional and well-respected internal audit service that is effective and not only follows best practice but is itself a good example of best practice in local government internal audit". From the evidence reviewed as part of the external quality assessment, no areas of non-compliance with the standards were identified, nor were any significant areas of partial non-compliance identified, that would affect the overall scope or operation of the internal audit activity. One minor area was identified that relates to the audit charter, where a recommendation was made to address this matter. In addition, three further recommendations to address some minor issue relating to the audit charter and the recording of the management review of audit working papers.
- 1.5 Whilst the assessor acknowledged that Internal Audit is a professional and well-run Service, in order to further improve service delivery some advisory suggestions for consideration were made regarding the resilience of the Service, enhancing documentation and service delivery. These have been set out in the body of the report attached at Appendix A.

2. RECOMMENDATIONS

- 2.1 The Committee is asked to note the outcome of the External Quality Assessment for RBC internal audit as attached and what it tells the Council about the compliance with audit standards and the quality of the Internal Audit Service.**
- 2.2 The Committee is assured over the quality and effectiveness of the Council's Internal Audit Service.**

3. SUMMARY

- 3.1 The Council's Internal Audit function is delivered by an in-house team and provides internal audit services to Reading Borough Council and Brighter Futures for Children (BFfC).
- 3.2 The Internal Audit team comprises six full time equivalent experienced and qualified staff (in addition to the Chief Auditor). Of the six, approximately four and half FTE employees are engaged in work for the Council with around one and half FTE employees engaged on assignments for Brighter Futures for Children.
- 3.3 The Public Sector Internal Audit Standards (PSIAS), which have been in place since April 2013 (updated April 2016 and 2017) consist of the following elements:
 - Mission Statement
 - Core Principles
 - Code of Ethics, and Attribute and Performance Standards for the Professional Practice of Internal Auditing
- 3.4 They aim to promote further improvement in the professionalism, quality and effectiveness of internal audit across both the public and private sectors.
- 3.5 They reaffirm the importance of robust, independent and objective internal audit assurance.
- 3.6 In local government the PSIAS are mandatory, as required by the Accounts and Audit Regulations. The Internal Audit function must also comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Advisory Note (LGAN) associated with the Standards.

- 3.7 The Standards require an external assessment at least once every 5 years as part of an Internal Audit's Quality Assurance Framework. They must be conducted by a qualified, independent assessor or assessment team from outside the organisation. Our assessment was conducted by CIPFA.
- 3.8 CIPFA is ideally placed to carry out the quality review. They are one of the professional bodies who set internal audit standards for public bodies and provide professional guidance on the Standards as well as other aspects of internal audit. CIPFA is therefore very familiar with internal audit standards in policy and in practice.
- 3.9 The review was carried out week commencing the 25 April 2022 through a process of interviews with employees of RBC's Internal Audit Service, key officers within the Council and BFfC, and members of both RBC and BFfC's Audit Committees, together with a review of the key documents used. Our practice was assessed against 56 fundamental principles and over 150 points of recommended practice and was compared with other Internal Audit Functions, who have been externally assessed by CIPFA.
- 3.10 The Assessor concluded that: no areas of non-compliance with the standards had been identified, nor had any significant areas of partial non-compliance been identified, that would affect the overall scope or operation of the internal audit activity.
- 3.11 It was also added that: "Reading Borough Council has a professional and well-respected internal audit service that is effective and not only follows best practice but is itself a good example of best practice in local government internal audit".
- 3.12 The demand for qualified auditors significantly outweighs supply and it's becoming increasingly difficult to attract qualified and experienced staff, especially local to Reading. Whilst the service faces more immediate issues, with long term sickness, it is recognised that a succession or work force plan is needed, to address the potential risk of losing mature and experienced staff in the near future, which may well have an adverse effect on the long-term sustainability of the Service. This is under consideration and discussions are taking place with HR colleagues.
- 3.13 The Internal Audit function are very pleased with the outcome of the External Quality Assessment. They pride themselves on being an experienced, competent internal audit team, who strive to maintain and develop its service by embedding quality in all elements of internal audit activity. This assessment helps provide confidence to the Council over the quality of the service and the excellent people who deliver its internal audit work and plan.

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 Internal Audit 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 Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

<https://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

External Quality Assessment of Conformance to the Public Sector Internal Audit Standards

Reading Borough Council

Final Report

Lead Associate: Ray Gard, CPFA, FCCA, CFIIA, DMS

Internal QA: Policy and Technical, CIPFA.

28th July 2022

1. Introduction

- 1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments, or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the internal audit service's own self-assessment at least once in a five-year period. This is Reading Borough Council's Internal Audit Services second external quality assessment (EQA) of conformance to the PSIAS that the Internal Audit Service has undergone.

2. Background

- 2.1 Reading Borough Council's Internal Audit Service provides internal audit services to the Council and to 'Brighter Futures for Children', the Council's wholly owned arm's length management company for its Children's Services. Internal Audit comprises an in-house team of six full time equivalent (FTE) experienced and qualified staff in addition to the Chief Auditor. Of the six, approximately four and half FTE employees are engaged in work for the Council with around one and half FTE employees engaged on assignments for Brighter Futures for Children. The Service is managed by the Chief Auditor who is CMIIA qualified, and he is supported by two experienced Principal Auditors, one of whom is a qualified IT auditor. Below the management level of the Service is a team of four experienced Senior Auditors who all hold relevant professional qualifications.
- 2.2 From an operational perspective, Internal Audit reports directly to the Council's Corporate Management Team (CMT) and the Audit and Governance Committee and these two bodies fulfil the roles of 'senior management' and 'the board', as defined by the Public Sector Internal Audit Standards. The Chief Auditor reports quarterly on the audit plan and its delivery to the Corporate Management Team and Audit and Governance Committee, together with the annual report and assurance opinion.
- 2.3 Internal Audit has a comprehensive audit manual in place, and they use standard template documents for their engagement working papers and testing schedules, engagement terms of reference, action plans and audit reports. All audit working papers and audit reports are reviewed and cleared by the Principal Auditors or the Chief Auditor before they are issued to the clients.
- 2.4 The Service has a comprehensive quality assurance process in place that includes supervision and monitoring of live audit assignments, file reviews of completed audits, customer satisfaction surveys, and an annual self-assessment of their conformance to the PSIAS and LGAN. The output from these feed into the Service's Quality Assurance and Improvement Programme (QAIP).

3. Review Process

- 3.1 The EQA comprises a combination of a review of the evidence provided by Reading Borough Council; a review of a sample of completed internal audits; questionnaires that were sent to and completed by a range of stakeholders from the Service's clients; and a series of (virtual) interviews using MS Teams with key stakeholders. The questionnaire and interviews focused on determining the strengths and weaknesses of Internal Audit and assessed them against the four broad themes of Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.

3.2 Internal Audit provided a comprehensive range of documents, and these were available for examination prior to and during the EQA. These documents included the:

- self-assessment against the standards and the LGAN;
- quality assurance and improvement plan (QAIP);
- the audit charter;
- the annual report and opinion;
- the audit plan and strategies;
- audit manual;
- a range of documents and records relating to the team members; and
- progress and other reports to the Audit and Governance Committee.

All the above documents were examined during the EQA.

3.3 The EQA process took the form of a full assessment of the Service's conformance with the standards, and this was carried out during April and May 2022.

3.4 The EQA primarily included four elements. The first involved an examination of the Service's standard documentation.

3.5 The second element involved interviews with the key personnel from the Service plus a sample of key stakeholders from the Council, made up of members of the senior management team and the chair of the Audit and Governance Committee. Overall, the feedback from the interviewees was positive with clients valuing the professional and objective way Internal Audit delivered services.

3.6 The third element involved capturing the views of a range of other stakeholders using an electronic survey that was sent to them, and the results analysed during the review.

3.7 The final element involved a review of a sample of completed audits to confirm the Assessor's understanding of the audit process used by Internal Audit.

4. Conclusion and Opinion

4.1 Reading Borough Council has a professional and well-respected internal audit service that is effective and not only follows best practice but is itself an example of good practice in local government internal audit. From the evidence reviewed as part of the external quality assessment, no areas of non-compliance with the standards have been identified, nor have any significant areas of partial non-compliance been identified, that would affect the overall scope or operation of the internal audit activity. One minor area of partial compliance has been identified that relates to the audit charter and we have made a recommendation to address this matter. In addition, we have made three further recommendations to address some minor issue relating to the audit charter and the recording of the management review of audit working papers.

It is our opinion that Reading Borough Council's Internal Audit Service FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

4.2 Whilst Internal Audit is a professional and well-run Service, they are also keen to enhance and improve their operations. With this in mind, we have made some advisory suggestions for the Chief Auditor to consider relating to regarding maintaining the resilience of the Service, enhancing documentation and service delivery. These have been set out in the body of the report that follows and have also been included in the action plan at the end of this report.

4.3 The table below shows the Service’s level of conformance to the individual standards assessed during this external quality assessment:

Standard / Area Assessed	Level of Conformance
Mission Statement	Fully Conforms
Core principles	Fully Conforms
Code of ethics	Fully Conforms
Attribute standard 1000 - Purpose, Authority and Responsibility	Fully Conforms
Attribute standard 1100 - Independence and Objectivity	Fully Conforms
Attribute standard 1200 - Proficiency and Due Professional Care	Fully Conforms
Attribute standard 1300 - Quality Assurance and Improvement Programmes	Fully Conforms
Performance standard 2000 - Managing the Internal Audit Activity	Fully Conforms
Performance standard 2100 - Nature of Work	Fully Conforms
Performance standard 2200 - Engagement Planning	Fully Conforms
Performance standard 2300 - Performing the Engagement	Fully Conforms
Performance standard 2400 - Communicating Results	Fully Conforms
Performance standard 2500 - Monitoring Progress	Fully Conforms
Performance standard 2600 - Communicating the Acceptance of Risk	Fully Conforms

5. Areas of full conformance with the Public Sector Internal Audit Standards

5.1 Mission Statement and Definition of Internal Audit

The definition of internal audit from the PSIAS is included in the audit charter, however the mission statement from the PSIAS is not included. Paragraph 2.2 in the audit charter contains some elements of the mission statement but not all of it. We have made one recommendation relating to this in section 9 of this report. **(Paragraph 9.2)**

5.2 Core Principles for the Professional Practice of Internal Auditing

The Core Principles, taken as a whole, articulate an internal audit function's effectiveness, and provide a basis for considering the organisation's level of conformance with the Attribute and Performance standards of the PSIAS.

The clear indication from this EQA is that the Core Principles are embedded in the Service's working methodologies and demonstrates that Internal Audit are a competent and professional service that, on the whole, conform to all ten elements of the Core Principles. We have made some suggestions under the relevant Standards below that will, once implemented, strengthen their conformance to the Core Principles.

5.3 Code of Ethics

The purpose of the Institute of Internal Auditors' Code of Ethics is to promote an ethical culture in the profession of internal auditing, and is necessary and appropriate for the profession, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Code of Ethics provides guidance to internal auditors and in essence, it sets out the rules of conduct that describe behavioural norms expected of internal auditors and are intended to guide their ethical conduct. The Code of Ethics applies to both individuals and the entities that provide internal auditing services.

The clear indication from this EQA is that Internal Audit conforms to the Code of Ethics, and this is embedded in their audit methodologies. Conformance to the code of ethics is part of their overarching culture and underpins the way the Service operates. We have made some suggestions under the relevant Standards below that will, once implemented, strengthen their conformance to the Code of Ethics.

5.4 Attribute Standard 1000 – Purpose, Authority and Responsibility

The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The internal audit charter must be reviewed regularly and presented to senior management and the audit panel for approval.

Internal Audit has an up-to-date audit charter in place, and this is reviewed on an annual basis. We reviewed this document and the processes used to present it to the Audit and Governance Committee for approval and found the audit charter to be a comprehensive and well written document that contained most of the elements required by the standards. We are satisfied that Internal Audit conforms to attribute standard 1000 and the LGAN although we have observed the audit charter does not formally define the 'board' or 'senior management' as required by the Standards. It is noted that this was also an observation that was made in the last EQA in 2017.

We have therefore made one recommendation in section 9 relating to this observation. **(Paragraph 9.3)**

5.5 **Attribute Standard 1100 – Independence and Objectivity**

Standard 1100 states that the internal audit activity must be independent, and internal auditors must be objective in performing their work.

The need for independence and objectivity is an integral part of the Service's culture. The Chief Auditor reports in his own name and directly to the Council's Corporate Management Team and to the Audit and Governance Committee. Similar arrangements are in place for Brighter Futures for Children. All the Service's employees sign a declaration of interest form each year and declare any potential impairment to their independence or objectivity. The audit charter includes a section setting out the independence and objectivity of the Service and the Chief Auditor includes a statement in his annual report to confirm that there have not been any impairments to Internal Audit's independence during the year just ended.

We have reviewed the Service's audit procedures, their standard documentation, quality assurance and improvement plan, their audit charter and annual report and opinion, and a sample of completed audit files, together with their reporting lines and their positioning in the Council. We are satisfied that Internal Audit conforms with attribute standard 1100 and the LGAN although we have made one suggestion of good practice for the Chief Auditor to consider in section 9 of this report. **(Paragraphs 9.4)**

5.6 **Attribute Standard 1200 – Proficiency and Due Professional Care**

Attribute standard 1200 requires Internal Audit Service's engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the staff, and how they apply their knowledge in practice.

It is evident from this EQA that Internal Audit has a professional and experienced workforce providing a largely traditional based audit service. The Service is a well-respected and professional operation that is valued by the Council's management. Whilst having an experienced workforce enhances the quality of the services provided by Internal Audit it also means that it is a mature team, some of whom will undoubtedly be considering retiring during the foreseeable future. We have observed that the Service does not currently have any form of succession planning in place to preserve the resilience of the Service. Should any of the team choose to leave or retire, the Service may struggle to find suitable replacements as nationally there is a shortage of qualified and experienced internal auditors wanting to take up posts in the local government and wider public sectors.

Many head of internal audit services have realised that this is going to be a problem and have started to look at ways of building up their services by taking on apprentices or trainee internal auditors. Some have also started to consider working with higher education establishments and looking at the feasibility of work placements and internships. Unfortunately, not only does the Service not have a succession plan in place, they also do not have any trainee or apprentice auditors in the team, and the Chief Auditor is not currently considering recruiting any, primarily due to the resources required to manage, supervise, and train them. We have made two suggestions in section 9 relating to these observations. **(Paragraphs 9.5 & 9.6)**

We have also observed that Internal Audit team members often struggle to demonstrate that they have undertaken sufficient and relevant learning and development during the year. In the current climate of economic pressure on local authorities it is acknowledged that it can be difficult for staff to fulfil this requirement. An area of learning and development that is often overlooked by staff and not recorded on their development logs is the research that they have undertaken prior to carrying out an audit or when required to provide advice to a client. Whilst we appreciate that time spent on these activities is, quite rightly, allocated to the individual assignments, it is also good practice to record the activities on the respective auditor's learning and development logs. We have made one suggestion in section 9 relating to this observation. **(Paragraph 9.7)**

It is evident from this review that Internal Audit perform their duties with due professional care, and we are satisfied that they comply with attribute standard 1200 and the LGAN, although there are three operational enhancements for the Chief Auditor to consider.

5.7 **Attribute Standard 1300 – Quality Assurance and Improvement Programmes**

This standard requires the Chief Audit Executive to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.

Internal Audit has developed a robust and effective quality assurance process that ensures engagements are performed to a high standard within the available resources. It is effective and feeds into their quality assurance and improvement programme. As part of this process, Internal Audit issues a post audit questionnaire to clients on completion of each audit, and they also undertake an annual client satisfaction survey, which is a useful way of obtaining feedback from clients as it prompts them to consider everything that Internal audit has done during the year. We have examined the Service's quality assurance processes during the EQA and are satisfied that the Service conforms to attribute standard 1300 and the LGAN.

5.8 **Performance Standard 2000 – Managing the Internal Audit Activity**

The remit of this standard is wide and requires the Chief Audit Executive to manage the internal audit activity effectively to ensure it adds value to its clients. Value is added to a client and its stakeholders when internal audit considers their strategies, objectives, and risks; strives to offer ways to enhance their governance, risk management, and control processes; and objectively provides relevant assurance to them. To achieve this, the Chief Audit Executive must produce an audit plan and communicate this and internal audit's resource requirements, including the impact of resource limitations, to senior management and the Audit and Governance Committee for their review and approval. The Chief Audit Executive must ensure that internal audit's resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

The standard also requires the Chief Audit Executive to establish policies and procedures to guide the internal audit activity, and to share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

Last, but by no means least, the standard requires the Chief Audit Executive to report periodically to senior management and the Audit and Governance Committee on internal audit's activities, purpose, authority, responsibility, and performance relative to its plan, and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including

fraud risks, governance issues and other matters that require the attention of senior management and/or the audit panels.

Internal Audit has a comprehensive audit manual, supervision, and quality assurance processes in place that meet the requirements of the PSIAS. They also have a comprehensive audit planning process in place that enables them to produce robust risk-based audit plans that are designed to enhance the Council's risk management and governance frameworks and control processes; and objectively provide them with relevant assurance. We have observed that the published audit plan is not cross-referenced to the relevant Council priorities that each of the individual audits relate to. Doing this would enable the reader to see how the work of Internal Audit fits in with the Council priorities.

Details of the completed audits and the risk and control issues found, together with the progress being made on delivering the audit plan and the performance of the Service, are reported to the Audit and Governance Committee, along with an annual report and opinion that is issued at the end of the year.

The clear indication from this EQA is that Internal Audit is effectively managed and conforms to standard 2000 and the LGAN. We have made one suggested enhancement relating to the published audit plan in section 9 of this report. **(Paragraph 9.8)**

5.9 **Performance Standard 2100 – Nature of Work**

Standard 2100 covers the way the internal audit activity evaluates and contributes to the improvement of the organisation's risk management and governance framework and internal control processes, using a systematic, disciplined and risk-based approach.

This is the approach adopted by Internal Audit and is set out in their audit manual and their working methodologies. During this EQA, we selected a sample of completed audit engagements and examined them to see if they conformed to standard 2100 and the Service's own methodologies. We found that the sample audits complied with both.

Internal Audit's credibility and value is enhanced when they offer new insights and consider future impact on the organisation. Overall Internal Audit's clients value the work they do in this area and some look to them for advice and guidance when faced with emerging risks or issues, and occasionally when they are developing or changing systems. The indication from some senior managers is they would like the Service to move away from delivering the more traditional style of audits and become more proactive and insightful by engaging more with the service departments and be seen as being more of a business partner rather than a pure inspection service. For example, one senior manager would welcome a representative from Internal Audit regularly attending their departmental management meetings to keep the department informed of emerging risks and issues, best practice etc, and for the department to appraise Internal Audit of planned changes, system developments, legislation changes and issues that they have identified.

Other senior managers have indicated that they would like to see Internal Audit become more involved in their change and system development projects, as they are currently doing with the project for the redesign and replacement of the core financial systems, as they feel their knowledge and expertise would add value to the development of the projects by helping project teams to identify control issues and risks as the projects develop rather than once the development work is complete. This will of course require management to engage with Internal Audit and inform them of planned change programmes and will require the Chief Auditor to allocate time in the audit plan for this type of work. The only way of finding these additional resources will be to either reduce the number or scope of the assurance audits in the plan and perhaps the way they are carried out, or by submitting a business case for

additional resources for the Service. We have therefore made one suggestion relating to this observation in section 9 below. **(Paragraph 9.9)**

The clear indication from this EQA is that Internal Audit conforms to performance standard 2100 and the LGAN.

5.10 **Performance Standard 2200 – Engagement Planning**

Performance standard 2200 requires internal auditors to develop and document a plan for each engagement, including the engagement’s objectives, scope, timing, and resource allocations. The plan must consider the organisation’s strategies, objectives, and risks relevant to the engagement.

As mentioned above, Internal Audit have a comprehensive audit manual, supervision and quality assurance processes in place that cover engagement planning in detail and meet the requirements of the PSIAS. During this EQA, we selected a sample of completed audit engagements, and examined them to see if they conformed to standard 2200. We found that they all conformed to the standards and the Service’s own audit procedures and methodologies, and therefore we conclude that Internal Audit conforms to performance standard 2200 and the LGAN.

5.11 **Performance Standard 2300 – Performing the Engagement**

Performance standard 2300 seeks to confirm that internal auditors analyse, evaluate and document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions, and that all engagements are properly supervised.

The Service’s audit manual, methodologies, supervision, and quality assurance processes all fulfil the requirements of the standards and our examination of a sample of completed audit engagements confirmed that the audits were performed in accordance with the Service’s audit manual and the Standards. As the Service is made up of experienced and qualified staff, management supervision of the audits tends to take place towards the end of the audit process and is recorded in electronic format on an Excel control sheet that is held on the audit files. Whilst the review process requires the supervising manager to record their name on the control sheet to indicate who has performed the review, we have observed a degree of inconsistency in that the reviewers name field on the sheet was not always completed, and there is currently no field on the sheet to show when the review took place, although it is acknowledged that it is possible to obtain this information by referring to the Service’s ‘Audit Tracker’. Nonetheless, the control sheet forms an integral part of the Service’s processes, so we have made one recommendation relating to these observations in section 9 of this report. **(Paragraph 9.10)**. Notwithstanding the above observations, it is our view that Internal Audit conforms to performance standard 2300 and the LGAN.

5.12 **Performance Standard 2400 – Communicating Results**

This standard requires internal auditors to communicate the results of engagements to clients and sets out what should be included in each audit report, as well as the annual report and opinion. When an overall opinion is issued, it must take into account the strategies, objectives and risks of the clients and the expectations of their senior management, the audit panels and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information. Where an internal audit function is deemed to conform to the PSIAS, reports should indicate this by including the phrase “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing”.

The communication of engagement results is covered in detail in the Service’s procedures, and these fulfil the requirements of the PSIAS. We selected a sample

of completed audit engagements and found that they all conformed to the standards and the Service's own procedures. There is one suggested enhancement to the audit reports that we feel the Chief Auditor should consider and that is to include a statement in each report restricting the distribution and use of the report content without the prior approval of the Chief Auditor. Whilst this will not prevent the problem, it will act as a deterrent and a warning to people not to share the reports or their contents before they enter the public domain through the official channels and may put the Council in a stronger position should they need to take any disciplinary action against an individual for not following procedures. We have made one suggestion regarding this observation in section 9 of the report. **(Paragraph 9.11)**

We have also reviewed the progress and annual reports to the Audit and Governance Committee and found that overall, these also conformed to the standards and the Service's own internal procedures. We therefore conclude that Internal Audit conforms to performance standard 2400 and the LGAN.

5.13 **Performance Standard 2500 – Monitoring Progress**

There are comprehensive agreed action monitoring and follow-up processes in place which monitor the client's progress towards the implementation of agreed actions, and these are set out in detail in the Service's audit manual. Where an overall limited or no assurance opinion has been issued or the area is considered to be sensitive, or a number of high-risk actions have been agreed with management, a follow up review is undertaken to assess the action taken by management and to establish its effectiveness. Where the result of the follow-up reveals changes that would impact on the original audit opinion, a revised opinion is issued reported to the appropriate level of management. For the priority two and three actions from audits with substantial or reasonable assurance opinions, the follow-up process requires managers to self-certify the progress they have made and, where requested, provide suitable supporting evidence. All agreed actions are recorded on an action tracker spreadsheet and followed-up in accordance with the time scales set out in the audit manual. The results of follow-up reviews and the progress made by management in implementing agreed actions are reported to the Audit and Governance Committee. It is evident from this EQA that Internal Audit conforms to both performance standard 2500 and the LGAN.

5.14 **Performance Standard 2600 – Communicating the Acceptance of Risk**

Standard 2600 considers the arrangements which should apply if the Chief Auditor has concluded that management has accepted a level of risk that may be unacceptable to the organisation. Situations of this kind are expected to be rare, consequently, we did not see any during this EQA. From this external quality assessment, it is evident that Internal Audit conforms to performance standard 2600 and the LGAN.

6. Areas of partial conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

- 6.1 There are no areas of partial conformance with the Public Sector Internal Audit Standards

7. Areas of non-conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

- 7.1 There are no areas of non-conformance with the Public Sector Internal Audit Standards.

8. Survey results

- 8.1 The results of the survey of key stakeholders from Internal Audit's clients was very disappointing, although not unexpected, with no completed surveys being returned.

9. Issues for management consideration

- 9.1 We have assessed the Reading Borough Council as conforming to the PSIAS and the LGAN. There are two observations and suggested enhancements to the operation of the Service that the Chief Auditor should consider.
- 9.2 Include the mission statement from the PSIAS in section 2.2 of the audit charter.
- 9.3 Formally define the terms "Board" and "Senior Management" in the audit charter as required by the Standards. This can either be done by expanding the relevant paragraphs within the audit charter or using foot notes to the respective paragraphs (i.e., paragraphs 1.3 and 7.2 respectively).
- 9.4 Expand section 7 in the audit charter to make reference to the fact that the Chief Auditor has other managerial responsibilities to internal audit. In particular, the fact that he also manages a service that is subjected to periodic internal audit, namely the Insurance Service. The process for preserving the Chief Auditor's independence should be set out in the audit charter.
- 9.5 The Service does not currently have any form of succession or work force plan in place to address the potential risk of losing mature and experienced staff in the near future, which may well have an adverse effect on the long-term sustainability of the Service. We suggest that consideration is given to producing a work force and succession plan for the Service.
- 9.6 As there is a shortage of qualified and experienced internal auditors wanting to take up posts in local government, the Service may find it difficult to recruit suitably experienced and qualified staff should any posts become vacant. We therefore suggest that the Chief Auditor considers making a growth bid for funding to be used to finance the employment and development of one or more trainee or apprentice auditor(s) that could be developed over time and be able to move into more senior posts as and when they become vacant. Consideration should also be given to exploring the feasibility of using internships and/or undergraduate work placements with a suitable higher education partner.
- 9.7 Internal Audit team members need to demonstrate that they have undertaken sufficient and relevant learning and development during the year, and in the current climate of economic pressure on local authorities it can be difficult for staff to fulfil this requirement. An area of learning and development that is often overlooked by staff and not recorded on their development logs is the research that they have undertaken prior to carrying out an audit or to enable them provide advice to a client. Whilst we acknowledge that time spent on these activities is, quite rightly, allocated to the individual assignments, it is also good practice to record the activities on the respective auditor's learning and development logs.
- 9.8 The published audit plan is not cross-referenced to the relevant Council priorities that each of the individual audits relate to. Cross-referencing the audit plan would enable the reader to see how the work of Internal Audit fits in with the Council priorities.
- 9.9 Whilst Internal Audit are becoming more insightful and proactive and have started to be involved in some of the major change projects at the Council, such as the replacement financial system, senior managers have indicated that there may be other opportunities where Internal Audit's knowledge and expertise would assist them to identify the potential risks and control issues as change or development projects unfold, rather than identifying them at the post implementation stage when they are usually more difficult and expensive to rectify. This would require Internal

Audit to be involved in these projects from an early stage, as they have been with the replacement financial systems project.

- 9.10 Ensure that managers adopt a more consistent approach when completing the audit control document by recording their names on the review sheet to indicate who carried out the review and the date the review was carried out, although the latter would require the addition of a separate filed being added to the control sheet.
- 9.11 Include a disclaimer and limitations of use statement in each audit report. An example of such a statement would be:-

"This report is confidential and has been prepared solely for use by officers named on the distribution list and, if requested, the Council's External Auditor and its Audit and Governance Committee to meet legal and professional obligations. It would therefore not be appropriate for this report or extracts from it to be made available to third parties and it must not be used in response to FOI or data protection enquiries without the written consent of the Head of Internal Audit. We accept no responsibility to any third party who may receive this report, in whole or in part, for any reliance that they may place on it".

Whilst this will not prevent the problem, it will act as a deterrent and a warning to people not to share the reports or their contents before they enter the public domain through the official channels.

10. Definitions

Definition	Criteria
Fully Conforms	The internal audit service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
Partially Conforms	The internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit and conformance to the standards.
Does Not Conform	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the elements of the standards. These deficiencies will usually have a significant adverse impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the board.

Action Priorities	Criteria
High priority	The internal audit service needs to rectify a significant issue of non-conformance with the standards. Remedial action to resolve the issue should be taken urgently.
Medium priority	The internal audit service needs to rectify a moderate issue of conformance with the standards. Remedial action to resolve the issue should be taken, ideally within six months.
Low priority	The internal audit service should consider rectifying a minor issue of conformance with the standards. Remedial action to resolve the issue should be considered but the issue is not urgent.
Advisory	These are issues identified during the EQA that do not adversely impact the service's conformance with the standards. Typically, they include areas of enhancement to existing operations and the adoption of best practice.

The co-operation of the Chief Auditor and the Internal Audit team in providing the information requested for this EQA, is greatly appreciated. Our thanks also go to the chair of the Audit and Governance Committee and the key stakeholders that made themselves available for interview during the EQA process and/or completed questionnaires.

Ray Gard, CPFA, FCCA, FCIIA, DMS

28th July 2022

This report has been prepared by CIPFA at the request of Reading Borough Council, the terms for the preparation and scope of the report have been agreed with them. The matters raised are only those that came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, we have only been able to base findings on the information and documentation provided. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the issues that exist with their conformance to the Public Sector Internal Audit Standards that exist, or of all the improvements that may be required.

The report was prepared solely for the use and benefit of Reading Borough Council and Internal Audit's clients, including the senior management and the Audit and Governance Committee for the Council and the Audit Committee for Brighter Futures for Children, and to the fullest extent permitted by law, CIPFA accepts no responsibility and disclaims all liability to any other third party who purports to use or rely, for any reason whatsoever on the report, its contents, conclusions, any extract, and/or reinterpretation of its contents. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Management action plan

1. Incorporate the mission statement from the PSIAS into the audit charters (Low)	
Rationale	Agreed Action
Include the mission statement from the PSIAS in paragraph 2.2 of the audit charter.	Agreed, amendment will be made to the Audit Charter immediately
Action Responsibility	Chief Auditor / Principal Auditor
Deadline	31 August 2022

2. define the terms 'Board' and 'Senior Management' in the audit charter (Low)	
Rationale	Agreed Action
Formally define the terms Board and Senior Management in the audit charter as required by the Standards. This can either be done by expanding the relevant paragraphs within the audit charter or using foot notes to the respective paragraphs (paragraphs 1.3 and 7.2). This was a recommendation in the 2017 EQA.	Agreed, amendment will be made to the Audit Charter immediately
Action Responsibility	Chief Auditor / Principal Auditor
Deadline	31 August 2022

3. Set out the Chief Auditors other managerial responsibilities in the audit charter (Low)	
Rationale	Agreed Action
Expand section 7 of the audit charter to make reference to the fact that the Chief Auditor has other managerial responsibilities to internal audit. In particular, the fact that he also manages a service that is subjected to periodic internal audit, namely the Insurance Service. The process for preserving the Chief Auditor's independence should also be set out in the audit charter.	Agreed, amendment will be made to the Audit Charter setting out the process for preserving the Chief Auditors independence. This will be achieved either through the auditor reporting directly to the Director of Finance (Sec 151 officer) throughout the audit or by commissioning an external review
Action Responsibility	Chief Auditor / Principal Auditor
Deadline	31 August 2022

4. Ensure a consistent approach is followed for recording evidence of the audit file reviews (Low)	
Rationale	Agreed Action
Ensure that managers adopt a more consistent approach when completing the audit control document by recording their names on the review sheet to indicate who carried out the review and the date the review was carried out, although the latter would require the addition of a separate filed being added to the control sheet.	Agreed, this will be implemented immediately
Action Responsibility	Chief Auditor / Principal Auditor
Deadline	Immediate

5. To preserve sustainability, develop a work force / succession plan for the Service (Advisory)	
Rationale	Agreed Action
The Service does not currently have any form of succession or work force plan in place to address the potential risk of losing mature and experienced staff in the near future, which may well have an adverse effect on the long-term sustainability of the Service. We suggest that consideration is given to producing a work force and succession plan for the Service.	This is already under consideration and the team is already in a state of flux, given long term illness and impending retirements. Whilst this has resulted in opportunities for some, it is inevitable that there will be a loss in experienced staff, whom will be difficult to replace.
Action Responsibility	Chief Auditor
Deadline	31 March 2023

6. Consider employing trainee or apprentice auditors (Advisory)	
Rationale	Agreed Action
As there is a shortage of qualified and experienced internal auditors wanting to take up posts in local government, the Service may find it difficult to recruit suitably experienced and qualified staff should any posts become vacant. We therefore suggest that the Chief Auditor considers making a growth bid for funding to be used to finance the employment and development of one or more trainee or apprentice auditor(s) that could be developed over time and be able to move into more senior posts as and when they become vacant. Consideration should also be given to exploring the feasibility of using internships and/or undergraduate work placements with a suitable higher education partner.	The Chief Auditor is looking at the practicalities of employing apprentices and/or trainees, however it is also recognised that this does involve a lot of investment in time and resource, especially for a small team. Also given the nature of the work and the focus of the service, it is sometimes difficult to find low level audit work for inexperienced staff. Consideration will also be given to exploring the feasibility of using internships and/or undergraduate work placements with a suitable higher education partner.
Action Responsibility	Chief Auditor
Deadline	31 March 2023

7. Consider recording research undertaken for audits on the Auditor's training and development records (Advisory)	
Rationale	Agreed Action
To enable Auditors to demonstrate that they have undertaken sufficient and relevant learning and development during the year. In the current climate of economic pressure on local authorities it can be difficult for staff to fulfil this requirement. An area of learning and development that is often overlooked by staff and not recorded on their development logs is the research that they have undertaken prior to carrying out an audit or to provide advice to a client. Whilst we acknowledge that time spent on these activities is, quite rightly, allocated to the individual audits, it is also good practice to record the activities on the respective auditors learning and development logs.	Agreed, this is a good observation and something which will be implemented immediately. Training resources (finance) are finite with budgets allocated to directorates for dissemination to individual teams following an assessment of priority. Funding for training has always been available if it is deemed important for the role.
Action Responsibility	All staff
Deadline	Immediate

8. Consider cross referencing the audit plan to the Council's priorities (Advisory)	
Rationale	Agreed Action
The published audit plan is not cross-referenced to the relevant Council priorities that each of the individual audits relate to. Cross-referencing the audit plan would enable the reader to see how the work of Internal Audit fits in with the Council priorities.	Agreed, we will revisit this for next year's audit plan. Audit reports are also being revised and we will look to link each audit review to Council priorities.
Action Responsibility	Chief Auditor
Deadline	1 April 2023

9. Consider adopting a more insightful and proactive approach to service delivery (Advisory)	
Rationale	Agreed Action
<p>Whilst Internal Audit are becoming more insightful and proactive and have started to be involved in some of the major change projects at the Council, such as the replacement financial system, senior managers have indicated that there may be other opportunities where Internal Audit's knowledge and expertise would assist them to identify the potential risks and control issues as change or development projects unfold, rather than identifying them at the post implementation stage when they are usually more difficult and expensive to rectify. This would require Internal Audit to be involved in these projects from an early stage, as they have been with the replacement financial systems project.</p>	<p>Whilst I completely agree with the concept and agree that internal input should always be involved in the design stage of new projects, this is something we always try to do as a matter of course. For example, we attend the Finance Transformation Board and the Finance Systems Board. Internal audit were also represented at all the design meetings for the new financial system. In addition, we attend the Information Governance Board, SharePoint, Office 365 and BFFC Schools Effectiveness meetings. As well as this, we've been reviewing and commenting on MOSAIC payment processes.</p> <p>I have to find the balance between this proactive work and the more traditional assurance work.</p> <p>I will proactively highlight audit's involvement at these boards and forum in the quarterly reports and look to get project initiation documents amended, to require audit's views before it goes ahead.</p>
Action Responsibility	Chief Auditor
Deadline	Immediate

10. Add a disclaimer and limitations statement to the audit reports (Advisory)	
Rationale	Agreed Action
<p>Include a disclaimer and limitations of use statement in each audit report. An example of such a statement would be:-</p> <p><i>"This report is confidential and has been prepared solely for use by officers named on the distribution list and, if requested, the Council's External Auditor and its Audit and Governance Committee to meet legal and professional obligations. It would therefore not be appropriate for this report or extracts from it to be made available to third parties and it must not be used in response to FOI or data protection enquiries without the written consent of the Head of Internal Audit. We accept no responsibility to any third party who may receive this report, in whole or in part, for any reliance that they may place on it".</i></p> <p>Whilst this will not prevent the problem, it will act as a deterrent and a warning to people not to share the reports or their contents before they enter the public domain through the official channels.</p>	<p>Agreed, the audit report format is being reviewed in its entirety and we will look to add a statement to the draft report.</p>
Action Responsibility	Principal Auditor
Deadline	30 September 2022

READING BOROUGH COUNCIL

TO:	AUDIT AND GOVERNANCE COMMITTEE		
DATE:	22nd September 2022		
TITLE:	STRATEGIC RISK REGISTER Q1 & Q2 2022/23		
LEAD COUNCILLOR:	COUNCILLOR LIZ TERRY	PORTFOLIO:	CORPORATE SERVICES AND RESOURCES
SERVICE:	CORPORATE HEALTH & SAFETY & RISK MANAGEMENT	WARDS:	N/A
LEAD OFFICER:	ROBIN PRINGLE	TEL:	07730 804 547
JOB TITLE:	CORPORATE HEALTH, SAFETY AND RISK MANAGEMENT LEAD	E-MAIL:	Robin.Pringle@reading.gov.uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report outlines the Q1&2 2022/2023 update of the Strategic Risk Register. The Register is presented to the Council's Audit & Governance Committee a minimum of six monthly. Future reports will be scheduled quarterly. It was last presented to the Council's Audit and Governance Committee in April 2022.
- 1.2 The following document is appended:
Appendix 1 - the Council's Strategic (Corporate) Risk Register Q1&Q2

2. RECOMMENDED ACTION

- 2.1 **Audit & Governance Committee are asked to review and agree the Councils Strategic Risk Register at the end of Q2.**

3. POLICY CONTEXT

- 3.1 The Risk Management Policy and Procedure document has been updated to bring it in line with best practice and to incorporate a formal Risk Management Procedure including clear instructions on how to utilise the SharePoint site to record and update risks.
- 3.2 The Risk Management Policy and Procedure was presented to Audit & Governance Committee in July 2022 and approved at the Policy Committee on the 21st September 2022.
- 3.3 Risk management is a key part of corporate governance. Good risk management will help identify and deal with key Strategic risks facing the Council in the pursuit of its goals and is a key part of good management, not simply a compliance exercise. Risk management and internal control are important and

integral parts of a performance management system and are crucial to the achievement of outcomes. They consist of an ongoing process designed to identify and address significant risks involved in achieving the Council's outcomes.

4. THE CURRENT POSITION

- 4.1 RBC will be operating a more comprehensive risk management system, which will provide greater governance and reassurances to our insurers and Members. This will be achieved by improving:
- The policy commitments and roles and responsibilities,
 - Defining a clear operating procedure,
 - Increasing the frequency of Risk Register reviews and reporting, and
 - Working closely with our insurers and risk consultants to embed the new system.
- 4.2 The Directors, Deputy and Assistant Directors received additional Risk Management training in June 2022, where the new draft Policy and Procedure was presented and explained.
- 4.3 Following the training, Corporate Management Team (CMT) and Directorate Management Team's (DMT's) were required to review their existing risks, determine if they are still relevant and fit for purpose and determine whether there are new risks that need incorporating into the Risk Registers. DMT's were also asked to determine if any risks should be escalated to the Strategic Risk Register.
- 4.4 The SharePoint site, which holds the Strategic, Directorate and Project Risk Registers has been updated to reflect the new requirements.
- 4.5 The updated Strategic Risk Register has been developed to provide a concise, focused and high-level overview of strategic risks that can be easily communicated to all staff, Councillors and stakeholders (e.g. Council's Insurers). It should, always be supplemented by directorate/service/project risk registers. Directorate Risk Registers have also been reviewed and updated for 2022/23.
- 4.6 The Strategic Risk Register was initially reviewed for 2022/2023 by the Corporate Management Team (CMT) on the 9th August 2022. Following these discussions and new risks being put forward by Directorate DMT's, the following changes have occurred to the Strategic Risk Register:

Risks Closed and Removed from The Strategic Risk Register

- Climate Risk - Failure to adapt to the impacts of climate change and deliver zero carbon commitments with negative impacts for residents and businesses, and for Council services, infrastructure and reputation. This risk has been split into 2 new individual risks.
- ICT - Failure to improve the quality of ICT

Existing Risks that remain

1. Unable to achieve the budget savings, manage costs, as a result of cost-of-living increases and not achieving income targets
2. Failure to retain and recruit staff
3. Information Governance - Failure to protect personal data
4. Cyber - Risk of loss from cyber-attack

5. Companies Risk - That the council fails to have in place appropriate oversight and scrutiny of its companies
6. Failure to safeguard vulnerable adults and children

Updated Risks (Changes to Title):

7. Failure to deliver zero carbon commitments
8. Failure to adapt to the impacts of climate change
9. Failure to manage an outbreak of communicable diseases
10. Failure to implement the social inclusion agenda within the borough

New Risks Introduced

11. Failure to safeguard young people in the community from serious crime
12. High risk of homelessness within the new Ukrainian arrivals due to unmet future housing needs
13. Lack of effective corporate parenting across the organisation
14. Failure to implement new government legislation to deliver Adult Social Care Reforms
15. Provider's ability to meet statutory Adult Social Care requirements

4.7 The Strategic Risk Register (Appendix 1) for agreement, now consists of 15 risks (if all proposals are accepted) compared to 10 in 21/22

4.8 Although guidance is provided in relation to the scoring of risks, with a view to providing as much consistency as possible, it still remains a subjective process. The primary aim of the Strategic Risk Register is to identify those key vulnerabilities that CMT consider need to be closely monitored in the forthcoming months and, in some instances, years ahead. In many cases this will be because the risk is relatively new and, whilst being effectively managed, the associated control framework is yet to be fully defined and embedded. In such circumstances it follows that not only will the potential impact be large, but the risk of likelihood of occurrence could also be increased.

4.9 In order to focus senior management and Member attention on areas of greatest risk, the Register should include only the key current risks that have not been mitigated down to an acceptable level. Where risks have been rated as green for two or more consecutive quarters they are removed from the Register. These can be re-instated should the risk rise again.

5. EMERGING RISKS

5.1 The emergence of new risks in the period 'post' pandemic, in the main are caused by global and UK economic pressures, the cost-of-living crisis, inflation and price rises and the effects of the war in Ukraine. These will provide further challenges for the Council during 2022/23 and whilst they are not identified in isolation, associated risks are captured under individual corporate risks.

The cost-of-living crisis caused by rising rates of inflation and fuel/energy costs, may result in more families and households to fall into unemployment and poverty, which may lead to increased level of service demand on the Council and place additional pressure on front-line services. This will be closely monitored as an emerging risk, with mitigating actions put forward.

5.2 As announced in the last Queens speech, the 'Protect Duty' which followed the Manchester Arena bombing, is due to come into place during this parliament.

The purpose of the draft Bill is to keep people safe by introducing new security requirements in certain public locations and venues and to ensure preparedness for and protection from terrorist attacks. This will be closely monitored as an emerging risk, with mitigating actions being implemented.

6 CONTRIBUTION TO STRATEGIC AIMS

- 6.1 Regular review of the Policy, and Strategic Risk Register, is an integral part of effective risk management arrangements and corporate governance.
- 6.2 Identifying risk appetite will enable the Council to clarify the extent of risk mitigation required in order to achieve its strategic aims.
- 6.3 Each risk is linked to a Corporate Plan theme.

7. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 7.1 There are no specific environmental or climate implications arising from the decision.
- 7.2 The Strategic Risk Register includes two risks related to climate implications and the actions to mitigate these risks are included in Appendix One.

8. COMMUNITY ENGAGEMENT AND INFORMATION

- 8.1 The consultation duty is not applicable to the Risk Management Policy & Procedure.
- 8.2 Internal consultation has taken place with the Corporate Management Team, and the Councils insurer and consultants and their feedback is reflected in the revised policy & procedure.

9. EQUALITY IMPACT ASSESSMENT

- 9.1 An Equality Impact Assessment (EIA) is not relevant to this report.

10. LEGAL IMPLICATIONS

- 10.1 There are no specific legal implications arising from the recommendations in this report.

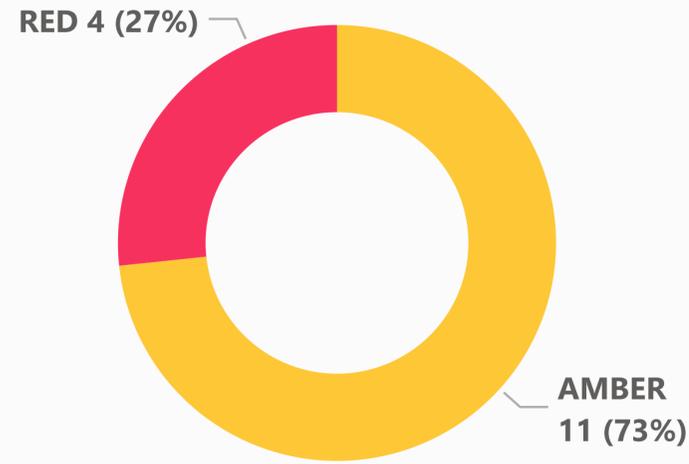
11. FINANCIAL IMPLICATIONS

- 11.1 There are no specific financial implications arising from the recommendations in this report.

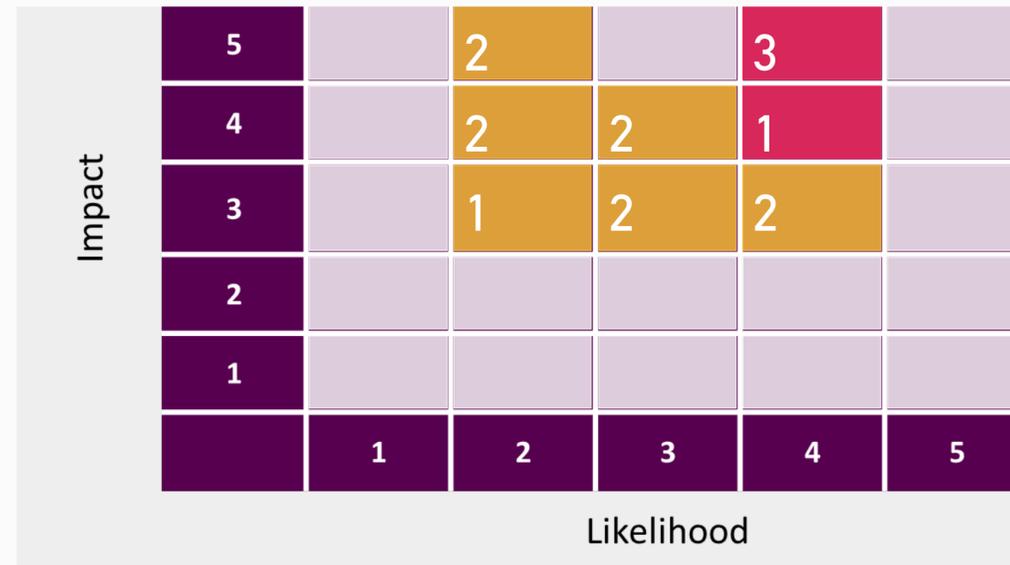
12. BACKGROUND PAPERS

- 12.1 Risk Management Policy & Procedure, 2022

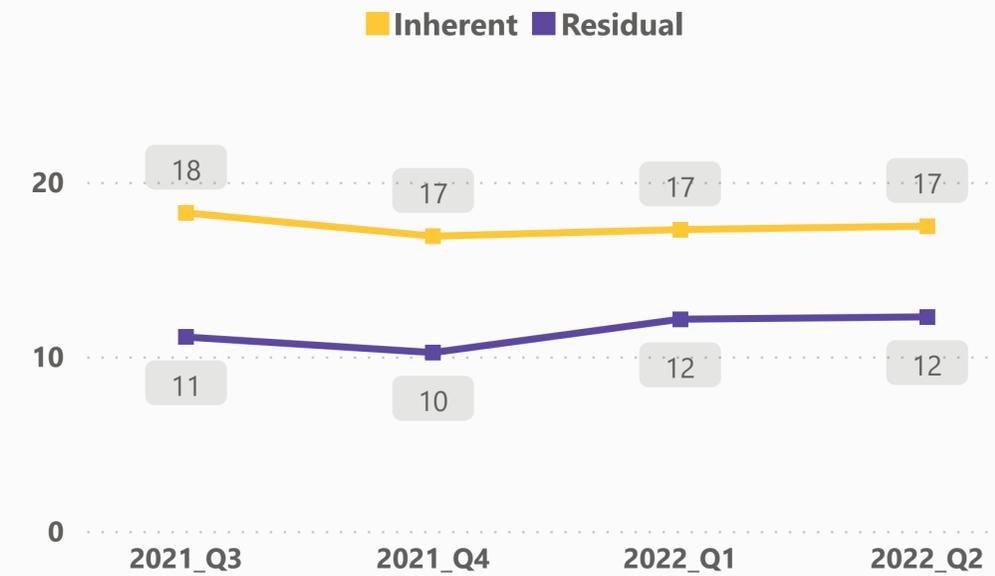
Count of Risk by Status



Risk Distribution



Rolling 4 Quarter Risk Score by Type



Risk	2021_Q3 Residual	2021_Q4 Residual	2022_Q1 Residual	2022_Q2 Residual	Current RAG
Companies Risk – That the council fails to have in place appropriate oversight and scrutiny of its companies.	8	8	8	8	🟡
Cyber - Risk of loss from cyber attack	20	20	20	20	🔴
Failure to adapt to the impacts of climate change	0	0	12	12	🟡
Failure to deliver zero carbon commitments	0	0	20	20	🔴
Failure to implement the social inclusion agenda within the Borough	12	12	12	12	🟡
Failure to manage a significant outbreak of a communicable disease(s)	8	4	9	9	🟡
Failure to safeguard vulnerable adults and children	8	8	10	10	🟡
Failure to safeguard young people in the community from serious crime	0	0	12	12	🟡
High risk of homelessness within the new Ukrainian arrivals due to unmet future housing needs	0	0	16	16	🔴
Implementation of the new government legislation to deliver Adult Social Care Reforms	0	0	4	6	🟡
Information Governance - Failure to protect personal data	8	8	8	8	🟡
Lack of effective corporate parenting across the organisation	0	0	10	10	🟡
Provider's ability to meet statutory Adult Social Care requirements	12	12	9	9	🟡
Staffing - Failure to retain and recruit staff	12	12	12	12	🟡
Unable to achieve the budget savings, manage costs, as a result of cost of living increases and achieving income targets.	12	8	20	20	🔴



Risk:
Companies Risk – That the council fails to have in place appropriate oversight and scrutiny of its companies.

Register:
Strategic

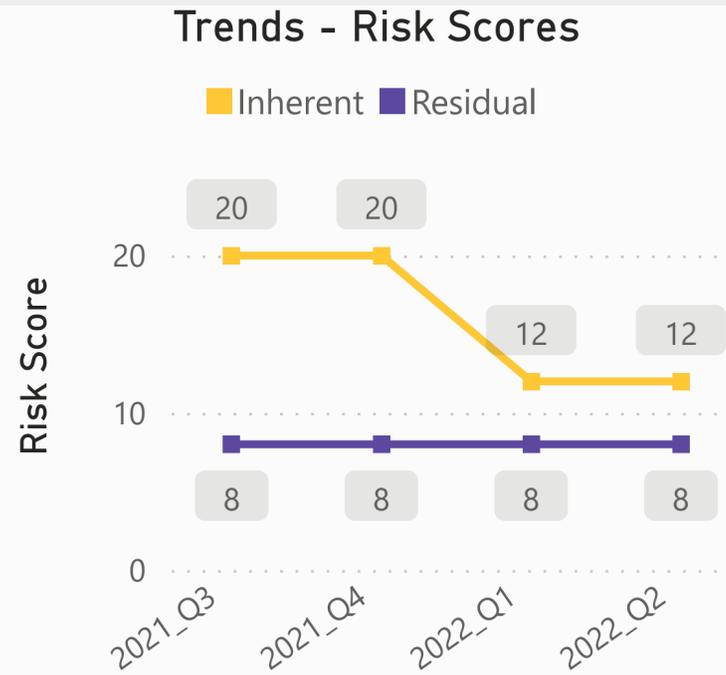
Risk owner:
Swan, Henry

8

Current Risk S...

Cause:
Corporate mismanagement

Potential Impact:
 Risk that the council fails to have in place appropriate oversight and scrutiny of its companies (Reading Buses, BfFC, Homes for Reading) is unaware of risks to those companies (pension fund deficits, GDPR compliance etc) and is impacted by an unplanned exposure relating to those companies



Risk Scoring

Risk Type	2021 Q3	2021 Q4	2022 Q1	2022 Q2
▲ Impact (Inherent)	5	5	4	4
Likelihood (Inherent)	4	4	3	3
Inherent	20	20	12	12
Impact (Residual)	4	4	4	4
Likelihood (Residual)	2	2	2	2
Residual	8	8	8	8

Page 7

Actions and update

- Contract governance arrangements in place with Brighter Futures for Children (BFFC) to monitor Company performance, including monthly financial reporting and bi-monthly (once every 2 months) - remove BFFC
- Regular Contract Management Group meetings. The financial reporting has greatly expanded and provides greater visibility of financial risks. Overspend related to Looked After Children is supported by relevant panel meetings with high cost placements to be signed off by the RBC Chief Executive.
- Seeking to ensure greater consistency of Council Company oversight through review of respective Company Articles and governance
- Taking proactive steps around Reading Buses following external review - new Board recruited.
- Looking to review housing company later this financial year.

Risk:
Cyber - Risk of loss from cyber attack

Register:
Strategic

Risk owner:
Chalmers, Martin

20
Current Risk S...

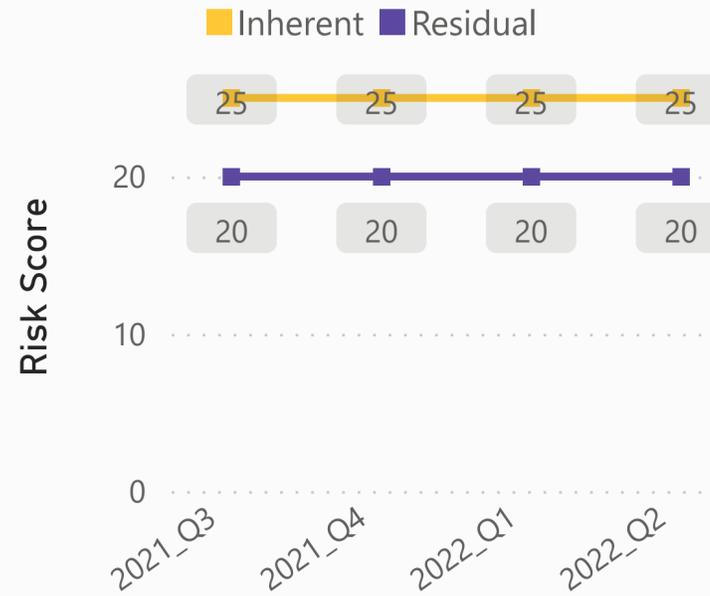
Cause:

Attack by hostile nation states, criminals or activists

Potential Impact:

Loss of service, loss of reputation, legal challenges, recovery costs

Trends - Risk Scores



Risk Scoring

Risk Type	2021 Q3	2021 Q4	2022 Q1	2022 Q2
Impact (Inherent)	5	5	5	5
Likelihood (Inherent)	5	5	5	5
Inherent	25	25	25	25
Impact (Residual)	5	5	5	5
Likelihood (Residual)	4	4	4	4
Residual	20	20	20	20

Actions and update

- Current impact is 5 to reflect recent learning from incidents such as those experienced by Haringey and Redcar & Cleveland ransomware attacks (the latter having been assessed as having had total business impact of £6m). Given that £1m is the threshold for impact level 5, the level is not expected to change.
- Likelihood remains high. While progress on actions is exerting downward pressure on likelihood, this is balanced by worsening of the threat environment. (See [First ever Government Cyber Security Strategy to step up Britain's defence and resilience - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/first-ever-government-cyber-security-strategy-to-step-up-britains-defence-and-resilience)). Realistically, the continuing evolution of the threat environment is likely to mean that the likelihood will remain high. The purpose of our investment in countermeasures is to avoid even higher likelihood and to maximise ability to mitigate impact.
- We have developed a cyber incident response plan and cyber incident "playbooks" to reflect learning from recent attacks on the public sector and the latest guidance from the National Cyber Security Centre (NCSC).
- Intent is to run a cyber attack exercise in H2 22/23. Completion of this exercise and the actioning of lessons learned from it should lead to greater confidence in the ability to recover and understanding the time this would take.
- Staff awareness and training is critical. Training has been made mandatory and completion is in excess of 92% in RBC. BFC has now also made cyber training mandatory. Preparations are being made to remove ICT access from those who have not completed the training (unless there is a good reason and plan for completion agreed). A refresher course will be compulsory in 2022/23, has been sourced, and will be launched this month.
- We have had a preliminary assessment of our compliance with the requirements of the NCSC Cyber Essentials scheme undertaken and plan to achieve Cyber Essentials Plus certification by the end of Q1 22/23. The principal dependency for certification is the rollout of a new version of Windows 10. This project is in its final "mop-up stage".
- Security governance has been strengthened with the establishment of the Information Governance Board, which will review policy and strategy relating to cyber security, and also monitor reports of security incidents to identify corrective action. AD Legal & Democratic Services has been appointed as cyber security champion for CMT, and a similar role is played in Council by the Lead Member for Corporate & Customer Services.
- Staff training on cyber security is regularly reviewed by Audit and Governance Committee.

Risk:
Failure to adapt to the impacts of climate change

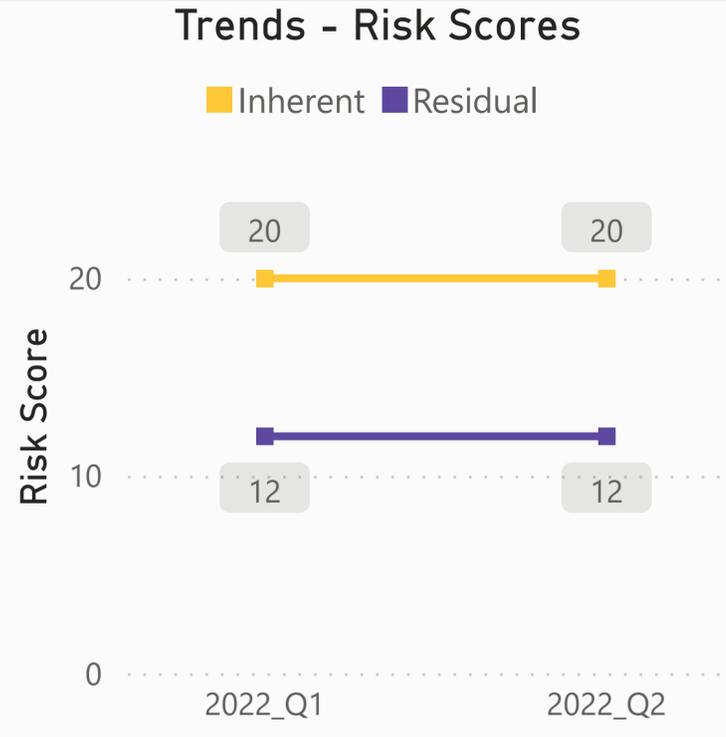
Register:
Strategic

Risk owner:
Martin, Frances

12
Current Risk S...

Cause:
Inadequate emergency planning and preparedness, business continuity planning and long-term planning to adapt to the impacts of climate change.

Potential Impact:
Climate change impacts (related to hotter drier summers, warmer wetter winters, and more extreme weather events) are expected to have a range of negative social, economic and environmental consequences, up to and including loss of life, as well as amplifying other risks (e.g. to public health, economic security, service continuity, infrastructure and supply chains). Action to adapt can reduce impacts, though the likelihood of such impacts occurring remains high, and generally rising, in the context of a warming climate.



Risk Type	2021 Q3	2021 Q4	2022 Q1	2022 Q2
Impact (Inherent)			5	5
Likelihood (Inherent)			4	4
Inherent	0	0	20	20
Impact (Residual)			3	3
Likelihood (Residual)			4	4
Residual	0	0	12	12

Actions and update

- Flood Risk: the Council is responsible for surface water flooding and produced a Local Flood Risk Management Strategy in 2015. Action has been taken in all but one of 6 'hotspots' identified and plans for works at the remaining site have been approved. Flash flooding from extreme rainfall events is likely to be an increasing but unpredictable risk. The Environment Agency is responsible for fluvial flooding and we are working with the Agency to address our main fluvial flood risks from the Thames.
- Heatwave risk: various local agencies, including the Council and NHS, participate in the Berkshire Heatwave Plan and England Heatwave Plan. These plans were recently tested in the July and August 2022 heatwaves but data is awaited on the public health outcomes. As the severity and frequency of hot weather events increases, however, more action will be needed to protect vulnerable people and infrastructure.
- Extreme weather events: service continuity plans are in place to help prepare for such events but it will be important to ensure that these reflect the changing risk profile associated with climate change and extreme weather.
- Climate impact assessment in decision-making: a protocol for climate impact assessment in Committee reports is now in place and being used by report authors - this includes tests to ensure that decisions are taking account of key climate impacts such as extreme heat, storms and flood risk, and the need to adapt to them.
- Planning policy and new development: the Reading Local Plan includes policies on climate change adaptation (CC3) and flood risk (EN18) designed to ensure that new development is resilient to climate impacts.
- An internal audit process concluded in February 2022 giving 'reasonable assurance' but the report highlighted the need for the Council to develop a more comprehensive climate change adaptation plan for its own services - work on this is now underway with the aim of completion this financial year.

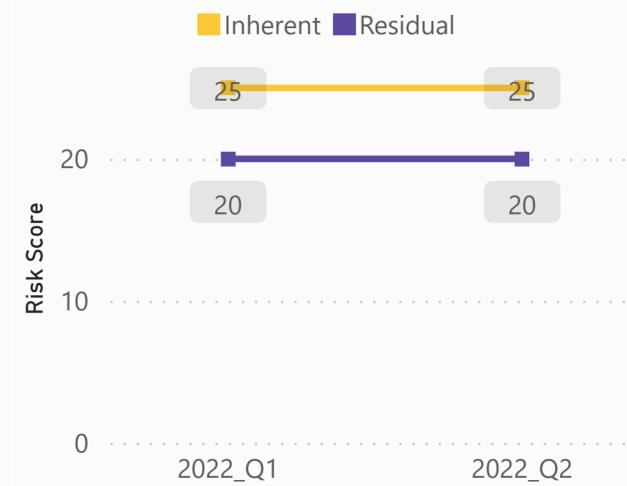
Cause:

1. Lack of clear policies and plans in place to deliver 2. Insufficient investment of Council resources in delivery; 3. Inadequate government funding and policy support for delivery

Potential Impact:

Failure to deliver the Council's net zero commitments will ultimately contribute to catastrophic climate change impacts through the 'contribution' of greenhouse gas emissions from Reading will of course be indistinguishable from that of other jurisdictions. The main impacts are therefore (i) practical in the sense that if the Council is not seen to be leading by example, the success of its efforts to persuade other partners and residents to cut their emissions will be reduced and (ii) reputational, in that the Council may be accused of not delivering on its promises, noting that some of the action required to deliver a net zero Reading by 2030 is beyond the Council's control.

Trends - Risk Scores



Risk Scoring

Risk Type	2021 Q3	2021 Q4	2022 Q1	2022 Q2
▲ Impact (Inherent)			5	5
Likelihood (Inherent)			5	5
Inherent	0	0	25	25
Impact (Residual)			5	5
Likelihood (Residual)			4	4
Residual	0	0	20	20

Actions and update

Action is broken down in relation to 'cause' categories listed above as follows:

Lack of clear policies and plans in place to deliver:

Page 79

- Reading Borough Council (RBC) worked with partners to develop the Reading Climate Emergency Strategy 2020-25 - includes action plans for all key policy areas (endorsed by Strategic Environment Planning & Transport Committee November 2020)
- RBC produces its own Corporate Carbon Plan to set out its pathway to net zero and action required (adopted by SEPT Committee November 2020)
- Annual Reports on progress on both the Climate Strategy and Carbon Plan are presented to SEPT on the anniversary of their publication
- A mandatory section of Committee Reports requires report authors to assess the environmental and climate impacts of decisions, using a climate impact assessment tool and accompanying guidance where appropriate

2. Insufficient investment of Council resources in delivery:

- The Council's capital programme includes significant investment designed to directly or indirectly support net zero goals, including investment in public transport, energy efficient housing, sustainable waste management practices, and carbon reduction measures in the Council's own buildings and fleet. Further work is, however, needed to establish whether this will be sufficient to delivery net zero ambitions for the Council and for Reading as a whole.
- While the Council's revenue budgets for dedicated work on climate change are modest in isolation, efforts are being made to ensure that climate action is embedded in all services and service plans through provision of support such as guidance and training for officers.

3. Inadequate government funding and policy support for delivery

- While Government policy is aligned to net zero, the national target of 2050 remains less ambitious than the local target of 2030. As such some policies are not fully aligned, and while Government has made significant funding available it is not of the scale required to support net zero by 2030. Furthermore most funding streams are extremely competitive and/or over-subscribed. The Council therefore works through representative bodies to lobby for more generous financial support and a more ambitious policy framework to enable net zero by 2030.

An annual progress report on the Reading Climate Change Strategy in November 2021 highlighted that while progress was being made with Borough-wide emissions reduction, the pace of the reduction needs to increase significantly to achieve 'net zero by 2030'. Some of the Borough-wide action needed to achieve net zero is beyond the Council's control, but the wider community understandably looks to the Council to lead by example. In this regard the Council is on track to meet its own corporate Carbon Plan target of an 85% reduction in emissions by 2025 (en route to net zero by 2030) though Council emissions represent <1.5 of the total for the Borough so are only a small, albeit symbolic, part of the total.

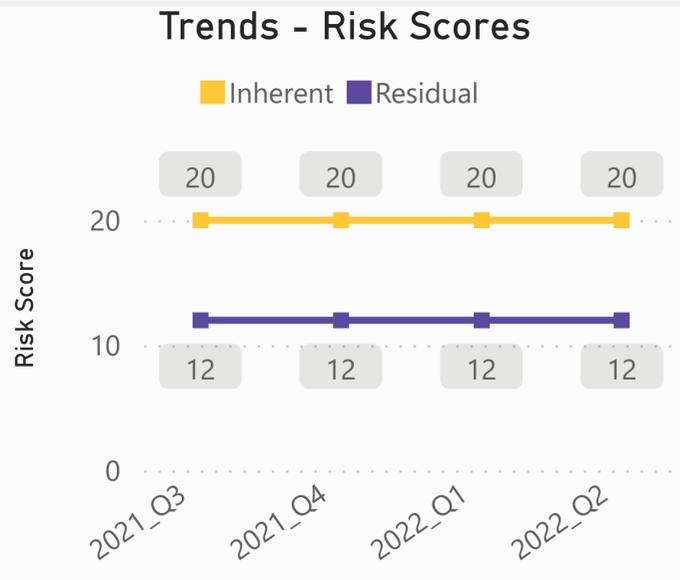
An internal audit of the Council's climate action programme was concluded in February 2022 giving 'reasonable assurance' - this made a number of recommendations to improve accountability for delivery of the Council's net zero commitments which are in the process of being implemented, including:

- Clear identification of responsible teams/officers for actions in the Reading Climate Emergency Strategy where RBC is listed as a delivery partner, with these actions being better reflected in the Service Plans of relevant services
- Clearer articulation of timescales and accountability for various actions in the corporate Carbon Plan
- Improved support and training for officers and services to embed climate action in their work

Reading's Climate Emergency Declaration made clear that additional powers and resources would be needed from central government to enable delivery of 'net zero by 2030' - to date, these have not been forthcoming to the extent required and this remains probably the biggest risk to delivery of the Council's commitments.

Cause:
Lack of resources, focus and coordination of internal teams, deficit of community infrastructure to support local delivery, lack of effective community engagement leading to inappropriate interventions and lack of support.up.

Potential Impact:
Skills and income deficit is not addressed, leading to low pay/worklessness, children living in poverty and poorer outcomes in terms of health.
Lack of aspiration and hopefulness
Increased isolation and marginalisation of residents in less affluent areas.



Risk Type	2021 Q3	2021 Q4	2022 Q1	2022 Q2
Impact (Inherent)	5	5	5	5
Likelihood (Inherent)	4	4	4	4
Inherent	20	20	20	20
Impact (Residual)	4	4	4	4
Likelihood (Residual)	3	3	3	3
Residual	12	12	12	12

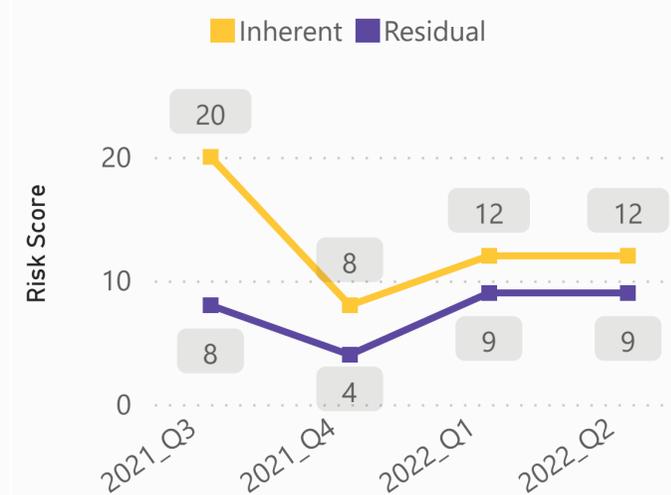
Actions and update

- Social Inclusion funding agreed for 2022/23- 2024/25
- Social Inclusion Strategy and action plan to go to Policy Committee in Q3
- New Social Inclusion and Voluntary & Community Sector (VCS) Partnership Manager appointed to focus on developing the strategic partnership with the VCS and coordination /visibility of activity taking place across the Council. Further post to be appointed to.
- VCS strategic action plan agreed and work commenced.
- Social Inclusion Board (Chaired by Chief Executive), with senior stakeholders from Directorate of Economic Growth & Neighbourhoods Services (DEGNS), Brighter Futures for Children (BFFC), Public Health and Directorate of Resources (DoR). The Board covers: Development and co-ordination of the broader Social Inclusion agenda, commission work to address skills and education, using a place based approach to address the barriers to education, provide oversight on key work programmes such VCS action plan, Community Health Champions, Volunteering for Reading road map. Detailed work programme to be presented to Policy Committee in October 2022.
- Closing the Gap – Phase 1 of the prospectus for £1.3m 3yr Commissioning framework with the VCS completed. Covering three priorities: Getting out and staying out of Poverty; Building Community wellbeing and resilience; and VCS Infrastructure. Phase 2 currently being commissioned to increase capacity for Debt and Money Management advice and support, targeted peer support for autistic, learning disability, and deaf communities.
- Small Grants Scheme – phase 1 scheme delivered and distributed around £100k of funding. Phase 2 in development to allocate a further £100k in October.
- New work experience offer designed for schools and more targeted approach to apprentice recruitment to be implemented.
- Procurement activity to ensure the Council's Social Value aspirations are effectively embedded delivering additional training, job opportunities, infrastructure etc.
- New Education Strategy being drawn up by BFFC reflecting the need to boost aspiration and attainment.
- Refugee Settlement Schemes in place and resourced to support to; Ukrainian, Afghan and Syrian refugees.
- Accessible information and Communications strategy adopted in November 2021 covering; accessible information standards online (WCAG Accessible for All standard) , inclusive standards for written and visual communications, provision of translation and interpretation services. Implementation of the strategy has been communicated to staff and is delivered as part of the Customer Excellence Programme.
- Health and Wellbeing Strategy – The Berkshire West Health & Wellbeing strategy addresses health inequalities through a number off priority workstreams. The Reading Integration Board provides the oversight for the delivery against the Health & Wellbeing strategy.
- Housing Strategy – Community Development Team in place to tackle inequality in deprived council estate areas, debt and money advice provision to prevent homelessness, detached youth workers carry out community engagement with young people
- New Directions College provides skills and community learning to adults aged 19+ in Reading, in particular skills for life and work including maths, English and digital skills as well as apprenticeships and work based learning courses.
- Reading Play provide play opportunities for 0 to 13 year olds through After School Clubs, Holiday Play clubs, and events such as the Summer Play Days. We ensure that all of Reading’s children, young people and families have fair and equal access to free play activities on a daily basis. The service also provides a specialist service for schools which includes respite and Special Education Needs & Disabilities (SEND) support.
- Libraries support children and adults with provision of free resources, including access to information, internet/wifi, and IT and free activities such as 'Rhymetime' and story time which support the development of children.
- Increasingly cultural services, including the museum, are adapting services for adults and children who are neuro-diverse.
- Reading Museum provides a reminiscence service that can be sent out to care homes and other organisations around Reading. The Museum regularly offers project work to schools in areas of deprivation.

Cause:
Lack of specialist staff capacity resources to manage the situation

Potential Impact:
Death or injury. Loss of reputation. Insurance claims. Legal challenges

Trends - Risk Scores



Risk Scoring

Risk Type	2021 Q3	2021 Q4	2022 Q1	2022 Q2
Impact (Inherent)	4	4	4	4
Likelihood (Inherent)	5	2	3	3
Inherent	20	8	12	12
Impact (Residual)	4	2	3	3
Likelihood (Residual)	2	2	3	3
Residual	8	4	9	9

Actions and update

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- Continue to support vaccine rollout and use data to consider where hesitancy exists
- Local Contact Tracing has ended following the Living with Covid announcement by the government
- Service delivery and risk assessments sit with Services/Directorate decision making
- Outbreak management arrangements in place, but scaled back to a 5 day service
- Provision of Personal Protective Equipment continues
- Establish a robust structure for dealing with Health Protection, from preparedness through response to recovery
- Create a Health Protection Board
- Have a health protection lead in place
- Closer alignment of health protection to emergency planning
- Emergency response structure continues to operate
- Thames Valley Local Resilience Forum being supported
- The other recovery groups supporting economic recovery and renewal and social impact continue to monitor changes in the governments approach to recovery including delivering grants and support services.
- The council is heavily involved in supporting the NHS to successfully deliver vaccination to the local population. Including the Community Vaccine Champions scheme to increase targeted take up
- The government has set out its Living with Covid Plan
- To continue to support the work of the Berkshire West Health Protection Board to focus on all Infectious diseases, mandatory requirement under the Health & Social Care Act 2012.
- Work with Clinical Commissioning Groups, Primary Care Networks and higher education settings for Measles, Mumps & Rubella catch up awareness
- Reassert efforts around childhood vaccination programmes as part of Covid recovery.
- Need to establish clear roles and responsibilities
- Staffing capacity - there is a need for additional staffing support - health protection specialist required to work across Berkshire West
- Update the Pandemic Flu Plan and review procedures
- Undertake a flu exercise
- Ensure Flu is a consideration in all Business Continuity Plans



Risk:
Failure to safeguard vulnerable adults and children

Register:
Strategic

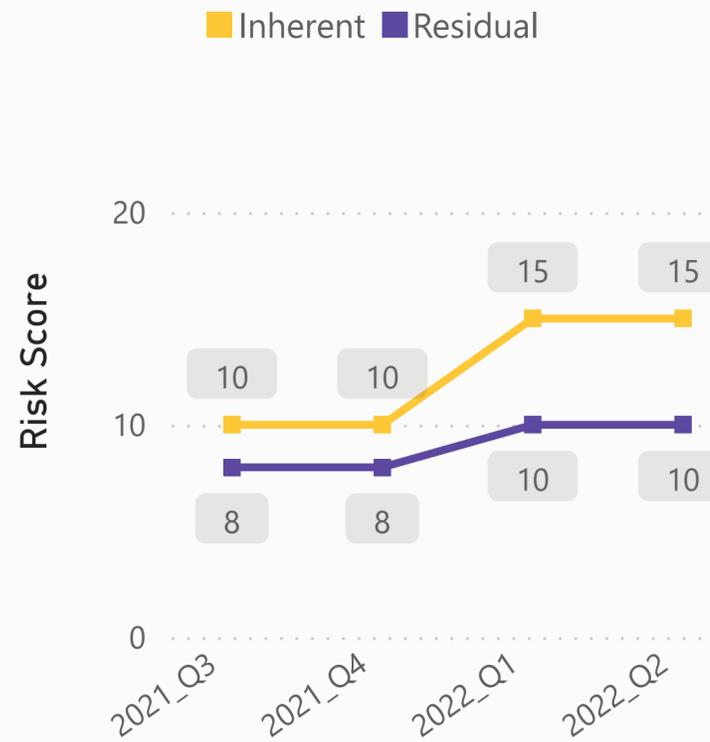
Risk owner:
Lappin, Joanne

10
Current Risk S...

Cause:
Inadequate risk assessment and management, lack of or poor safeguarding response, failure to provide adequate health and safety measures

Potential Impact:
Harm, injury or death of person (s) to whom adult and children's social care has a duty
Potential of legal claim for negligence, corporate manslaughter
Reputational damage
Media coverage

Trends - Risk Scores



Risk Scoring

Risk Type	2021 Q3	2021 Q4	2022 Q1	2022 Q2
Impact (Inherent)	5	5	5	5
Likelihood (Inherent)	2	2	3	3
Inherent	10	10	15	15
Impact (Residual)	4	4	5	5
Likelihood (Residual)	2	2	2	2
Residual	8	8	10	10

Actions and update

All Directorate staff and relevant other officers receive mandatory training to assess safeguarding risks. Staff and Managers have regular refresher training.

Staff receive 1-1 supervision from their managers where safeguarding is discussed and practice support is available. Ongoing support is provided through the Safeguarding Adults Team.

Open safeguarding episodes are reviewed and reported weekly, managers in the teams have oversight and support from senior managers.

RBC follows the local policies and procedures, as set out by West Berkshire Safeguarding Adults Board (SAB)

All referrals received are screened, risks assessed and prioritisation decisions made.

Health and Safety measures are in place across the Directorate of Adult Care & Health Services (DACHS).

Risks relating to children's services are managed by BfC, who have their own risk management arrangements.



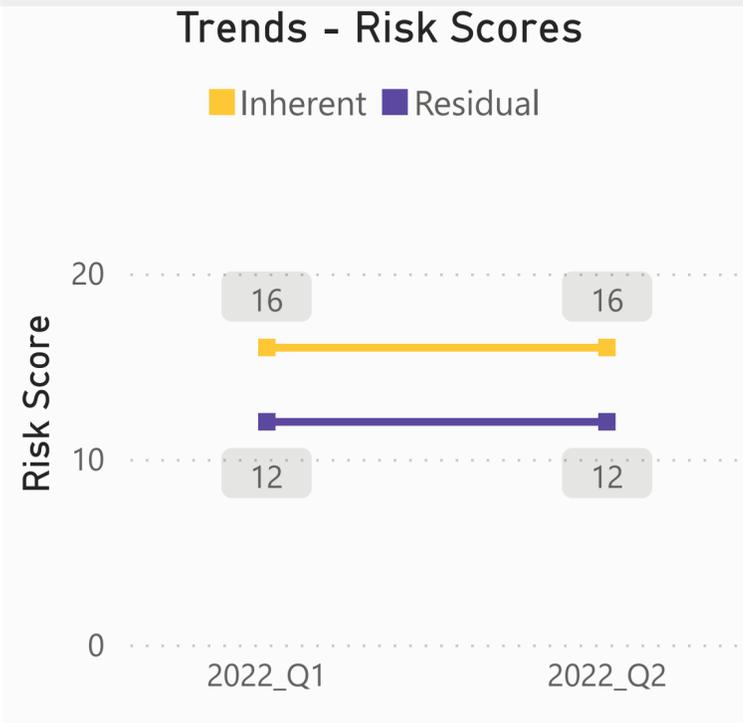
Risk:
Failure to safeguard young people in the community from serious crime

Register:
 Strategic
 Risk owner:
 Grady, Brian

12
 Current Risk S...

Cause:
 Increasing demand on early help and youth support services, increasing complexity of issues and needs of young people and increasing presence of extra-familial risks, crime and exploitation risks, including County Lines and drugs knife crime.

Potential Impact:
 Young people experience serious harm and there are longer term negative impacts on the health and wellbeing of communities



Risk Type	2021 Q3	2021 Q4	2022 Q1	2022 Q2
Impact (Inherent)			4	4
Likelihood (Inherent)			4	4
Inherent	0	0	16	16
Impact (Residual)			4	4
Likelihood (Residual)			3	3
Residual	0	0	12	12

Actions and update

An extra-familial risk/contextual safeguarding pathway for adolescents has been established to provide support for young people who would otherwise have been subject of a Child Protection Plan. In 2022/2023, cross-Council activity will be embedded to enhance support available for adolescents at risk

Through the leadership of Community Safety and Brighter Futures for Children, continue to deliver partnership actions with Thames Valley Police, the Berkshire, Oxfordshire and Buckinghamshire Integrated Care System, and the Berkshire West Adolescent Risk group to ensure an effective safeguarding response to the risks of extra-familial harm, exploitation and serious violence.

Ensure that work regarding extra-familial harm, exploitation and the prevention of serious violence is informed by and connects to the work of Social Inclusion Board

Risks relating to children's services are managed by BFfC, who have their own risk management arrangements.

Corporate Violence Group and partnership working in place



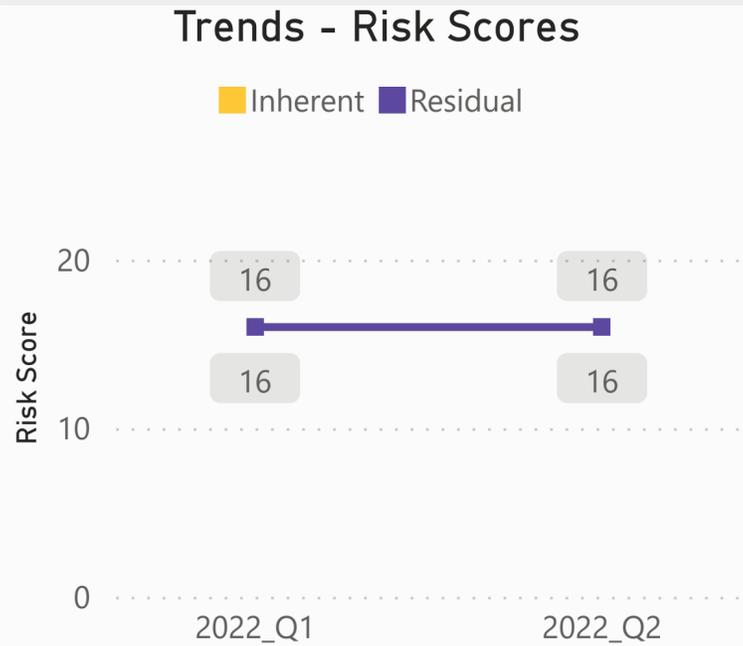
Risk:
 High risk of homelessness within the new Ukrainian arrivals due to unmet future housing needs

Register:
 Strategic
 Risk owner:
 Wolfle, Zelda

16
 Current Risk S...

Cause:
 Breakdown in relationships between Sponsors and Guests and end of initial 6 month commitment will result in high numbers of individuals and families presenting as homeless

Potential Impact:
 Demand for new housing exceeds local affordable supply



Risk Type	2021 Q3	2021 Q4	2022 Q1	2022 Q2
Impact (Inherent)			4	4
Likelihood (Inherent)			4	4
Inherent	0	0	16	16
Impact (Residual)			4	4
Likelihood (Residual)			4	4
Residual	0	0	16	16

Actions and update

Daily monitoring of Department of Levelling Up Housing & Communities (DLUHC) database to determine numbers of individuals arriving through Homes for Ukraine Scheme

Liaison with Sponsors to keep them informed of latest Council actions including requests to inform us of any issues

Liaison with Ukrainian Association to keep them/the Council apprised of current situation

Homes for Ukraine Scheme should establish a minimum 6 months commitment to accommodate guests in Sponsors households.

Ongoing risks that data is unavailable on numbers that have arrived under the Family Visa Scheme.

Use of re-matching to mitigate relationship breakdown or unsatisfactory initial visits. Plus can be used to deal shorten period of emergency housing where another sponsor can be found. Theoretical potential to use re-matching to find new sponsors when initial 6 month period expires - indication from Government that this will be permitted. Re-matching can only be used for Homes for Ukraine Scheme.

DLUHC recognises need for post-six months policy. Task & Finish Group set up by DLUHC. DLUHC writing to guests and sponsors.

Programme being set up to contact Sponsors & Guests @ 4 months to get accurate picture of numbers considering leaving the sponsorship scheme or extending.

Attending joint workshops with DLUHC at Ukrainian Centre in Sept and Oct to meet guests & sponsors.



Risk:
Implementation of the new government legislation to deliver Adult Social Care Reforms

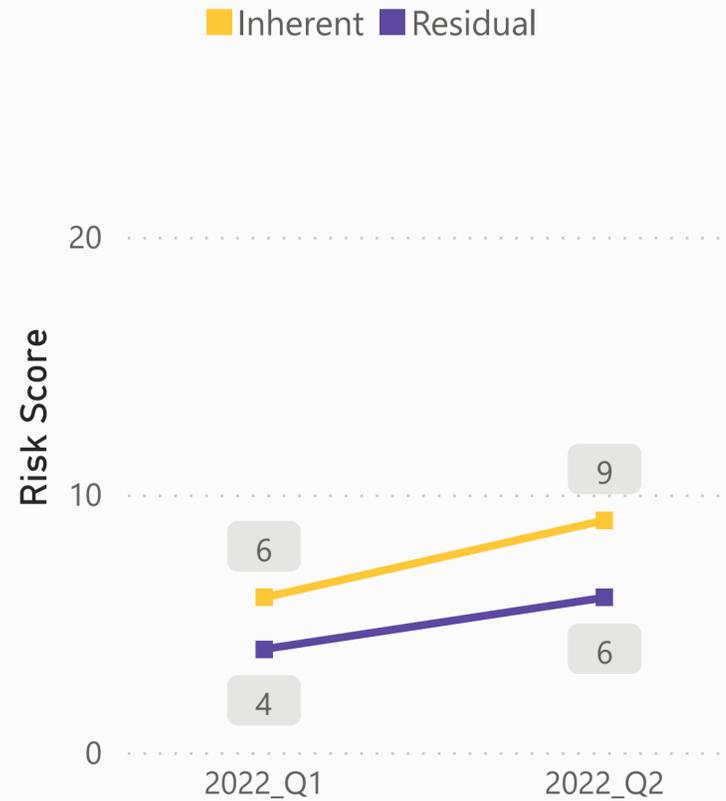
Register:
 Strategic
 Risk owner:
 Wise, Melissa

6
 Current Risk S...

Cause:
 CQC Causes: Lack of resources & IT infrastructure, Lack of policy and procedures. Charging causes: Failure in IT systems, delivery of Care accounts in time, confusion over what is paid for. Increase in demand, Lack of skilled staff, Cost more and more complaints Lack of central gov funding - £60m over 10 years. Yet unclear of Government settlement, Government has not issued all guidance

Potential Impact:
 CQC Assurance:
 New inspection regime. Will require new policies and procedures
 Evidence on how service users voice informs the service decisions
 Quality framework
 Evidence person centred outcomes
 Testing ability to provide that we deliver to the care act
Charging Reform:
 Regarding paying for social care and cap
 People privately paying to fund care will be able to attract RBC fees
 service user pays £86,000 and then RBC is funder
 Means test is moving from £23,000 to £100,000

Trends - Risk Scores



Risk Scoring

Risk Type	2021 Q3	2021 Q4	2022 Q1	2022 Q2
Impact (Inherent)			3	3
Likelihood (Inherent)			2	3
Inherent	0	0	6	9
Impact (Residual)			2	3
Likelihood (Residual)			2	2
Residual	0	0	4	6

Actions and update

- Set appropriate governance- two programme boards – Care Quality Commission (CQC) and charging reform to sit within current DACHS infrastructure
- Writing a business case for resources as cannot manage the impact with current level of resources
- Have raised awareness of the issue with Corporate Management Team (CMT) and Members
- Undertaking own financial analysis to look at the real impact on RBC
- Exploratory research with IT providers regarding solutions in place to meet the reforms
- Looking at getting the rates correct – in line with the national ‘Fair Cost of Care Provider’ programme. This is due in October 22 and is on target.

Risk: Information Governance - Failure to protect personal data

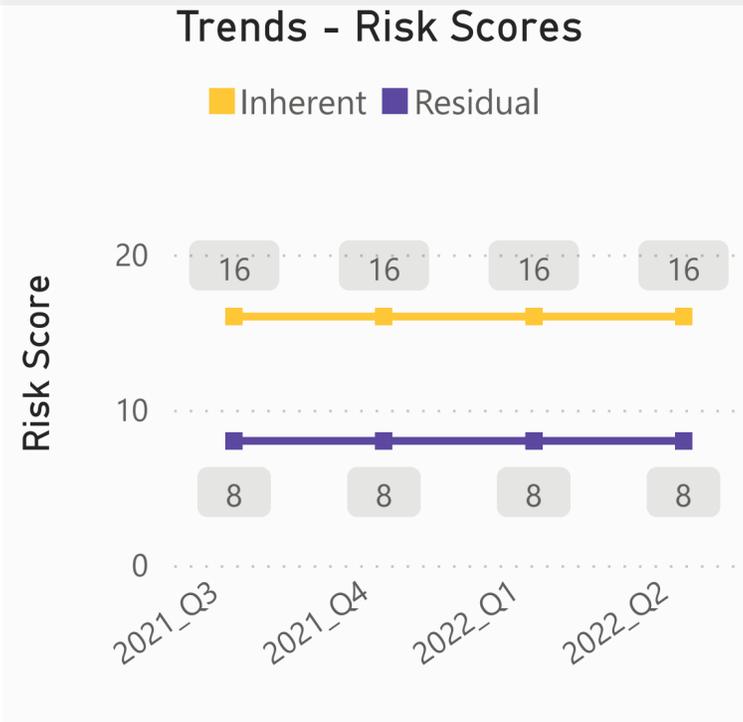
Register:
Strategic

Risk owner:
Graham, Michael

8
Current Risk S...

Cause:
User error, lack of policy guidance and procedures, failure of system reminders, staff workloads resulting in insufficient care and attention to details.

Potential Impact:
Fines/penalties, reputation damage, service failure. Wasted time and cost involved in responding to service failure.



Risk Scoring

Risk Type	2021 Q3	2021 Q4	2022 Q1	2022 Q2
Impact (Inherent)	4	4	4	4
Likelihood (Inherent)	4	4	4	4
Inherent	16	16	16	16
Impact (Residual)	4	4	4	4
Likelihood (Residual)	2	2	2	2
Residual	8	8	8	8

Actions and update

Ongoing corporate training programme for data protection, raising awareness with staff groups of the need to handle personal data securely and properly. Data Protection Training is mandatory for all staff and ongoing

- Information Management Strategy agreed at Policy Committee on 7 March 2022
- Oversight from the Audit and Governance Committee on a quarterly basis. Ongoing.
- Face to Face Data Protection refresher training is available for staff as and when needed. Ongoing.
- Information Governance Board (IGB) set up to oversee delivery of Information Management Strategy and compliance – Complete
- Cascade of compliance requirements now through the Information Governance Champions Network (IGCN). This is being rolled out in Autumn 2022.
- Subject Access Request policy and Breach Management policy reviewed by IGB. Further training to be delivered to staff. Complete.
- Privacy Notices have been updated for each service area and made available to service users. This is kept under review e.g. were updated for revised Covid operations. Now to be revised in Information Governance Champions Network. Ongoing
- Information Sharing Protocols have been centralised and will be reviewed by IGCN. Ongoing
- The Council now has retention schedules for each directorate. All retention schedules have been updated and will be reviewed through ongoing IGCN programme to ensure they are being actioned. Further work through the IGCN will ensure that the schedules are given greater visibility and to assess level of compliance. In progress
- Records of processing activities (ROPA) being further developed by DPO and will help to identify Information Asset Owners within Services. In progress



Risk:
Lack of effective corporate parenting across the organisation

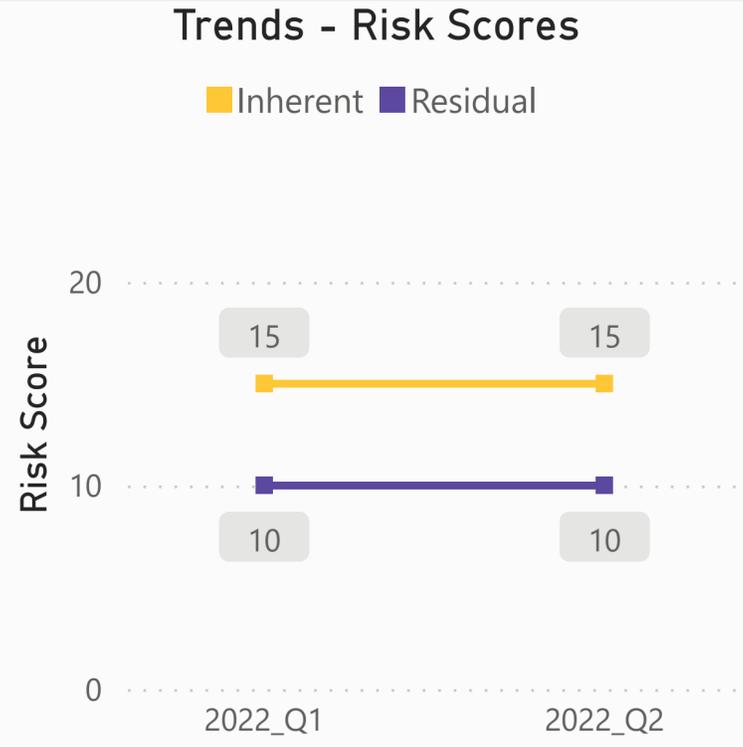
Register:
Strategic

Risk owner:
Grady, Brian

10
Current Risk S...

Cause:
A lack of understanding and awareness of the Council's statutory role and responsibilities as Corporate Parent for Reading Children Looked after and Care Leavers; Failure to act in the best interests, and promote the physical and mental health and wellbeing, of Reading children looked after and care leavers; failure to take into account their views, wishes and feelings, to promote high aspirations secure the best outcomes for Reading children looked after and care leavers; failure to ensure access to services;

Potential Impact:
Reading children looked after experience significant harm and are not safe, without stable home lives, relationships and education or work and are not prepared for adulthood and independent living, leading to long term poor life outcomes.



Risk Scoring

Risk Type	2021 Q3	2021 Q4	2022 Q1	2022 Q2
Impact (Inherent)			5	5
Likelihood (Inherent)			3	3
Inherent	0	0	15	15
Impact (Residual)			5	5
Likelihood (Residual)			2	2
Residual	0	0	10	10

Actions and update

Chief Executive and Director Children Services - led work with the LGA to instigate learning and development regarding the Corporate Parenting duties

Mapping across all departments in the Autumn will benchmark all current work supporting Children Looked After and Care Leavers

Risks relating to children's services are managed by Brighter Futures for Children (BFfC), who have their own risk management arrangements.

Working with Local Government Association



Risk: Provider's ability to meet statutory Adult Social Care requirements

Register: Strategic

Risk owner: Wise, Melissa

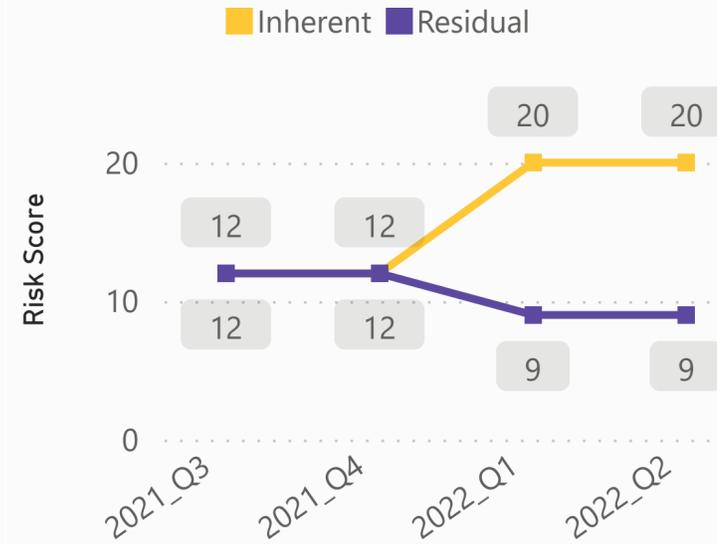
9

Current Risk S...

Cause:
 Services receive an inadequate status from the regulator, Pandemic impacts result on limited workforce to deliver services including care homes, supported living, extra care, day services, emergency equipment and other related services

- Potential Impact:**
- Disruption to services.
 - Failure to meet Care Act statutory duties
 - Service users required to move due to service closures
 - Increase costs as more expensive service are used to meet needs
 - Increase in the cost of living resulting in providers not able to meet costs
 - Potential death of a service user in service

Trends - Risk Scores



Risk Scoring

Risk Type	2021 Q3	2021 Q4	2022 Q1	2022 Q2
▲ Impact (Inherent)	4	4	4	4
Likelihood (Inherent)	3	3	5	5
Inherent	12	12	20	20
Impact (Residual)	4	4	3	3
Likelihood (Residual)	3	3	3	3
Residual	12	12	9	9

Actions and update

- Provider service: Business continuity plans have been checked and tested as a result of Covid-19. Their robustness continues to be checked as part of the annual quality assessment process (AQA).
- Key contracts are monitored on a regular basis as part of the contract performance cycle (varies according to risk of contract). This should address any capacity or performance issues that might indicate that there may be issues with financial/general viability.
- Financial risk assessment of prospective suppliers is undertaken for all major contracts let by the Council and annual financial assessment checks where appropriate.
- An up-to-date contract register is in place. which is monitored quarterly through a commissioning board
- Preventative intervention by Quality Officers where providers are failing, this is to support to support them to improve and deliver a sustainable service
- A Provider Failure Protocol is being prepared in the event this is required.
- The NHS Capacity tracker is used to identify issues thus resulting in early intervention.
- Performance and resilience of providers who hold public health contracts that are commissioned by the shared public health team are reported to the consultant in public health on a monthly basis.
- Run recruitment campaigns on providers behalf, act as recruitment agent. Overseas recruitment project in place to secure additional capacity
- Regular communications and quarterly provider forums are in place to identify issues early
- Undertaking a restructure in commissioning which will consider career progression and upskilling



Risk:
Staffing - Failure to retain and recruit staff

Register:
Strategic

Risk owner:
Smith, Shella

12
Current Risk S...

Cause:
For some areas there is a national shortage of skilled staff (e.g. Social Workers, Occupational Therapists, local government lawyers and financial professionals, Planners etc). In other areas local government salaries and the impact of the cost of living crisis may mean that the Council is not able to keep pace with salaries being offered in the private sector (e.g. Surveyors, IT professionals and Drivers) and staff may leave for higher paid jobs in other sectors

Potential Impact:
Failure to meet demand. Statutory duties not met. Negative impact on staff motivation and stress related illness.



Risk Type	2021 Q3	2021 Q4	2022 Q1	2022 Q2
Impact (Inherent)	4	4	4	4
Likelihood (Inherent)	4	4	4	4
Inherent	16	16	16	16
Impact (Residual)	4	3	3	3
Likelihood (Residual)	3	4	4	4
Residual	12	12	12	12

Actions and update

Access to pool of appropriately qualified temporary staff via agency contract. Contract has been re-procured from February 2021 which will ensure ongoing value for money. The Team Reading Programme is embedded to support delivery of the People Strategy which aims to achieve a highly skilled, high performing and motivated workforce. Programme governance in place through monthly boards with CMT sponsor. Resourcing team well established to ensure proactive approach and success of permanent and all other types of recruitment. Time to fill (advert to start date) has reduced from around 100 days to an average of 63 days. Success rate of recruitment has increased from 55% to about 85%. Whilst fill rates are high for most jobs, there are a small number of jobs in Resources where considerable challenges recruiting have been experienced (e.g., legal roles and senior finance roles where multiple attempts to recruit using a wide range of methods and the addition of market supplements have still been unsuccessful). Staff Surveys were run in 2021 and 2022 which provides valuable insight into how staff feel about the Council as an employer and an opportunity to build on and maintain positive results and address areas for improvement. Four priority areas for improvement have been identified at a corporate level and actions underway to address them, monitored by the Team Reading Programme Board. Pulse surveys will take place in 2022 to track progress Leadership Development Programme underway to ensure managers deliver high quality, inspiring leadership and role model the Team Reading Leadership Behaviours. The Council is part of national pay bargaining so has limited scope to increase pay but market supplement payments can be awarded for particularly hard to fill posts which present recruitment/retention challenges. A communications campaign to continually promote the benefits available to staff is underway (e.g. EAP, benefits platform and discounts with retailers and gym memberships, lease cars scheme, pensions etc). Quarterly reporting of HR performance metrics to CMT and monthly to DMTs, to identify areas of good practice that can be shared, and areas that require improvement so that these can be addressed.



Risk:

Unable to achieve the budget savings, manage costs, as a result of cost of living increases and achieving income targets.

Register:
Strategic

Risk owner:
Carter, Darren

20
Current Risk S...

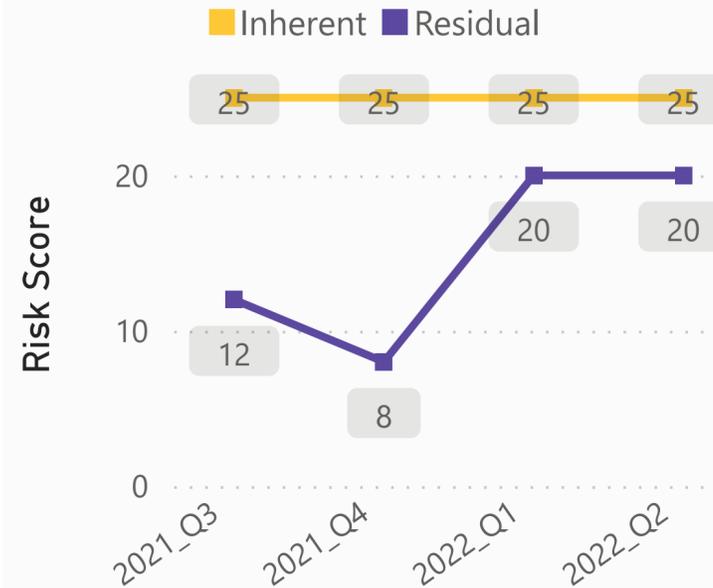
Cause:

Overspends, cost of living increase caused by rising rates of inflation and fuel/energy costs, increasing demand, income targets not met

Potential Impact:

Strategic objectives and statutory duties not met. Council unable to set legal budget. Impact on front-line services.

Trends - Risk Scores



Risk Scoring

Risk Type	2021 Q3	2021 Q4	2022 Q1	2022 Q2
Impact (Inherent)	5	5	5	5
Likelihood (Inherent)	5	5	5	5
Inherent	25	25	25	25
Impact (Residual)	4	4	5	5
Likelihood (Residual)	3	2	4	4
Residual	12	8	20	20

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Actions and update

Monthly meetings to review savings Risk profiles, contingencies and reserves identified.

- The Council set a balanced budget for 2022/23 at its council meeting in Feb 2022 and current predictions are that the Council will deliver services for 2022/23 within the approved budget.
- Detailed planning for the 2023/24 budget is underway.
- The Medium Term Financial Strategy (MTFS) 2022/23-2024/25 shows an ongoing budget gap of £5.8m in future years.
- The MTFS projections are being updated to take account of significant factors, including the current record high levels of inflation and will be presented to Policy Committee in December.
- Monthly updates are provided to CMT and Leadership
- New savings and efficiency initiatives are being developed and monitored through the Transformation & Efficiency Board
- A review of reserves will be undertaken by the Director of Finance in Autumn 2022 to ensure that they remain adequate
- Negotiation of robust and competitive energy supply contracts via the procurement process (available evidence suggests current contract is performing well, and 'switching' would be ill-advised at this point in any case)
- Implementation of the forward buying strategy within the Council's energy contract

READING BOROUGH COUNCIL

EXECUTIVE DIRECTOR OF RESOURCES

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	28 SEPTEMBER 2022		
TITLE:	ANNUAL GOVERNANCE STATEMENT 2021/2022		
LEAD COUNCILLOR:	Cllr Liz Terry	PORTFOLIO:	Corporate Services and Resources
SERVICE:		WARDS:	All
LEAD OFFICER:	Michael Graham	TEL:	
JOB TITLE:	Assistant Director of Legal and Democratic Services	E-Mail:	michael.graham@reading.gov.uk

1. EXECUTIVE SUMMARY

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

Appendix 1 Draft Annual Governance Statement (AGS) 2021/2022

2. ACTIONS REQUIRED

Audit and Governance Committee is asked to:

- 2.1 **agree the Annual Governance Statement for 2021/2022**
- 2.2 **delegate authority to the Assistant Director of Legal and Democratic Services to make minor amendments prior to signature by the Leader and Chief Executive**

3. KEY ISSUES

3.1 The Council's AGS for 2021/22 is attached at Appendix 1

3.2 Essentially, it outlines for the Council:

- the scope of governance responsibilities
- the purpose of the governance framework
- a description of the governance framework against the CIPFA/SOLACE Framework for *"Delivering Good Governance in Local Authorities"*
- arrangements for reviewing the effectiveness of the governance framework
- governance issues that need to be addressed

3.3 The preparation of the Statement has built on previously established arrangements, which involves the collating of information from a number of sources, both internal and external. The information is analysed, and a draft Statement is produced, discussed with key officers, and any amendments identified are then made.

3.4 To support the Annual Governance review, each directorate is required to complete a Directorate Governance Statement in relation to systems and processes operational within their areas during the year. These are signed off by the relevant Director. The Directorate Statements demonstrate that Directorates have evaluated and assessed their internal control environment.

3.5 The Council receives a substantial amount of assurance from the work that is undertaken by its Internal Audit Service and its External Auditors (Ernst & Young). The role of Internal Audit is to provide independent assurance that the Council's risk management, governance and internal control processes are operating effectively. The role of External Audit is to review the financial statements, obtain evidence that they are materially correct and provide an opinion as to whether these represent a true and fair view of the financial position of the Council. In addition, External Audit provide a value for money opinion assessing whether proper arrangements are in place for securing financial resilience and challenging how the Council secures economy, efficiency and effectiveness.

3.6 There have been well documented delays in publishing the annual accounts due to historic issues. However, the audit of 2019/2020 is nearly completed (as reported at your last committee) and the 2020/21 and 2021/2022 work was being conducted concurrently with a view to making further progress (an update will be made available to your Committee).

3.7 To ensure the Service has the required capacity and capability going forward a Finance Transformation Board has been established to oversee the Finance Improvement Programme. Regular reporting on the Phase 1 workstreams: Accounts Payable, Accounts Receivable, Reconciliations, Chart of Accounts and Final Accounts, have been reported to the Audit and Governance Committee. These are essentially concluded. Phase 2 of the programme (developing corporate financial management, its governance, delivery and the overarching financial management environment) is being aligned to the implementation of the new finance system. (Again, further updates will be provided to your Committee).

3.8 One of the assurance statements the Council receives is the annual opinion of the Chief Internal Auditor in respect of the control framework. The opinion of the Chief Internal Auditor in respect of audit work completed in 2021/22 was reported to the Audit and Governance Committee at its meeting in July 2022 and gave Reasonable Assurance on the internal control environment based on the areas audited.

3.9 It was noted in the Chief Auditor's report that this was progress on the last two financial years (where the conclusion was Limited Assurance) and the direction of travel is one of improvement, even though there is still more work to be done to sustain that conclusion across the relevant control, risk and governance arrangements. It was noted that improvement in financial processes within key financial systems was now more apparent.

4.0 THE PROPOSAL

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

5. CONTRIBUTION TO STRATEGIC AIMS

5.1 The concept of Governance is cross-cutting and relevant to all Services of the Council and to all of our public facing services. As such it is relevant to the Council's ability to be able to deliver on all of its Corporate Priorities. Good Governance is also strongly linked 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 Annual Governance Statement. It will however be in the public domain at this Committee, and is written in such a way to be accessible for members of the public to understand the Council's approach to Corporate Governance.

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. There is no reason to think that any section of society will be adversely affected by the development of better Governance policies and procedures across the Council.

9. LEGAL IMPLICATIONS

- 9.1 Covered in the main body of the report.

10. FINANCIAL IMPLICATIONS

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

11. BACKGROUND PAPERS

- 11.1 There are none

SCOPE OF RESPONSIBILITY

Reading Borough Council is responsible for ensuring that:

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

The Council also has a duty to:

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

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

THE GOVERNANCE FRAMEWORK AT READING

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

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

CHANGES TO THE GOVERNANCE FRAMEWORK

The Personnel Committee considered changes to the senior management structure in June 2022, following the retirement of the Chief Executive (Head of Paid Service). The Deputy Chief Executive (Deputy Head of Paid Service) became the Interim Chief Executive and Head of Paid Service from 19 July 2022, until a new Chief Executive takes up the role. Delegated authority was given to the Deputy Chief Executive, in consultation with the Leader of the Council and the Chair of Personnel Committee, to appoint an Interim Executive Director of Resources.

An Interim Executive Director of Resources has been appointed to cover the interim arrangements. It is expected that the Chief Executive appointment will be made in September 2022, at which point the interim arrangements will be reviewed to take into account the appointments made and the requirements for further senior management cover in the run-up to the new Chief Executive commencing.

In July 2022, the statutory Director of Children's Services retired. The post is currently covered by the Director of Education who will be Interim Executive Director of Children's Services until a new appointment can be made to that post.

GROUP GOVERNANCE

The Council operates a number of companies:

Reading Transport Ltd - the operating company for Reading Buses, which itself has a number of subsidiaries. (100% share ownership).

Homes for Reading Ltd - provision of private sector lettings. (100% share ownership).

Brighter Futures for Children Ltd - provision of Children's Services. (Sole member).

Reading Hampshire Property Partnership Ltd - provision of property and construction related consultancy and procurement. (49% share ownership).

The Council also has involvement in two other not for profit partnerships as a member: First, **Reading UK CIC** delivering economic development for the Borough. In July 2022, this company rebranded to REDA (Reading's Economy and Destination Agency). Secondly, **IESE Ltd** providing management consultancy in the public sector.

The Council continues to receive appropriate information about the performance of its companies through the Policy Committee which acts as the designated shareholder committee for the Council. In June 2021, Policy Committee agreed to review the governance arrangements for Reading Transport Ltd, including new appointments to the Board. A new Chair and non-executive directors were appointed in December 2021.

DECISION MAKING

The arrangements made in accordance with the Coronavirus Act 2020 and the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, which allowed the Council and its Committees to be held remotely, ceased to be effective on 7 May 2021.

The Council has reverted to in-person meetings for formal decision-making committees. The council has retained the flexibility of online meetings for informal briefings and meetings where no formal decisions are recorded.

LOCAL GOVERNMENT ASSOCIATION (LGA) - CORPORATE PEER CHALLENGE

This programme organised by the LGA, also known as “Peer Review” involves peer teams of councillors and officers from other councils spending time within a council to identify and address issues and challenge progress across various themes. These include local priorities and outcomes, organisational and place leadership, governance and culture, financial planning and management and capacity for improvement.

In June 2022, Reading BC invited the LGA to undertake such a Peer Review of how effectively we work as a Council. The reviewers spoke to members of staff, partners and councillors about leadership and culture, place shaping, decision making and much more. A formal report has been received by the Council and will be published together with the Council’s action plan later this autumn.

CORPORATE PRIORITIES

In March 2022, the Council adopted a new [Corporate Plan](#), “Investing in Reading’s Future: Reading Borough Council’s Corporate Plan 2022-25” The Council had adopted a one-year plan in March 2021, due to the level of uncertainty associated with the ongoing Covid-19 pandemic. In contrast, the new Corporate Plan sets out the three-year plan for the period 2022-25, to take forward and build on the themes and priorities set out in last year’s Plan.

The [Corporate Plan](#) and its [Appendix](#) of Key Measures are both available on the Council’s website. .

The Plan describes the major achievements and progress made over the last year and sets out the Council’s priorities and future work programme to deliver against the three themes of: Healthy Environment, Thriving Communities and Inclusive Economy, which are underpinned by the foundational activity of an efficient and effective organisation.

The progress made against the measures will continue to be reported to councillors and published in the Quarterly Performance Report to [Policy Committee](#). This will ensure focus is maintained on the Council’s vision: ‘to ensure that Reading realises its potential - and to ensure that everyone who lives and works here can share the benefits of its success’.

TEAM READING

In March 2022, the Council undertook a staff survey which gathered responses from 49% the Council’s workforce, 824 responses. Whilst the number of respondents is down on the 2021 figures (58%) the responses remain extremely positive and provide a good indication that the work done by the Council to engage staff from previous surveys, and with the Leadership Development Programme is showing results.

95% agreed that they make a valuable contribution to the success of the Council by doing their job. 92% agreed that they knew what the four organisational values of Team Reading are. 92% agreed that their line manager supports them to work flexibly (location/times) where possible, in line with the needs of customers and service delivery. 91% agreed that their line manager is approachable and supportive and 90% agreed that their manager demonstrated the Team Reading values.

As would be expected, there were some areas identified for future improvement and the Corporate Management Team has commissioned work in these areas to address those issues.

FINANCE

A new [Medium-Term Financial Strategy](#) was approved by Council in February 2022 to cover the three years 2022/23 - 2024/25. Councillors received updates throughout 2021/22 to advise on the continuing financial effects of the pandemic to council services and finances. Income was still noted to be affected as some Council services struggled to return to levels of activity and income generation at pre-March 2020 levels.

The purpose of the Medium-Term Financial Strategy is to deliver a balanced and affordable 2022/23 budget and ensure that the Council's finances are robust and sustainable over the medium term, and that in the longer term, the Council's finances are not reliant on the unsustainable use of one-off reserves or funding.

The Strategy builds on work over the previous three-four years to stabilise the Council's financial position and build reserves back to more robust levels. This has enabled vital investment in core infrastructure to drive efficiency improvements, facilitate service redesign and thereby manage pressures within demand led services. This invest to save approach allows for a robust financial position in the future and enables vital and valued services to continue to be delivered. Whilst the Budget Strategy relies on significant service transformation to drive increased efficiency savings and income generation it does mean that service cuts are not required.

EXTERNAL AUDIT

The Council's external auditors, Ernst & Young (EY), issued a qualified opinion for the 2016/17 accounts because of a number of historic and significant control deficiencies. This led to delays in the publishing of annual accounts for 2017/18, 2018/19, 2019/20 and 2020/21. However, the audit of 2017/18 was completed in October 2020 and the audit for 2018/19 was concluded in September 2021. The audit on 2019/20 is almost concluded and work is ongoing to finalise and audit the 2020/21 and the 2021/22 accounts.

DEMOCRACY

Effective planning for the local government elections throughout 2021/2022 saw delivery of Covid secure elections in May 2021 (postponed local elections and Police and Crime Commissioner Elections) and local elections in May 2022. Significant changes were made at Polling Stations and the Count Venue to ensure that electors and polling staff were safe.

In May 2022, as a result of the [Electoral Review](#) undertaken by the Local Government Boundary Commission for England, Reading had "all-out" elections for the election of 48 councillors to 16 wards. These elections proceeded successfully. The Council reverts to "elections by thirds" in 2023.

RESIDENT SATISFACTION

In September 2021, the Council commissioned a representative sample of 1,057 residents. The purpose of the survey was to gauge levels of satisfaction with the local area, the Council and the services it provides.

Over 80 per cent of residents who took part in the survey were satisfied with their local area as a place to live and 76 per cent felt very or fairly strongly that they belong to their immediate neighbourhood. The headline results show:

- 66% of respondents were satisfied with the way Reading Borough Council runs things overall.
- 62% felt Reading Borough Council acts on the concerns of local residents a great deal or a fair amount.
- 69% outlined Reading Borough Council keeps them very or fairly well informed about the services and benefits it provides.

The Residents' Survey was discussed at the February 2022 Policy Committee meeting. The report can be found at [Appendix 12](#) of the Budget Report.

A further Survey has been commissioned for 2022 and a report is expected this autumn.

ARRANGEMENTS FOR GOVERNANCE

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

RBC is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Council meets the Standards of the Framework in the following ways:

¹ Chartered Institute of Public Finance and Accountancy

² Society of Local Authority Chief Executives.

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

Behaving with integrity

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

Ensuring openness

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

Defining sustainable outcomes

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

Achieving intended outcomes

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

Developing capacity

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

Managing risks

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

All Council meetings are held in public and minutes of meetings and webcasts are available on the Council's website. Public questions are allowed at Committees and at Council meetings.

MANAGING THE RISK OF FRAUD

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

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

We have no knowledge of any actual, suspected or alleged fraud affecting the Authority, which would cause a material misstatement in the financial statement's either through fraudulent financial reporting and/or misstatements resulting from misappropriation of assets for 2021/2022.

REVIEW OF EFFECTIVENESS

Internal Audit

The Council uses several ways to review the effectiveness of governance arrangements. One of the key assurance statements is the annual report and opinion of the Chief Auditor. The role of the Internal Audit Service is to provide assurance to management and those charged with government about the quality and effectiveness of the governance framework and systems of internal control. The internal team completed 16 audits and 9 grant certifications. A further 3 audits had fieldwork completed at 31 March 2022, but with reports to be finalised. 100 audit recommendations have been made, of which 18 (18%) were classified as a high priority.

Public Sector Internal Audit Standards require the Chief Auditor to provide an assessment of the overall adequacy and effectiveness of the Council's control environment. This opinion is expressed using a scale ranging from Substantial to Reasonable, then Limited and finally No Assurance. The Chief Auditor has concluded that 'reasonable' assurance can now be placed on the adequacy and effectiveness of the Council's internal control framework within those areas audited in 2021/2022, largely because of improvements in key financial systems. The [full report can be viewed here](#).

GOVERNANCE SELF-ASSESSMENT

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

- Complete further work in relation to the revised articles of Reading Transport Limited identified at Policy Committee in June 2021

- Complete the review of the Council’s Constitution
- Consider the benchmarking exercise undertaken in 2021 by the Internal Audit team against the CIPFA / SOLACE Code of Corporate Governance and to identify policy improvement work to strengthen the governance function generally
- Complete the Finance Improvement Programme necessary to ensure the Council’s financial processes and procedures are robust
- Implement the new financial system
- Embed the new Information Management Strategy and monitor it through the Information Governance Board
- Continue to raise the profile of Audit and embed a culture of compliance by addressing recommendations on a timely basis
- Continue to support the Internal Audit team and ensure that its recommendations are actioned in a timely way by managers with progress reported regularly to the Audit and Governance Committee
- Regular reporting from Reading Hampshire Property Partnership to ensure continued value for money from the Partnership
- Seeking a review of Homes for Reading in the coming year
- Completing a formal review of governance of the Reading Climate Change Partnership, for which the Council acts as accountable body
- Conducting a light touch governance review in the Culture Service February 2022, including all steering groups, boards, major capital projects and working groups with external organisations where grant funding is involved.
- Reviewing governance mechanisms in place around Local Authority New Build programme and tightening some elements
- Ongoing LGA scrutiny in relation to the Adult Care & Health Services Directorate savings and budgets
- Inspections by the Care Quality Commission in our regulated services. No reports were received in 2021/21

Other governance outcomes are shown below:

Issues Identified	Performance in 2021/2022
Formal reports by Chief Finance Officer or Monitoring Officer	None issued
Outcomes from Standards Committee or Monitoring Officer Investigations	The monitoring officer received seven complaints about member conduct in 2021/2022. Six were dismissed at the filter stage, and one was investigated under group procedures but the councillor stood down before the matter was resolved and the complaint lapsed.
Proven frauds carried out by councillors or members of staff	None

Objections received from local electors	No objections have been received from local electors
Local Government Ombudsman referrals upheld	The Local Government Ombudsman (LGO) upheld ten complaints, none of which had a public interest report published.
Information Commissioner referrals upheld	None.

OTHER INSPECTION WORK

Reading's Children's Services were placed in intervention in 2016 following an Ofsted inspection, with a revised Direction issued in December 2018. A 2019 Ofsted report highlighted examples of strong practice across the service, including in early help services. It also showed there were areas where improvement was still required.

The Council's Children's Services function was removed from intervention by the Secretary of State in February 2021. This was a considerable achievement for Brighter Futures for Children Ltd the company set up by Reading Borough Council as a response to intervention and with the objective of improving the welfare and life-chances of children and young people in the Borough.

In March 2022, an OFSTED Focussed Visit provided feedback about the Council's progress in arrangements for children in need, and children subject to a child protection plan.

The [Focused Visit](#) found that whilst Reading was judged as requires improvement to be good at the ILACS inspection in September 2019, improvement activity since then has not resulted in sufficient improvement. Shortfalls in many aspects of work relevant to the progress of children in need and children subject to child protection plans were identified by the 2019 inspection. Whilst progress has been made in discrete areas of practice, OFSTED found the pace of change needed to accelerate to ensure that all children's circumstances improve.

The Company is working on an action plan to address the issues raised in the Focussed Visit report.

CONCLUSION

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

- Complete the review of the Council's Constitution
- Implement Information Governance Strategy Action Plan
- Seeking Cyber Essentials Plus certification
- Complete Phase One and Deliver phase two of the Finance Transformation Plan
- Catch up on completion/sign off of Statutory Accounts
- Introduction of new Manager Induction training
- Work to continue to address issues identified in the MOSAIC Payments Audit including a review of the Scheme of Delegation for Adult Social care
- Directorate of Adult Care & Health Services (DACHS) Transformation programme to continue with oversight of the delivery of savings and efficiencies

- DACHs Commissioning Board to ensure delivery of work to guarantee spot contracts are in place for all provision not covered by block contracts. Contract monitoring to be embedded across market areas to ensure consistency of approach.

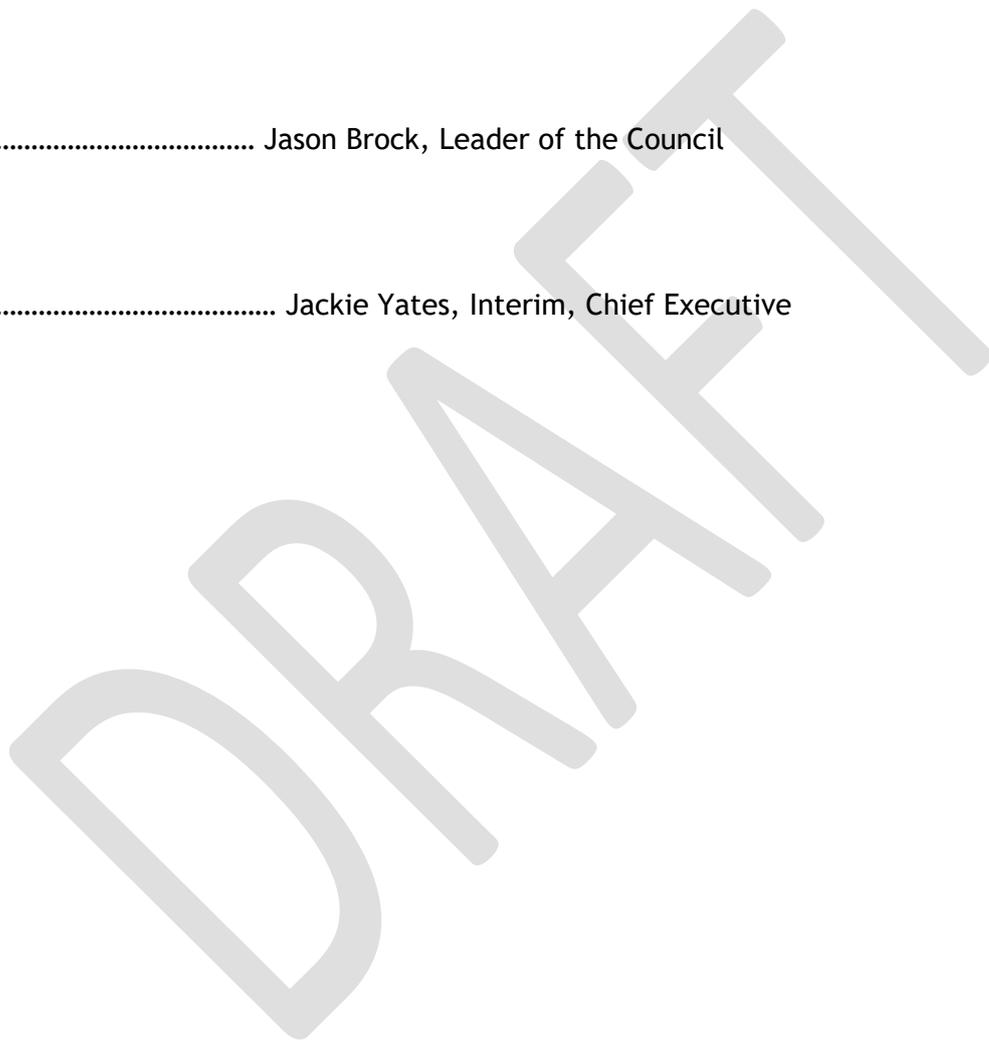
CERTIFICATION

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

Signed on behalf of Reading Borough Council by:

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

..... Jackie Yates, Interim, Chief Executive



READING BOROUGH COUNCIL

REPORT BY DEPUTY CHIEF EXECUTIVE

TO:	AUDIT AND GOVERNANCE COMMITTEE		
DATE:	28 September 2022		
TITLE:	INFORMATION GOVERNANCE QUARTERLY UPDATE		
LEAD COUNCILLOR:	Cllr Terry	PORTFOLIO:	Corporate Services and Resources
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 around 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

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 outlines its vision and priorities for Reading for the next three years (2022/25). The Council's vision is to help Reading realise its potential and to ensure that everyone who lives and works here can share the benefits of its success. To make this vision happen, the work of the Council is focused around three Corporate Plan themes:
 - Healthy Environment
 - Thriving Communities
 - Inclusive Economy
- 3.2 These themes are underpinned by the TEAM Reading principles which explain the way we work at the Council:
 - Team

- Efficiency
- Ambitious
- Making a difference

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 [Corporate Plan-2022-25](#).

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

Subject Access Requests

4.1 There remains a backlog of subject access requests. We have brought in additional temporary members of staff to deal with the backlog, and we are working on a business case to procure a longer-term technology based solution to reduce the time needed to deal with these requests, as they are extremely time-consuming.

SAR Backlog Data as at 16 September 2022

	19/20		20/21		21/22		22/23	
	RBC	BFfC	RBC	BFfC	RBC	BFfC	RBC	BFfC
No Received	52	83	35	64	45	38	21	32
No Completed	52	80	27	47	34	29	13	15
No Outstanding	0	3	8	17	11	9	8	17

4.2 The Information Governance Officer has been recruited and is due to start in the post during the first week of October. In the interim the team’s apprentice and Interim Information Governance Officer, are continuing with supporting the Team Leader. Two agency staff are in post until the end of December to continue to assist with the backlog.

4.3 We will report further progress to the Committee.

FOI cases

4.4 As previously reported, a number of measures have been taken with the aim of increasing FOI performance:

- Centralisation of the function in the Customer Relations Team
- Implementation of a new case management system
- Review of the procedures
- Training has been provided to officers
- Continual monitoring weekly by CMT

4.5 Notwithstanding these measures, performance across the Council remains disappointingly low, despite some pockets of improved performance which have been reported to previous Committees. The Council aspires to meet the 90% response rate expected by the Information Commissioner and this has been included as a Corporate Plan KPI.

4.6 Following the update provided at the July 2022 meeting for quarter 4 of 21/22 financial year, the table below shows the quarter 1 data for 2022/23.

Freedom of Information Requests

Total number received in Q1

Directorate	Total No. Received	%	Q4 Total
BFfC	41	14.2%	35
DACHS	23	8.0%	15
DEGNS	107	37.0%	125
DoR	118	40.8%	100
Total	289	100%	275

4.7 There has been a further increase in the number of FOI's received during the quarter, we cannot establish a pattern as to why this is on the upward trend.

4.8 FOI's Responded to in Timescale by Directorate in Q1

FOI's Responded to in Timescale by Directorate

Directorate	No. Sent Out in Timescale	%
BFfC	21	51.2%
DACHS	11	47.8%
DEGNS	73	68.2%
DoR	77	65.3%
Mixture	0	0
Total	182	58.1%

4.9 Breakdown by month

Breakdown by month for Q1

Directorate	FOI's received in April	% Sent Out in Timescale in April	FOI's received in May	% Sent Out in Timescale in May	FOI's received in June	% Sent out in Timescale in June
BFFC	10	70%	16	43.8%	15	46.7%
DACHS	8	37.5%	11	45.5%	4	75%
DEGNS	39	66.7%	31	61.3%	37	75.7%
DoR	27	66.7%	47	70.2%	44	59.1%
Overall	84	60.2%	105	55.2%	100	64.1%

In Q1 the Council and BFFC responded to 289 FOI's and 182 (58.1%) of these were within timescale, again disappointingly low.

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

Customer Relations and IG Service have embarked on a plan of working with services with a view to improve response timescales across the Council and BFFC. The service has updated the FOI policy and procedure which will be published on a dedicated FOI intranet page. An action plan for working with services has been approved by CMT and Information Governance Board which is the process of being rolled out during the Autumn. This includes a communications plan for both RBC and BFFC. Feedback on progress and performance will be provided at the January 23 committee meeting.

Data Transparency

- 4.12 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. All the relevant information and sources of data have now been identified and a Transparency Code page has been added to the Council's website. A process for review and publishing the required information for the future is now in place and will be presented at the Information Governance Board on a quarterly basis.

Information Governance Board

- 4.13 The Information Governance Board meet monthly and review Cyber Security Incidents and possible breaches of the Data Protection Act which may need to be reported to the Information Commissioners Office (ICO). Where any subsequent actions are identified then these are monitored. There have been no recent incidents which are of a sufficiently high-risk rating to notify the ICO.
- 4.14 The most common themes across both organisations continue to relate to mis-addressed emails and postal addresses being wrongly input, either through transcription errors or in a few cases, wrong data has been held on our systems. All of the incidents and main themes are reported to IG Board on a monthly basis, and solutions are being considered to mitigate email errors and to raise awareness around accuracy in postal correspondence.
- 4.15 The Board asked the Information Governance Team and IT Security team to explore whether further measures can be put in place to increase security of outgoing emails. Since the last update, due to the continuing issue of misdirection of emails colleagues in IT Security have identified two possible products as a security measure to address this problem. The Board will review both proposals and take view on the cost benefit

analysis. There are risks of possible fines for data breaches which may exceed the cost of having a system in place to help mitigate these risks.

Information Management Strategy

- 4.16 The Information Management Strategy and Action Plan was presented and signed off by the Policy Committee in March 2022. This sets out the Council's approach to information management and governance. The IG Service is currently working with the Information Assets Owners to identify Data Stewards for the relevant systems. Planned training will take place in the Autumn for the Information Asset Owners and the Information Governance Champions Network will be launched. The IG Team will progress this work and progress will be reported to this committee in January 2023.

Training

- 4.18 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 packages have been updated to the 2022 versions. Both the Cyber security training and the Information Governance Training modules have been updated to the 2022 versions and both modules have a re-fresher 2022 version also. The uptake of the training remains low, as at 12 September 2022 only 47% of staff had completed the 2022 module either in full or the refresher. The Customer Relations & Information Governance Service Manager has identified officers who have not completed the training and escalated this information to Assistant Directors and Executive Director with a request that this training is completed by the first week of October 2022. By the January 2023 committee meeting, we hope to report improved figures on the uptake of the training.
- 4.19 Non-IT users have also been asked to complete the paper based training by the first week of October 2022. Again, we hope to report on improved figures for the uptake of this training.

Next Steps

- 4.20 The focus is the delivery of the Information Management Strategy. In addition the Action Plan, and working with services, to improve FOI response rates across the Council and BfC is taking priority this Autumn.

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 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, the Freedom of Information Act, the Environmental Information Regulations and the Access to Information Act. Effective governance, policies and practices are essential to minimising the risk of data protection breaches and to help ensure the appropriate handling of information requests. Failure to do so could result in regulatory action being taken against the Council.

10. FINANCIAL IMPLICATIONS

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

11. BACKGROUND PAPERS

- 11.1 There are none

READING BOROUGH COUNCIL
REPORT BY DIRECTOR OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	28th SEPTEMBER 2022		
TITLE:	2022/23 QUARTER 1 PERFORMANCE AND MONITORING REPORT		
LEAD COUNCILLOR:	COUNCILLOR TERRY	PORTFOLIO:	CORPORATE SERVICES AND RESOURCES
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
	CORPORATE IMPROVEMENT AND CUSTOMER SERVICES		
LEAD OFFICER:	STUART DONNELLY	TEL:	
JOB TITLE:	FINANCIAL PLANNING & STRATEGY MANAGER	E-MAIL:	stuart.donnelly@reading.gov.uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The 2022/23 Quarter 1 Performance and Monitoring Report was presented to Policy Committee on 21st September 2022. This report sets out the projected revenue and capital outturn positions for 2022/23 for both the General Fund and the Housing Revenue Accounts as at the end of Quarter 1 (June 2022).
- 1.2 The report also sets out performance against the measures of success published in the Council's Corporate Plan.

2. RECOMMENDED ACTION

That Audit & Governance Committee note:

- 2.1 The 2022/23 Quarter 1 Performance and Monitoring Report and the recommendations set out and approved by Policy Committee on 21st September 2022.

READING BOROUGH COUNCIL
REPORT BY DIRECTOR OF FINANCE

TO:	POLICY COMMITTEE		
DATE:	21st SEPTEMBER 2022		
TITLE:	2022/23 QUARTER 1 PERFORMANCE AND MONITORING REPORT		
LEAD COUNCILLOR:	COUNCILLOR TERRY	PORTFOLIO:	CORPORATE SERVICES AND RESOURCES
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
	CORPORATE IMPROVEMENT AND CUSTOMER SERVICES		
LEAD OFFICER:	STUART DONNELLY	TEL:	01189 373468
JOB TITLE:	FINANCIAL PLANNING & STRATEGY MANAGER	E-MAIL:	stuart.donnelly@reading.gov.uk

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report sets out the projected revenue and capital outturn positions for 2022/23 for both the General Fund and the Housing Revenue Accounts as at the end of Quarter 1 (June 2022).

General Fund (Revenue)

- 1.2 The forecast General Fund (GF) revenue outturn position at the end of Quarter 1 includes a projected adverse net variance on service expenditure of £4.058m. This variance is offset by a projected £4.616m positive net variance on Corporate budgets, of which £3.627m relates to the unallocated Corporate Contingency, resulting in a projected overall positive net variance of £0.558m.
- 1.3 The forecast adverse variance on services includes net pressures totalling £0.564m within Adult Care and Health Services relating to care cost pressures; £1.669m within Economic Growth and Neighbourhood Services, primarily relating to ongoing income shortfalls in Car Parking and Planning as an ongoing impact of Covid-19; £1.761m within Brighter Futures for Children (BFfC), relating to pay, inflation and demand pressures; and a total £0.064m across Resources and Chief Executive Services relating to income pressures. Detailed explanations for these variances are contained in Section 4 of this report.
- 1.4 These pressures are offset by positive net variances within Corporate Budgets, specifically £1.713m on Capital Financing Costs as a result of the 2021/22 Capital Programme outturn position and £3.627m on Corporate Contingencies.
- 1.5 Other Corporate Budgets are forecasting an adverse net variance of £0.724m. This is primarily due to a current forecast pressure of £0.934m relating to the 2022/23 pay award. A pay award of 2% was assumed as part of 2022/23 budget setting with additional contingency retained corporately to fund a pay award up to 4%. The pay offer made in

July 2022 is estimated to cost an additional £1.434m above the amount budgeted (including the contingency) across the Council and BFfC. BFfC had included a forecast pressure of £0.500m in their forecast which was prior to the pay award offer announced in July, therefore the difference of £0.934m is included within the Corporate forecast. This forecast will be reviewed as more up to date information becomes available.

- 1.6 £1.570m (15%) of budgeted savings have been delivered (blue) to date in this financial year, with a further £5.415m (53%) of savings on track to be delivered (green) by March 2023. £2.061m (20%) of savings are currently categorised as non-deliverable (red) and £1.178m (12%) categorised as at risk of delivery (amber). There is therefore a potential impact on the 2023/24 budget should these savings not be deliverable on a recurring basis. These savings will be reviewed as part of the 2023/24 budget setting and 2023/24-2025/26 Medium Term Financial Strategy processes.

Housing Revenue Account

- 1.7 The Housing Revenue Account (HRA) is projecting a positive net variance of £2.505m as at the end of Quarter 1, which results in a forecast contribution to HRA reserves of £0.422m.

Capital

- 1.8 The General Fund Capital Programme is forecast to spend to budget against a revised budget of £115.980m in 2022/23.
- 1.9 The HRA Capital Programme is forecast to spend to budget against a revised budget of £30.502m 2022/23.

Performance

- 1.10 The report also sets out performance against the measures of success published in the Council's Corporate Plan.
- 1.11 The detail supporting this report is included in:
- Appendix 1 - Financial Monitoring for Quarter 1
 - Appendix 2 - Capital Programme for Quarter 1
 - Appendix 3 - Corporate Plan Measures for Quarter 1
 - Appendix 4 - Corporate Plan Projects for Quarter 1
 - Appendix 5 - Debt Write-Offs.

2 RECOMMENDED ACTIONS

That Policy Committee notes:

- 2.2 The forecast General Fund revenue outturn position as at the end of Quarter 1 is a positive net variance of £0.558m.
- 2.3 The Housing Revenue Account (HRA) is projecting a positive net variance of £2.505m as at the end of Quarter 1, which results in a forecast contribution to HRA reserves of £0.422m;
- 2.4 £1.570m (15%) of savings have been delivered (blue) to date in this financial year, with a further £5.415m (53%) of savings on track to be delivered (green) by March 2022. £2.061m (20%) of savings are currently categorised as non-deliverable (red) and £1.178m (12%) categorised as at risk of delivery (amber);

- 2.5 There is a total £4.065m Delivery Fund available for 2022/23 (inclusive of 2021/22 approved carry forwards). At Quarter 1, £2.051m of this funding has been allocated out to approved schemes;
- 2.6 The General Fund Capital Programme is forecast to spend to budget against a revised budget of £115.980m;
- 2.7 The HRA Capital Programme is forecast to spend to budget against a revised budget of £30.502m;
- 2.8 The performance achieved against the Corporate Plan success measures as set out in Section 13 of this report and Appendices 3 and 4.

That Policy Committee approves:

- 2.9 The write-off of debts as set out in Section 8 and Appendix 5 relating to:
 - a) Non-Domestic Rates - £58,562.68;
 - b) Housing Benefit Overpayments - £25,944.98.
- 2.10 The amendments to the General Fund Capital Programme (as set out in further detail in Section 12 of this report and Appendix 2) resulting in a revised budget of £124.480m:
- 2.11 The amendments to the HRA Capital Programme (as set out in further detail in Section 12 of this report and Appendix 2) resulting in a revised budget of £30.502m:
- 2.12 Spend approval for the Capital Programme Schemes set out in Table 9 totalling £3.650m.

3 POLICY CONTEXT

- 3.1 The Council approved the 2022/23 Budget and Medium-Term Financial Strategy 2022/23 - 2024/25 in February 2022.

4 GENERAL FUND REVENUE

- 4.1 The forecast outturn as of Quarter 1 is a positive net variance of £0.558m and is broken down by service in the following table:

Table 1. General Fund Forecast 2022/23

2021/22 Outturn £m		Budget £m	Forecast Outturn £m	Variance £m
40.611	Adult Care and Health Services	43.391	43.955	0.564
24.252	Economic Growth and Neighbourhood Services	18.560	20.229	1.669
16.343	Resources	17.711	17.741	0.030
1.550	Chief Executive Services	1.540	1.574	0.034
0.684	Children's Services retained by Council	0.781	0.781	0.000
47.392	Children's Services delivered by BFFC	48.251	50.012	1.761
130.832	Total Service Expenditure	130.234	134.292	4.058
13.155	Capital Financing Costs	16.824	15.111	(1.713)
0.000	Contingency	3.627	0.000	(3.627)
(1.298)	Other Corporate Budgets	(0.695)	0.029	0.724
11.857	Total Corporate Budgets	19.756	15.140	(4.616)
142.689	Net Budget Requirement	149.990	149.432	(0.558)
	Financed by:			
(99.220)	Council Tax Income	(104.403)	(104.403)	0.000
(32.095)	NNDR Local Share	(26.510)	(26.510)	0.000
(2.108)	New Homes Bonus	(2.038)	(2.038)	0.000
(3.549)	Section 31 Grant	(12.580)	(15.580)	0.000
(2.040)	Revenue Support Grant	(2.108)	(2.108)	0.000
(6.739)	Other Government Grants	(2.404)	(2.404)	0.000
(0.415)	One-off Collection Fund Deficit	19.981	19.981	0.000
(0.000)	Section 31 Grants Released from Reserves	(19.928)	(19.928)	0.000
(146.166)	Total Funding	(149.990)	(149.990)	0.000
(3.477)	Over / (under) Budget	0.000	(0.558)	(0.558)

4.2 These variances have been categorised and summarised in the following table, which highlights that the Council is forecasting a total of £6.788m of pressures comprising:

- £1.819m of inflationary pressures, of which £1.434m relate to the latest employer's pay offer for 2022/23;
- £1.247m of demand pressures across adult's and children's social care;
- £2.521m of income pressures, predominantly within Economic Growth and Neighbourhood Services, partially due to the ongoing impacts of Covid-19 e.g. the reduced demand on car parking spaces;
- £1.201m of other expenditure pressures, primarily consisting of staffing and agency staffing pressures totalling £0.884m across Environmental & Commercial Services and Brighter Futures for Children.

4.3 These pressures are offset by a total of £7.346m of the following savings and contingencies:

- £1.225m of expenditure savings across services, mainly within Economic Growth and Neighbourhood Services and in particular Environmental and Commercial Services due to lower waste disposal tonnage levels and staffing vacancies;
- £0.571m of income savings across services, mainly due to £0.400m of additional grant income within BFFC;

- £1.713m of expenditure savings within Capital Financing Costs resulting from the 2021/22 Capital Programme Outturn position;
- £3.627m of unallocated Corporate Contingency;
- £0.210m of expenditure savings within Other Corporate Budgets.

4.4 The £1.434m of forecast pressures relating to the latest employers' pay offer will have an ongoing impact on the Council's Medium Term Financial Strategy as they are recurring pressures. The other pressures and savings will be reviewed to assess whether or not they are recurring and need to be addressed as part of the 2023/24 budget setting and 2023/24-2025/26 Medium Term Financial Strategy processes.

Table 2. General Fund Forecast Variance by Type 2022/23

	Expenditure Pressures			Income Pressures	Total Pressures	Savings			Net Variance
	Inflation	Demand	Other			Expenditure	Income	Total	
	£m	£m	£m			£m	£m	£m	
Adult Care and Health Services	0.000	0.564	0.000	0.000	0.564	0.000	0.000	0.000	0.564
Economic Growth and Neighbourhood Services	0.185	0.000	0.720	2.152	3.057	(1.217)	(0.171)	(1.388)	1.669
Resources	0.000	0.000	0.007	0.031	0.038	(0.008)	0.000	0.000	0.030
Chief Executive Services	0.000	0.000	0.000	0.034	0.034	0.000	0.000	0.000	0.034
Children's Services retained by Council	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Children's Services delivered by BFFC	0.700	0.683	0.474	0.304	2.161	0.000	(0.400)	0.000	1.761
Total Service Expenditure	0.885	1.247	1.201	2.521	5.854	(1.225)	(0.571)	(1.796)	4.058
Capital Financing Costs	0.000	0.000	0.000	0.000	0.000	(1.713)	0.000	(1.713)	(1.713)
Contingency	0.000	0.000	0.000	0.000	0.000	(3.627)	0.000	(3.627)	(3.627)
Other Corporate Budgets	0.934	0.000	0.000	0.000	0.934	(0.210)	0.000	(0.210)	0.724
Total Corporate Budgets	0.934	0.000	0.000	0.000	0.934	(5.550)	0.000	(5.550)	(4.616)
Total	1.819	1.247	1.201	2.521	6.788	(6.775)	(0.571)	(7.346)	(0.558)

Adult Care and Health Services - £0.564m adverse variance

4.5 Adult Care and Health Services is forecasting an adverse net variance of £0.564m at Quarter 1. This pressure relates to the current care cost forecast being £36.256m compared to a budget of £35.692m.

4.6 The forecast overspend includes a number of factors:

- 165 new packages have been raised since April 2022, of which 85 were in Period 1, which links to the end of the hospital discharge scheme funded through the Covid-19 pandemic. Funding was allocated for the start of 2022/23 to fund the final cases, which caused the higher than normal increase in numbers for April. Many of these service users will have now returned home or have a lower package of care. These figures also include the younger adults transitioning from children’s social care to adult’s social care, for which budgetary provision is included within the Medium Term Financial Strategy;
- The overall services users have increased from 1,552 at the start of 2022/23 to 1,578 at week 16 (21/07/2022), an increase of 26 users. This is the net impact, so although there have been 165 new packages, there has also been 139 service users leaving the care system;
- The forecast includes the assumption that all transformation and recovery savings will be achieved;
- Whilst the transformation & recovery initiatives implemented by the Directorate are delivering against plan, they are currently not mitigating the full impact of the demand. Further analysis of the demand will be undertaken during the next monitoring period to identify key themes.

Economic Growth and Neighbourhood Services - £1.669m adverse variance

4.7 Economic Growth and Neighbourhood Services is forecasting an adverse net variance of £1.669m at Quarter 1 as set out in the following paragraphs. The forecasts include the impact of £2.061m of savings being categorised as non-deliverable and £0.425m of savings being at risk of delivery.

Transportation - £0.593m adverse variance

4.8 This variance arises mostly from an anticipated income shortfall of £0.523m still attributable to the aftermath of Covid-19. Based on year-to-date activity levels in parking and traffic enforcement, income levels as at Quarter 1 are above those in the same period last year and the recovery is gaining momentum, particularly for Off-Street Car Parking - the most material Parking income stream by budget. The table below shows the position since 2019/2020 the baseline year before the impact of the Covid Pandemic.

Table 3. Off Street Car Parking Income Trend

Financial Year	Budget £m	Actual/Forecast £m	Variance £m
2019/20	(4.244)	(4.333)	(0.088)
2020/21	(4.734)	(1.183)	3.551
2021/22	(3.668)	(2.933)	0.734
2022/23	(4.126)	(3.564)	0.562
2023/24	(4.776)		

4.9 The adverse variance of £0.562m in Off-Street Car Parking is occurring despite a large increase in income compared to 2021/22. The income budget for this area was increased in 2022/23 towards pre-covid levels and whilst there has been increased

income compared to last year, the level of income has not yet returned to the pre-covid levels. Additionally, the ongoing cost of living crisis with high fuel costs has led to less visits to town centre and renting spaces to Royal Berkshire Hospital at Queens Road has not delivered the income anticipated due to the Hospital trialling other arrangements.

- 4.10 There is also a current forecast shortfall in income relating to Residents Parking Permits of £0.132m, however this is being closely monitored and it is hoped that this position will recover. Strategic Transportation is also forecasting further net pressures of £0.070m.
- 4.11 These pressures are partially offset by income overachievements on Bus Lane Enforcement (£0.088m) and On Street Pay & Display Car Parking of £0.083m.

Planning and Regulatory Services - £0.666m adverse variance

- 4.12 There is a forecast income shortfall of £0.638m across building control (£0.250m), premises license fees - Reading Festival variation (£0.066m), planning applications and planning fees (£0.127m), Houses of Multiple Occupancy (HMO) licences (£0.177m), and miscellaneous Fees & Charges (£0.018m). These income shortfalls are primarily arising from the ongoing Covid recovery as well as non-fee earning work on the Homes for Ukraine scheme which diverts officer time away from fee earning activities. Houses of Multiple Occupancy has a requirement to inspect homes under the Homes for Ukraine scheme, so this decision to undertake this work has a direct impact on the ability to generate income in this area. The Council receives income under the Homes for Ukraine scheme and it is being investigated as to whether this could be applied to cover the staffing costs of inspecting the properties.
- 4.13 The Building Control shortfall directly relates to the lack of staffing and a lack of availability of suitable agency staff to undertake the fee earning work. The £0.066m was built into the budget for Reading festival but that is entirely based on Festival Republic's need for a license variation which has not materialised in 2022/23, the need in future years is under discussion.
- 4.14 Planning applications and planning fees are market driven so it is difficult to control the level of fees particularly as the level of fee is statutorily set. Following on from the Covid recovery the supply chain issues around costs and availability of construction materials, plus skills shortages in the construction and design industry, is holding up the planning application process. Therefore, the ongoing uncertainty following on from the Covid pandemic and the ongoing Inflation and risk of recession is having a direct impact on fee generation that is likely to be an ongoing issue.
- 4.15 There are also forecast pressures relating to ongoing public enquiries arising within Planning, forecast at £0.150m for 2022/23. There are some residual costs from a previous prosecution with sentencing of the Plaintiff due to be heard in October 2022. One public enquiry has been withdrawn with one further public enquiry to be heard by April 2023 with spend likely to be incurred until Summer 2023.
- 4.16 These pressures are partially mitigated by a staffing underspend due to vacancies arising within the service and lack of suitable Agency staff - £0.122m.

Housing and Communities - balanced budget

- 4.17 An area of ongoing concern is the potential impact of the cost of living crisis on Homelessness budgets. Evictions have been steadily rising following on from the Covid restrictions being released. It is not yet clear the impact or the timing this will have but it is being closely monitored.

Culture - balanced budget

4.18 Culture is forecast to be on budget at Quarter 1. This is mainly due to pressures relating to contract inflation and the lower take up of services in the Reading Play Services being offset by underspends in the Archives service.

4.19 The forecast variance is comprised of the following elements:

- £0.035m pressures due to higher than anticipated contractual inflation within the GLL Leisure contract as this contract is based on CPI inflation as at March 2022;
- £0.060m of pressures in the Reading Play Services due to income delays, due to works still progressing at Palmer Park. The Service is also expecting a risk of staff costs rising due to the need for interims covering permanent posts;
- £0.015m positive variance due to salaries savings in Libraries and the Town Hall due to delays in recruitment;
- £0.080m positive variance for 2022/2023 on Reading's contribution to the joint arrangement for the Archives service.

Environmental and Commercial Services - £0.300m adverse variance

4.20 Streetscene is forecasting an overall net pressure of £0.250m. There is a forecast shortfall in income of £0.500m due to staffing shortages in the Arboricultural Team resulting in commercial work not being possible. There are also reductions in income from reduced grounds maintenance/commercial opportunities on industrial sites and New Build Housing developments, as the market continues to recover slowly to post covid levels. Vacancy levels are expected to create a £0.250m positive variance within this area, which will partially offset the shortfall of income.

4.21 Refuse Collection is presently forecasting pressures of £0.500m. This relates to employee costs as the service is continuing to employ over-establishment to ensure full-service delivery post pandemic. A mitigation plan has been drawn up to attempt to reduce these pressures in 2022/23, however with current sickness and absence levels combined with increased levels of agency staff and overtime, there is a high risk that this pressure will continue throughout the year.

4.22 Highways and Drainage is forecasting an adverse variance of £0.150m, due to the inflationary pressures leading to increased cost of direct materials, paying for waste disposal arising from our work programme and paying increased subcontractor rates.

4.23 Network Management is forecasting an adverse variance of £0.150m primarily due to a reduction in the income from the Pan Berkshire Urban Traffic Control joint arrangement which arose due to National Highways having pulled out of the scheme. There is a mitigation plan in place for 2023/24 onwards to offset this loss of income.

4.24 Within Waste Disposal overall tonnages are 5% down on expected levels, potentially linked to the economic downturn and residents returning to work, which has generated a forecast £0.750m positive variance expected to come from reduced waste disposal costs, as a result of less residual waste per household being presented for disposal.

Management & Sustainability - £0.110m adverse variance

4.25 The Business Development service is forecasting a pressure of £0.110m primarily due to the Covid impact on Advertising Income schemes. There have been delays in the planning agreements for some advertising sites, as well as contractual and developer

delays linked to reduced demand for use of advertising screens as an ongoing impact of the Covid-19 pandemic. Further planning consents are required before the income can be received, with further updates on progress due in September 2022, which could have an impact on the pressure in this budget extending into 2023/24. This service has recently transferred from Environmental and Commercial Services and was previously included as a pressure within that overall service forecast.

Resources

- 4.26 The Directorate of Resources is forecasting an adverse net variance of £0.030m at Quarter 1. This solely relates to pressures within Human Resources & Organisational Development which is forecasting an adverse net variance of £0.030m at Quarter 1, relating to Kennet Day Nursery income.

Chief Executive Services - £0.034m adverse variance

- 4.27 Chief Executive Services is forecasting an adverse net variance of £0.034m at Quarter 1. This solely relates to underachievement of advertising income within Communications.

Children's Services Delivered by Brighter Futures for Children (BFfC) - £1.761m adverse variance

- 4.28 BFfC are currently forecasting net budget pressures totalling of £1.761m.
- 4.29 There are total pressures of £2.161m consisting of:
- £0.500m due to forecast pay inflation being higher than the budgeted 2%;
 - £0.490m pressure on transport related budgets due to rising inflation of £0.200m and increasing SEN pupil numbers totalling £0.290m;
 - £0.384m due to agency staff within Children's Social Care. This pressure has arisen due to the additional cost of employing agency workers who are all covering vacant posts;
 - £0.393m due to demand for Children's Social Care. Most of this budget pressure relates to a single high cost placement;
 - £0.304m pressure on Children's Home income generation;
 - £0.090m pressure on interest charges.
- 4.30 These pressures are partially offset by additional Unaccompanied Asylum Seeking Children Grant from Central Government of £0.400m.
- 4.31 As at the end of Quarter 1, against a target of £1.175m, BFfC are reporting that £0.550m of savings have been delivered and are on track to deliver a further £0.625m by the end of the financial year.

Corporate Budgets - £4.616m positive variance

- 4.32 Capital Financing Costs are forecasting a positive net variance £1.713m taking into account the impact of the slippage on the Capital Programme reported in the 2021/22 Outturn Report.

- 4.33 The Corporate Contingency budget of £3.627m is currently not forecast to be used and therefore contributes a further positive variance.
- 4.34 Other Corporate Budgets are forecasting an adverse net variance of £0.724m. This is primarily due to a current forecast pressure of £0.934m relating to the 2022/23 pay award. A pay award of 2% was assumed as part of 2022/23 budget setting with additional provision made corporately to fund a pay award up to 4%. The pay offer made in July 2022 is estimated to cost an additional £1.434m above the amount budgeted (including the contingency) across the Council and BfFC. BfFC had included a forecast pressure of £0.500m in their forecast therefore the difference of £0.934m is included within the Corporate forecast. This forecast will be reviewed as more up to date information become available.
- 4.35 This pressure is partially offset by positive net variances of £0.210m within Other Corporate Budgets.

5 SAVINGS DELIVERY

- 5.1 Delivery of the Council's budget is predicated on achieving savings and additional income as agreed as part of the budget setting process in February 2022. Detailed monitoring of agreed savings is tracked on a monthly basis.
- 5.2 The projected financial impact of any non-delivery of savings have been included in the projected outturn position reported above.
- 5.3 The following table summarises the current forecast savings delivery for 2022/23 (a further detailed breakdown by saving is provided in Appendix 1):

Table 4. General Fund Savings Tracker Summary

Service	Savings At Risk £000	Savings Delayed or at Risk £000	Savings on Track £000	Savings Achieved £000	Directorate Total £000
Adult Care and Health Services	0	676	39	1,020	1,735
Economic Growth and Neighbourhood Services	2,061	425	4,093	0	6,579
Resources	0	0	658	0	658
Corporate	0	77	0	0	77
Children's Services delivered by BfFC	0	0	625	550	1,175
Total	2,061	1,178	5,415	1,570	10,224

- 5.4 Any savings not delivered in 2022/23 will cause an immediate pressure on 2023/24 unless mitigated with alternative ongoing savings. Delivery of existing savings within the Medium-Term Financial Strategy will also be reviewed as part of the 2023/24 Budget setting and 2023/24-2025/26 Medium-Term Financial Strategy processes over the upcoming months.

6 DELIVERY FUND

6.1 There is a total £4.065m Delivery Fund available for 2022/23 (inclusive of 2021/22 approved carry forwards). At Quarter 1, £2.051m of this funding has been allocated out to approved schemes, leaving £2.014m available to be allocated.

7 SUNDRY DEBT

7.1 Total General Fund sundry debt, over 30 days old, as at the end of Quarter 1 is £9.075m, compared to £8.005m as at the end of 2021/22. The following table shows the outstanding debt over 30 days old as at the end of June 2022:

Table 5. Outstanding Debt Over 30 Days Old

	Under 1 month £000	1 to 2 months £000	2 to 3 months £000	3 to 6 months £000	6 months to 1 year £000	1 to 2 years £000	Over 2 years £000	Total Overdue Debt £000
Adult Care & Health Services	275	166	168	672	533	1,347	2,722	5,883
Economic Growth & Neighbourhood Services	344	256	315	132	170	391	787	2,395
Resources	43	238	24	6	31	2	129	473
Chief Executive	-	-	-	1	-	-	-	1
Former Children's Services	-	-	-	-	81	111	27	219
Corporate	-	-	-	-	-	-	104	104
Total General Fund	662	660	507	811	815	1,851	3,769	9,075
Housing Revenue Account	4	-	2	2	7	2	18	31
Intercompany Debt	-	-	-	-	-	-	1,435	1,435
Total Including HRA and Intercompany	666	660	509	813	822	1,853	5,222	10,541

7.2 The Council has several wholly-owned active subsidiaries. The outstanding intercompany debt related to these subsidiaries, including loans, is shown in the following table:

Table 6. Outstanding Intercompany Debtors

Debtor	Outstanding Debt £
Reading Transport Ltd	0
Homes for Reading Ltd	1,435,264
Brighter Futures for Children	0
Total Outstanding Debt from Intercompany Debtors	1,435,264

7.3 The outstanding debt relating to Homes for Reading Ltd (HfR) is due to the company's cashflow pressures. A repayment profile had been proposed and the first payment was made in 2021/2022. Formal ratification of the repayment schedule is being taken to the next Homes for Reading board meeting in October 2022.

8 DEBT WRITE-OFF

- 8.1 Having complied with the requirements of the Council’s Debt Management Strategy, all recovery activity has been exhausted and the Director of Finance recommends that the total amounts submitted to the Committee for write-off for cases above £20,000 are:
- Non-Domestic Rates - £58,562.68;
 - Housing Benefit Overpayments - £25,944.98.
- 8.2 The list of specific debts requested to be written-off are set out in Appendix 5. It is considered that information contained within Appendix 5 contains exempt information under the meaning of sections 1, 2 and 3 of Schedule 12A of the Local Government Act 1972, as amended, and therefore cannot be made public.
- 8.3 The write-offs will be contained within the existing respective bad debt provisions. These bad debt provisions are reviewed annually to take account of the likely levels of bad debt write-offs and the potential for any recovery of debt that has been previously written off.
- 8.4 The cost of non-domestic rates write-offs is shared between the Council (49%), Royal Berkshire Fire and Rescue Service (1%) and Central Government (50%).
- 8.5 Statutory Benefit Subsidy Orders specify that Housing Benefit Overpayments, subsequently not recovered, have to be mostly paid for by the Council through loss in Central Government subsidy. Most Housing Benefit paid out under the General Fund is claimed back from the DWP through the annual subsidy claims. The subsidy rules are designed to act as an incentive for authorities to minimise error and overpayments and to maximise recovery of recoverable overpayments. It is therefore financially prudent for Local Authorities both to minimise the incidence of overpayments and to seek to maximise recovery of overpayments.
- 8.6 The standard rate of reimbursement for Housing Benefit paid is up to 100%, reducing to 40% for identified overpayments caused by claimant error and either 100%, 40% or down to 0% for those caused by Authority error if certain thresholds are exceeded. Overpayments caused by fraud are reimbursed at 40% and given the cause of such overpayments, there is an expectation that the overwhelming majority of cases should be considered recoverable from the persons who have either committed or significantly contributed to the fraud. The Council is entitled to keep 100% of the income collected from overpayments recovery in addition to any subsidy claimed.

9 STAFFING

- 9.1 The Council currently has 92 agency contracts across the directorates. £0.151m has been spent on overtime during Quarter 1.
- 9.2 There has been one redundancy to date during 2022/23 at a total cost of £0.053m, there have also been additional severance costs incurred to date of £0.009m. Redundancy expenditure will be funded through the redundancy revenue reserve.

10 COLLECTION FUND

The following table shows the Council’s collection rate to date of the total annual debit for Council Tax and Non-Domestic (Business) Rates as at the end of Quarter 1 and are still behind the collection levels at the same point when compared to pre-Covid-19 pandemic rates (2019/20).

Table 7. Collection Fund Collection Rates

	2019/20	2020/21	2021/22	2022/23	Comparison to 2021/22	Comparison to 2019/20
	%	%	%	%	%	%
Council Tax	37.81	37.26	37.19	37.01	(0.18)	(0.80)
Non-Domestic Rates	36.67	32.82	29.86	36.44	6.58	(0.23)

11 HOUSING REVENUE ACCOUNT (HRA)

11.1 The approved Housing Revenue Account (HRA) budget assumed a drawdown from HRA reserves of £2.083m. At Quarter 1 the forecast revenue outturn position on the HRA is a positive net variance to budget of £2.505m. Therefore, a transfer to the HRA Reserve is forecast of £0.422m rather than the originally budgeted £2.083m draw down from reserves. The breakdown of the net variance is set out in the following table and explained below.

Table 8. Housing Revenue Account Forecast 2022/23

	Budget £m	Forecast Outturn £m	Variance £m
Management & Supervision	9.840	8.595	(1.245)
Special Services	3.454	3.203	(0.251)
Provision for Bad Debts	0.753	0.753	0.000
Responsive Repairs	3.429	3.429	0.000
Planned Maintenance	2.403	2.403	0.000
Major Repairs/Depreciation	11.616	11.616	0.000
Debt Costs	6.741	5.622	(1.119)
PFI Costs	7.197	7.197	0.000
Revenue Contribution to Capital	0.600	0.600	0.000
HRA Income	(43.950)	(43.840)	0.110
Over/(Under) Budget	2.083	(0.422)	(2.505)
Movement to/(from) HRA Reserve	(2.083)	0.422	2.505

11.2 Within Management and Supervision and Special Services there are a large number of vacant posts leading to a current projected positive variance of £0.681m. Additionally, the expected charge to the HRA for the central support costs is currently expected to be around £0.815m less than the maximum budget for these charges available within the HRA. A review of the HRA contribution towards General Fund capital schemes is programmed for Autumn 2022 and any changes will be factored into the updated HRA Business Plan and future year budgets.

11.3 Debt costs are forecast to be lower than budgeted by £1.119m due to less borrowing currently being required within the HRA to meet its capital expenditure as planned expenditure has been re-programmed into future years.

11.4 HRA Income is forecast to be under budget by £0.110m. This is due to;

- Dwelling Rents and Service Charges are currently projected to be slightly under budget by a total of £0.344m. It is likely that income in this area could pick up during the year as more new flats and houses come onstream and the rents for these properties become collectable. This underachievement is slightly offset by a £0.019m overachievement forecast on Other Income.

- Interest income is forecast to be overachieved by £0.215m as the HRA has a higher level of reserve balances than anticipated so it takes a higher share of the interest income on those balances. The recent increases in the Bank of England interest rate have helped push the income up slightly too.

12 CAPITAL PROGRAMME

General Fund

12.1 The General Fund Capital Programme for 2022/23 has an approved budget of £131.766m. The following amendments to the Capital Programme are requested to be formally approved which would result in a revised Capital Programme budget of £115.980m. These amendments are set out on an individual scheme basis in Appendix 2.

Table 9. General Fund Capital Programme Amendments

Approved Budget	Budget Movements Between Schemes	Additional Budgets added to the Programme - Funded by Grants & Contributions	Additional Budgets requested to be added to the Programme - Funded by Capital Receipts & Borrowing	Reduced Budgets - Completed Schemes & Other carry forward budget adjustments	Budgets reprogrammed (to)/from Future Years	Revised Budget Quarter 1 2022/23
£m	£m	£m	£m	£m	£m	£m
131.766	0.000	4.101	0.384	(3.963)	(16.308)	115.980

12.2 A total of £4.101m of additional budgets that are fully funded by grants and contributions are requested to be formally added into the Capital Programme. These additions include:

- £1.200m for Reading West Station to reflect the additional funding granted to cover the shortfall in the project delivery. The additional sums are from Great Western Railway of £1.000m plus an additional £0.200m from the Council's Integrated Transport Grant;
- £1.969m for Construction of Green Park Station reflecting the additional funding received from Network Rail and Great Western Railways to complete the scheme at Green Park Station;
- £0.664m for s106 Individual Schemes List to reflect the spend approvals given as part of the Allocation of s106 Funding for Transport & Highways Schemes 2022/23 approved at Strategic Environment, Planning & Transport Committee in July 2022;
- £0.062m for Tilehurst Library Works to reflect the additional Arts Council England (ACE) Grant allocation as approved by Housing Neighbourhoods & Leisure Committee in June 2022;
- £0.206m for Annual Bridges and Carriage Way Works Programme & Highway Infrastructure Works to reflect additional s106 funding relating to Station Hill.

- 12.3 A total of £0.384m of additional budget relating to the Education Management System scheme is requested to be formally added into the Capital Programme to reflect the spend approval given by Policy Committee in April 2022.
- 12.4 A total of £3.963m of budget reductions are requested to be formally approved as set out in Appendix 2 due to a number of schemes having finished and remaining funding brought forward into 2022/23 not being required.
- 12.5 A total of £16.308m of budgets are requested to be reprogrammed from 2022/23 into future years of the Capital Programme in line with the latest delivery forecasts. This includes:
- £1.050m for Central Library - Reconfiguration/Refurbishment Feasibility. This budget has been submitted as match funding in the Council's Levelling up Fund (LUF) bid for the Culture projects for the new theatre at the Hexagon and the Library moving to the Civic Centre. Announcements on funding are due in Autumn 2022 and if granted then this full amount would be required for the LUF project with scheme delivery due to commence in 2023 and into 2024. To reflect this scheme timeline, the full amount of £1.050m is requested to be reprofiled into 2023/24;
 - £2.031m for Replacement Vehicles. The programme of replacement of vehicles has a long lead in time due to the complexity of many of the vehicles required, the reprogramming of £2.031m from 2022/23 to 2023/24 reflects the expected delivery of a number of vehicles in September 2023. The remaining budget within 2022/23 is sufficient to meet the expected delivery of vehicles in this financial year including 5 new Electric Refuse vehicles;
 - £2.600m for Regeneration Projects. This budget relates to schemes within the Regeneration of Reading which includes the Minster Quarter programme which are well progressed, with the Prior Information Notice (PIN) for this scheme being issued in August 2022 inviting tenders from developers to become delivery partners. The reprofiling of £2.600m of budget from 2022/23 into 2023/24 reflects that expenditure works for schemes within the Minster Quarter as well as wider works in Reading will not be required until 2023/24 or later as schemes develop further;
 - £2.436m across Education Schemes to reflect the re-programming of fully grant funded schemes;
 - £7.500m for Loan to RTL (Bus Replacement Programme) to reflect the updated Bus Replacement Programme delivery schedule as advised by RTL;
 - £0.691m across other schemes.
- 12.6 It was approved as part of the 2021/22 Outturn Report that £3.127m of the 2021/22 positive net variance would be transferred to the Capital Financing Smoothing Reserve to fund capital projects that were on hold in 2022/23 pending identification of funding.
- 12.7 It is requested that the following schemes are now given spend approval as they will be funded from the Capital Financing Smoothing Reserve (£3.127m from the 2021/22 roll-forward and £0.523m from the existing reserve balance:

Table 10. Capital Programme Spend Approval Requests

Scheme	Budget £m
1 Dunsfold fit out for family contact centre	0.350

Katesgrove Community & YOS Refurbishment	0.750
Town Hall Equipment	0.205
Berkshire Record Office	0.232
Digitised TROs	0.150
Replacement Vehicles	0.513
Bennet Road EV Chargers	1.280
Hexagon Lighting	0.150
Prospect Park	0.020
Total	3.650

Housing Revenue Account (HRA)

12.8 The HRA Capital Programme for 2022/23 has an approved budget of £42.796m. The following amendments to the Capital Programme are requested to be formally approved which would result in a revised Capital Programme budget of £30.502m. These amendments are set out on an individual scheme basis in Appendix 2.

Table 11. Housing Revenue Account (HRA) Capital Programme Amendments

Approved Budget	Budget Movements Between Schemes	Additional Budgets added to the Programme - Funded by Grants & Contributions	Additional Budgets requested to be added to the Programme - Funded by Capital Receipts & Borrowing	Reduced Budgets - Completed Schemes & Other carry forward budget adjustments	Budgets reprogrammed (to)/from Future Years	Revised Budget Quarter 1 2022/23
£m	£m	£m	£m	£m	£m	£m
42.796	0.000	0.000	0.000	0.000	(12.294)	30.502

12.9 A total of £12.294m of budgets are requested to be reprogrammed from 2022/23 into future years of the HRA Capital Programme in line with the latest delivery forecasts. This includes:

- £0.748m for Major Repairs - Existing Homes Renewal due to a lack of staffing resources and procurement issues;
- £5.999m for Major Repairs - Zero Carbon Retrofit Works due to a lack of staffing resources and procurement issues;
- £0.131m for Local Authority New Build Programme for Older People and Vulnerable Adults;
- £5.416m for New Build & Acquisitions to reflect the updated planned programme of works.

13 CORPORATE PLAN PERFORMANCE

13.1 A new three-year Corporate Plan for 2022/23-2024/25 was published in March 2022, and a revised set of 58 performance measures were developed for monitoring from April 2022, along with a set of 52 key projects and initiatives which are helping to deliver the Council's mission and priorities. 31 of the performance measures are annual measures that will not be reported on until after March 2023.

13.2 These measures and projects were identified by directorates as those that best demonstrate progress in achieving key outcomes. This report is therefore intended to provide an overview of the contribution that the Council makes across all its activities to improving Reading as a place to live, work and visit.

13.3 The performance measures and projects are set against each of themes of the Corporate Plan for 2022/23-2024/25:

- Healthy environment
- Thriving communities
- Inclusive economy

13.4 The tables below present a summary of performance for Quarter 1 against the target for each of the measures. Direction of travel will be reported next quarter.

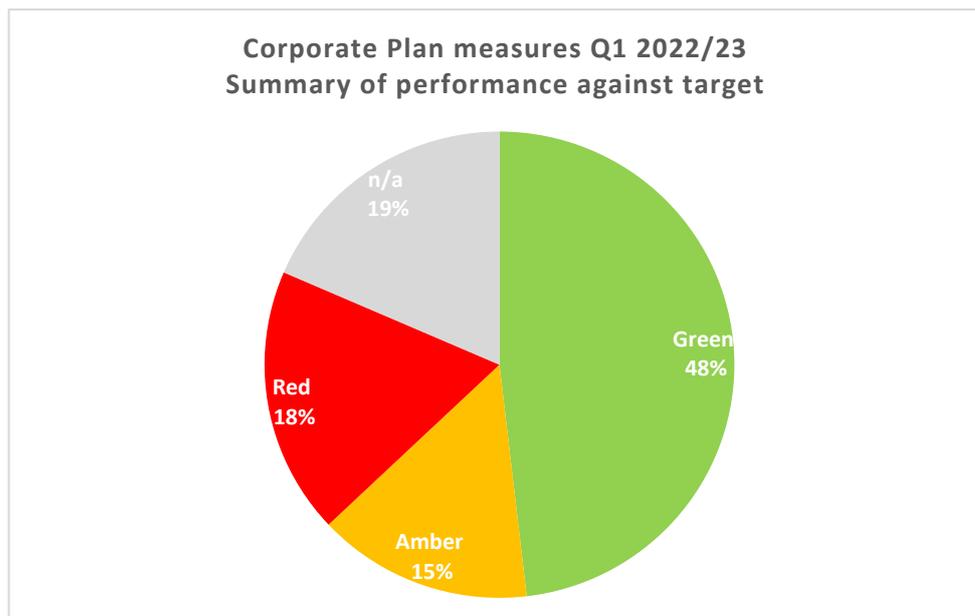
13.5 The set of monthly/quarterly measures is attached at Appendix 3. For the Corporate Plan projects, a summary of the RAG status is provided below. The full list of projects is provided at Appendix 4.

Corporate Plan Measures

13.6 The RAG status for the Corporate Plan measures is shown below. Future reports will show the change in RAG status from the previous period.

Table 12. Summary of Performance Against target¹

	Number of Measures	Q1 %
Green	13	48
Amber	4	15
Red	5	18
N/A - No Target/Comparison	5	19
Total	27	100



¹ Green = target achieved; Amber = up to 10% below target; Red = more than 10% below target

13.7 The five Corporate Plan measures recorded with a Red status against 2022/23 targets are listed below. Explanatory commentary is included where appropriate in Appendix 3.

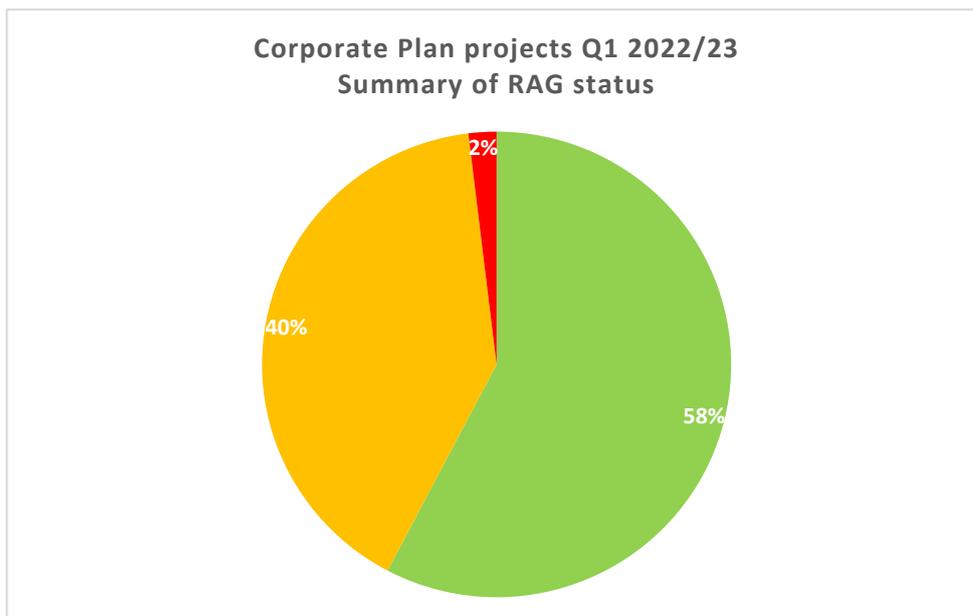
- Food waste recycled (percentage of household waste)
- Percentage of children in care living more than 20 miles from Reading
- Number of carers supported to maintain their caring role
- Customer satisfaction in the Customer Fulfilment Centre
- Number of self- service transactions via My Account self- service

Corporate Plan Projects

13.8 The RAG status for the Corporate Plan projects is shown below.

Table 13. Summary of RAG Status

	Number of Projects	Q1 %
Green	30	58
Amber	21	40
Red	1	2
N/A - No Target/Comparison	0	0
Total	52	100



13.9 The Corporate Plan project recorded with a Red status this quarter is “Create a workforce that is fully representative of the population we serve”. Explanatory commentary is included where appropriate in Appendix 4.

14 CONTRIBUTION TO STRATEGIC AIMS

14.1 The Council’s vision is to ensure that Reading realises its potential - and to ensure that everyone who lives and works in Reading can share the benefits of its success. The Council has three inter-connected themes which contribute to delivering this vision. The themes are:

- Healthy environment;
- Thriving communities;

- Inclusive economy.
- 14.2 Delivery of the Council's budget is essential to ensuring the Council meets its strategic aims and remains financially sustainable going forward.
- 14.3 Full details of the Council's [Corporate Plan](#) are available on the website.

15 ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 15.1 The Council declared a Climate Emergency at its meeting on 26th February 2019. The Corporate Plan monitors our progress in reducing our carbon footprint (Appendix 3).
- 15.2 There are no specific environmental and climate implications to report in relation to the recommendations set out in this report.

16 COMMUNITY ENGAGEMENT AND INFORMATION

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

17 EQUALITY IMPACT ASSESSMENT

- 17.1 The equality duty is relevant to the development of the Budget and Corporate Plan. The specific savings and income proposals included in the budget are subject to consultation and equality impact assessments where required and these are being progressed as appropriate.

18 LEGAL IMPLICATIONS

- 18.1 The Local Government Act 2003 requires that the Authority reviews its Budget throughout the year and takes any action it deems necessary to deal with the situation arising from monitoring. Currently monitoring reports are submitted to Policy Committee quarterly throughout the year.
- 18.2 There are no legal requirements to have a Corporate Plan. Nevertheless, considering the size and complexity of the services we provide and have responsibility for, it is sensible to have a strategic document for the organisation which sets out key priorities and activities against a robust and sustainable financial strategy.

19 FINANCIAL IMPLICATIONS

- 19.1 The financial implications are set out in the body of this report.
- 19.2 The scheme of delegation gives delegated authority to Directors/Assistant Director delegated authority to write off debts, for a particular debtor, for sums up to £1,000 at their own discretion; and for sums of up to £20,000 with the consent of the Finance Director. In both cases they must keep a written record of the debt and the reasons for writing it off. The Finance Director will report to the Policy Committee on the writing-off of individual debts of over £20,000.

20 BACKGROUND PAPERS

20.1 None.

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MONTHLY FINANCIAL REPORT

End of June 2022

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For further information regarding this report, please contact:

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Total General Fund - Period 3

Latest Revenue Position and Forecast

	Budget to Date £'000	Actual to Date £'000	Variance to Date £'000	Approved Budget £'000	Forecast Outturn £'000	Full Year Variance £'000
<u>Objective Analysis</u>						
Adults Care and Health Services	10,848	5,652	(5,196)	43,391	43,955	564
Economic Growth & Neighbourhood Services	4,640	5,151	511	18,560	20,229	1,669
Resources	4,428	10,978	6,550	17,711	17,741	30
Chief Executive Services	385	414	29	1,540	1,574	34
Children's Services retained by the Council	(1,388)	(4,431)	(3,043)	781	781	-
Children's Services delivered by BFFC *	12,063	12,446	383	48,251	50,012	1,761
TOTAL SERVICE BUDGETS	30,975	30,208	(767)	130,234	134,292	4,058
Capital Financing Costs	4,206	(185)	(4,391)	16,824	15,111	(1,713)
Contingency	907	-	(907)	3,627	-	(3,627)
Other Corporate Budgets	(174)	(57,838)	(57,664)	(695)	29	724
TOTAL CORPORATE BUDGETS	4,939	(58,023)	(62,962)	19,756	15,140	(4,616)
TOTAL BUDGET	35,914	(27,815)	(63,729)	149,990	149,432	(558)
Funding:						
Council Tax Income	(26,101)	-	26,101	(104,403)	(104,403)	-
NNDR Local Share	(6,628)	-	6,628	(26,510)	(26,510)	-
New Homes Bonus	(510)	(509)	1	(2,038)	(2,038)	-
Section 31 Grant	(3,145)	(10,277)	(7,132)	(12,580)	(12,580)	-
Revenue Support Grant	(527)	(190)	337	(2,108)	(2,108)	-
Other Government Grants	(601)	(73)	528	(2,404)	(2,404)	-
One-off Collection Fund (Surplus)/Deficit	4,995	-	(4,995)	19,981	19,981	-
Section 31 Grants Release from Reserves	(4,982)	-	4,982	(19,928)	(19,928)	-
TOTAL FUNDING	(37,498)	(11,049)	26,449	(149,990)	(149,990)	-
NET CONTROLLABLE COST	(1,584)	(38,864)	(37,280)	0	(558)	(558)
<u>Subjective Analysis</u>						
Employee Costs	33,473	30,246	(3,227)	134,205	133,336	(869)
Premises Costs	5,704	4,545	(1,158)	22,704	22,704	-
Transport-Related Costs	603	514	(89)	2,412	2,412	-
Supplies and Services	14,839	(12,080)	(26,919)	57,711	54,161	(3,550)
Contracted Costs	53,326	53,865	538	213,306	215,631	2,325
Transfer Payments	5,348	776	(4,572)	21,392	21,392	-
CONTROLLABLE COST	113,292	77,866	(35,427)	451,729	449,635	(2,094)
Fees & Charges	(26,323)	(7,705)	18,618	(106,592)	(105,900)	692
Traded Services Income	(12,922)	(50,295)	(37,373)	(42,626)	(41,832)	794
Grants & Contributions	(75,631)	(58,730)	16,901	(302,511)	(302,461)	50
CONTROLLABLE INCOME	(114,876)	(116,730)	(1,854)	(451,729)	(450,193)	1,536
NET CONTROLLABLE COST	(1,584)	(38,865)	(37,281)	-	(558)	(558)

Adult Care and Health Services [DACHS] - Period 3

Revenue Forecast

<u>Objective Analysis</u>	Budget to Date £'000	Actual to Date £'000	Variance to Date £'000	Approved Budget £'000	Forecast Outturn £'000	Full Year Variance £'000
Commissioning & Improvement	408	(1,170)	(1,579)	1,634	1,634	-
Adult Services Operations	10,051	8,823	(1,228)	40,206	40,770	564
Public Health	(75)	(2,482)	(2,407)	(300)	(300)	-
Preventative Services	95	225	130	381	381	-
Directorate & Other	197	92	(104)	787	787	-
Safeguarding, Quality, Performance & Practice	171	147	(24)	684	684	-
Suspense	-	2	2	-	-	-
Inactive Codes	-	15	15	-	-	-
NET TOTAL COST	10,848	5,652	(5,196)	43,391	43,955	564

Subjective Analysis

Employee Costs	3,511	3,285	(225)	14,043	14,043	-
Premises Costs	70	61	(8)	278	278	-
Transport-Related Costs	15	15	(0)	62	62	-
Supplies and Services	1,931	908	(1,023)	7,723	7,723	-
Contracted Costs	12,297	9,508	(2,789)	49,188	49,752	564
Transfer Payments	283	57	(227)	1,133	1,133	-
TOTAL EXPENDITURE	18,107	13,834	(4,273)	72,427	72,991	564
Fees & Charges	(81)	-	81	(325)	(325)	-
Traded Services Income	(2,204)	(2,091)	113	(8,815)	(8,815)	-
Grants & Contributions	(4,974)	(6,091)	(1,117)	(19,896)	(19,896)	-
TOTAL INCOME	(7,259)	(8,182)	(923)	(29,036)	(29,036)	-
NET TOTAL COST	10,848	5,652	(5,196)	43,391	43,955	564

Revenue Forecast

	Budget to Date £'000	Actual to Date £'000	Variance to Date £'000	Approved Budget £'000	Forecast Outturn £'000	Full Year Variance £'000
<u>Objective Analysis</u>						
Transportation	(485)	(1,532)	(1,047)	(1,939)	(1,346)	593
Planning & Regulatory Services	621	421	(200)	2,484	3,150	666
Housing and Communities	468	224	(245)	1,873	1,873	-
Culture	944	469	(475)	3,777	3,777	-
Environmental and Commercial Services	3,987	5,822	1,835	15,947	16,247	300
Property and Asset Management	(1,041)	(543)	498	(4,166)	(4,166)	-
Management and Sustainability	146	290	144	582	692	110
Suspense	-	(0)	(0)	-	-	-
Inactive Codes	-	0	0	-	-	-
NET TOTAL COST	4,640	5,151	511	18,560	20,229	1,669

Subjective Analysis

Employee Costs	9,486	8,112	(1,374)	37,945	38,073	128
Premises Costs	4,271	3,539	(732)	17,084	17,084	-
Transport-Related Costs	575	484	(91)	2,300	2,300	-
Supplies and Services	6,488	5,910	(577)	25,950	26,000	50
Contracted Costs	2,517	1,209	(1,307)	10,067	10,067	-
Transfer Payments	23	(114)	(137)	93	93	-
TOTAL EXPENDITURE	23,360	19,141	(4,219)	93,439	93,617	178
Fees & Charges	(5,121)	(1,556)	3,565	(20,482)	(19,821)	661
Traded Services Income	(11,106)	(9,133)	1,974	(44,424)	(43,664)	760
Grants & Contributions	(2,493)	(3,302)	(808)	(9,973)	(9,903)	70
TOTAL INCOME	(18,720)	(13,990)	4,730	(74,879)	(73,388)	1,491
NET TOTAL COST	4,640	5,151	511	18,560	20,229	1,669

Revenue Forecast

	Budget to Date £'000	Actual to Date £'000	Variance to Date £'000	Approved Budget £'000	Forecast Outturn £'000	Full Year Variance £'000
Objective Analysis						
Corporate Improvement & Customer Services	722	976	254	2,888	2,888	-
HR & Organisational Development	446	324	(121)	1,783	1,813	30
Procurement & Contracts	121	121	(0)	484	484	-
Finance	1,070	3,041	1,971	4,281	4,281	-
Legal & Democratic	627	4,164	3,537	2,507	2,507	-
IT & Digital	1,442	2,351	909	5,767	5,767	-
Suspense	-	(0)	(0)	-	-	-
Inactive codes	-	0	0	-	-	-
NET TOTAL COST	4,428	10,978	6,550	17,711	17,741	30

Subjective Analysis

Employee Costs	5,721	5,167	(553)	22,883	22,875	(8)
Premises Costs	90	43	(47)	360	360	-
Transport-Related Costs	8	10	2	31	31	-
Supplies and Services	1,899	3,480	1,581	7,595	7,602	7
Contracted Costs	1,355	1,198	(157)	5,421	5,421	-
Transfer Payments	312	1,007	695	1,249	1,249	-
TOTAL EXPENDITURE	9,385	10,905	1,520	37,540	37,539	(1)
Fees & Charges	(513)	18	531	(2,053)	(2,022)	31
Traded Services Income	(1,271)	(208)	1,063	(5,085)	(5,085)	-
Grants & Contributions	(3,173)	263	3,435	(12,691)	(12,691)	-
TOTAL INCOME	(4,957)	72	5,029	(19,828)	(19,797)	31
NET TOTAL COST	4,428	10,978	6,550	17,711	17,741	30

Chief Executive Services [CEX] - Period 3

Revenue Forecast

	Budget to Date £'000	Actual to Date £'000	Variance to Date £'000	Approved Budget £'000	Forecast Outturn £'000	Full Year Variance £'000
<u>Objective Analysis</u>						
Corporate Management Team	221	201	(20)	885	885	-
Communications	164	212	49	655	689	34
NET TOTAL COST	385	414	29	1,540	1,574	34

Subjective Analysis

Employee Costs	369	323	(46)	1,476	1,476	-
Premises Costs	-	-	-	-	-	-
Transport-Related Costs	5	5	0	19	19	-
Supplies and Services	32	100	68	129	149	20
Contracted Costs	-	-	-	-	-	-
Transfer Payments	2	-	(2)	7	7	-
TOTAL EXPENDITURE	407	428	20	1,630	1,650	20
Fees & Charges	-	-	-	-	-	-
Traded Services Income	(9)	(1)	8	(35)	(1)	34
Grants & Contributions	(14)	(14)	0	(55)	(75)	(20)
TOTAL INCOME	(22)	(14)	8	(90)	(76)	14
NET TOTAL COST	385	414	29	1,540	1,574	34

Housing Revenue Account [HRA] - Period 3

Revenue Forecast

	Budget to Date £'000	Actual to Date £'000	Variance to Date £'000	Approved Budget £'000	Forecast Outturn £'000	Full Year Variance £'000
Objective Analysis						
Dwelling Rents	(9,466)	(8,644)	822	(37,863)	(37,603)	260
Service Charges	(241)	(199)	42	(965)	(881)	84
PFI Credit	(999)	-	999	(3,997)	(3,997)	-
Other Income	(77)	(39)	38	(309)	(328)	(19)
Interest on Balances	(204)	-	204	(816)	(1,031)	(215)
TOTAL INCOME	(10,988)	(8,882)	2,106	(43,950)	(43,840)	110
Management & Supervision	2,460	766	(1,694)	9,840	8,595	(1,245)
Special Services	864	403	(461)	3,454	3,203	(251)
Provision for Bad Debts	188	-	(188)	753	753	-
Responsive Repairs	857	71	(786)	3,429	3,429	-
Planned Maintenance	601	209	(392)	2,403	2,403	-
Major Repairs/Depreciation	2,904	1,010	(1,894)	11,616	11,616	-
Debt Costs	1,685	-	(1,685)	6,741	5,622	(1,119)
PFI Costs	1,799	1,205	(594)	7,197	7,197	-
Revenue Contribution to Capital	150	88	(62)	600	600	-
TOTAL EXPENDITURE	11,508	3,752	(7,756)	46,033	43,418	(2,615)
Movement to/(from) Reserve	(521)	-	521	(2,083)	422	2,505
NET TOTAL COST	-	(5,130)	(5,130)	-	-	-

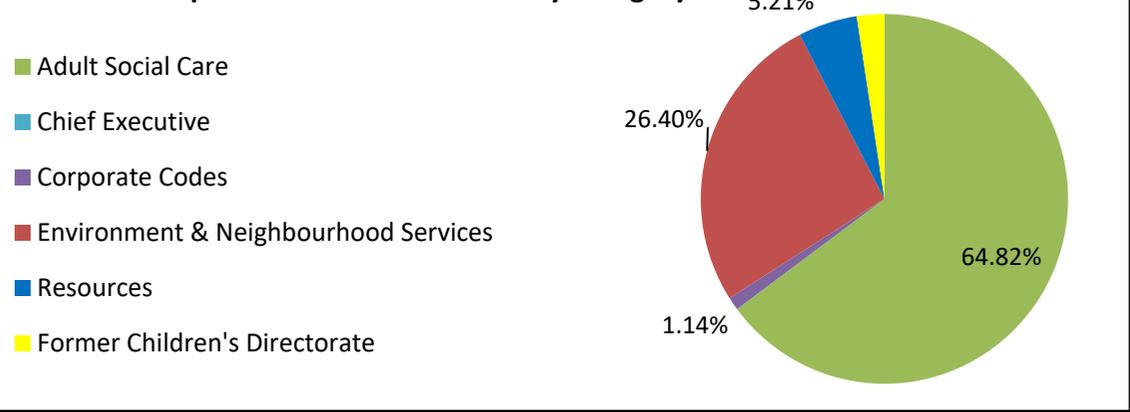
Subjective Analysis

Employee Costs	1,224	924	(300)	4,896	4,215	(681)
Premises Costs	6,099	1,526	(4,573)	24,397	24,413	16
Transport-Related Costs	8	1	(7)	32	32	-
Supplies and Services	407	159	(247)	1,627	1,627	-
Contracted Costs	1,814	1,205	(609)	7,254	7,254	-
Transfer Payments	2,049	23	(2,026)	8,196	6,401	(1,795)
TOTAL EXPENDITURE	11,601	3,838	(7,763)	46,402	43,942	(2,460)
Fees & Charges	(613)	-	613	(2,452)	-	2,452
Traded Services Income	(9,988)	(8,969)	1,020	(39,953)	(39,945)	8
Grants & Contributions	(999)	0	1,000	(3,997)	(3,997)	-
TOTAL INCOME	(11,601)	(8,968)	2,632	(46,402)	(43,942)	2,460
NET TOTAL COST	-	(5,130)	(5,130)	-	-	-

Debt Performance - End of June 2022

The pie chart below shows the sundry debt as at the end of Period 3 (in excess of 30 days old) to total £9.075m.

Pie Chart 1. Split of General Fund Debt by Category

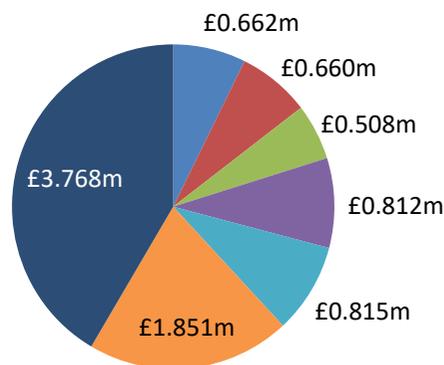


Note: Adult Social Care includes Adult Client debt and invoices relating to NHS/CCG. As of Period 3, debt totalling £593k has been secured against properties, however there is no guarantee that 100% of this is recovered upon sale of the property. Education Services includes the majority of Schools service level agreement invoices.

Key for Charts

- Under 1 month
- 1 to 2 months
- 2 to 3 months
- 3 to 6 months
- 6 months to 1 year
- 1 to 2 years
- Over 2 years

Pie Chart 2. Split of General Fund Debt Balance by Days Outstanding



Pie Chart 3. Split of HRA Debt Balance

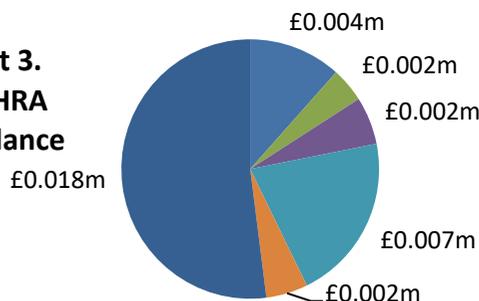
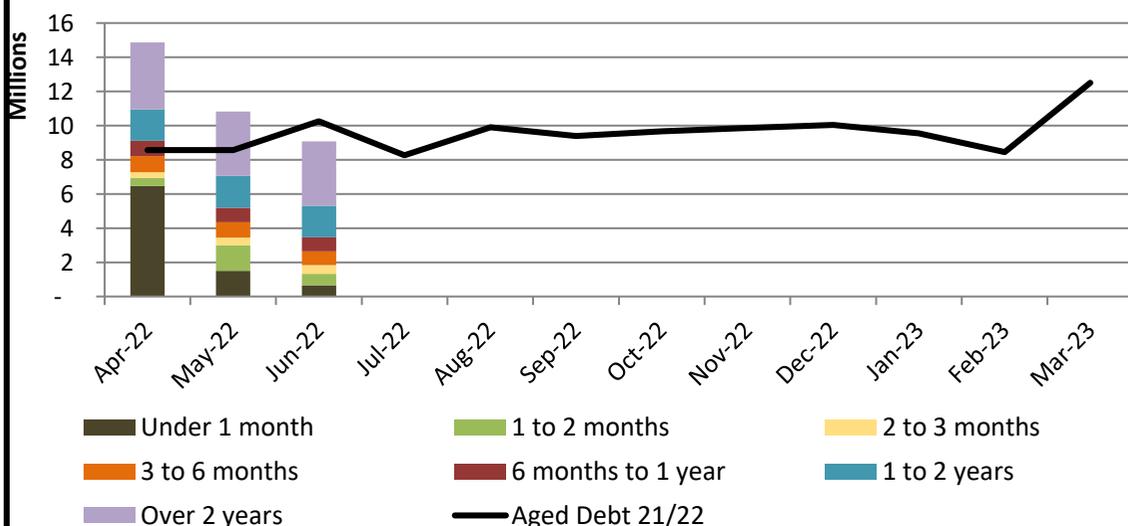


Chart 4. Outstanding General Fund Debt Monthly Comparison



Agency and Staffing - End of June

Agency contracts with the council as at the end of Period 3.

Number of agency workers by directorate

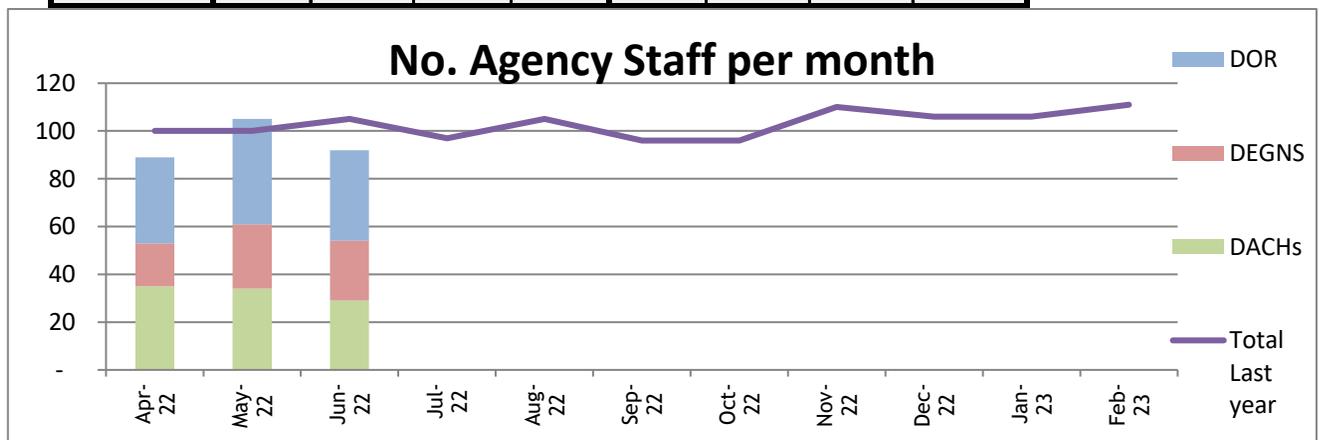
Directorate	Number of Agency Staff Period 3	Number of Agency Staff Period 2
DACHS	29	34
DEGNS	25	27
DOR	38	44
Total	92	105

Agency staff by post name (top 5)

Post name	No.
Occupational Therapist	8
Refuse Loader	7
Driver/Sweeper	7
Social Worker	6
Accountancy Staff	5

Agency spend by directorate per quarter (£000s)

Directorate	2021-22 (£000s)				2022-23 (£000s)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
DACHS	524	572	709	923	607			
DEGNS	288	254	190	281	315			
DOR	436	358	495	599	524			
Total	1,248	1,184	1,394	1,803	1,445	0	0	0



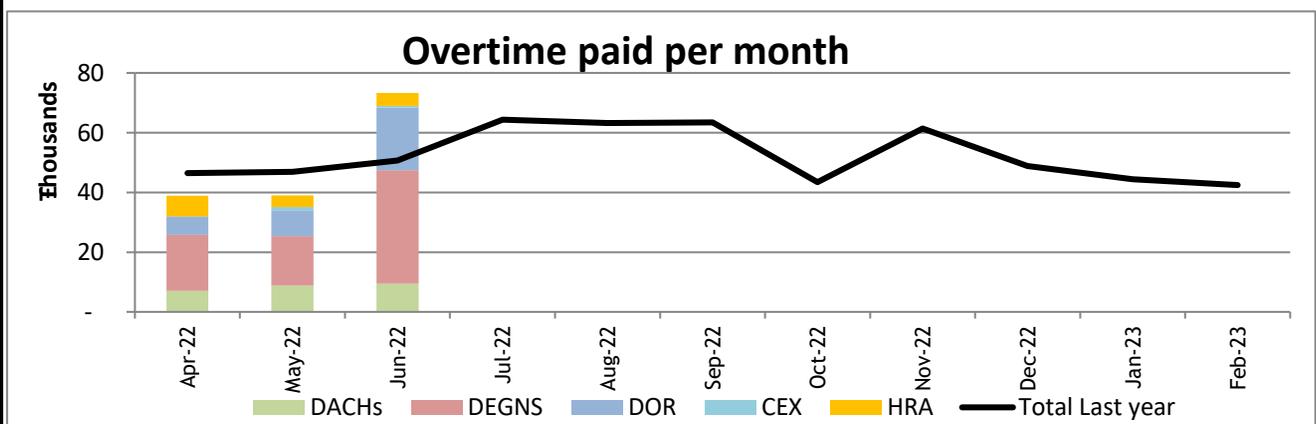
Redundancies & Severance Costs within 22-23

Directorate	June 2022 Only	Actual to Date 2022-23
DACHS	£ -	£ -
DEGNS	£ -	£ 55,303
DOR	£ -	£ -
CEX	£ 6,649	£ 6,649
HRA	£ -	£ -
Total	£ 6,649	£ 61,951

Overtime paid by directorate 22-23

Directorate	June 2022 Only	Actual to Date 2022-23
DACHS	£ 9,487	£ 25,397
DEGNS	£ 37,996	£ 73,283
DOR	£ 20,899	£ 35,663
CEX	£ 593	£ 1,707
HRA	£ 4,358	£ 15,176
Total	£ 73,334	£ 151,226

Redundancy expenditure will be funded from the redundancy revenue reserve. Currently no redundancy charges have been reflected in the Period 3 monitoring, bringing the total to 1 redundancy to date.



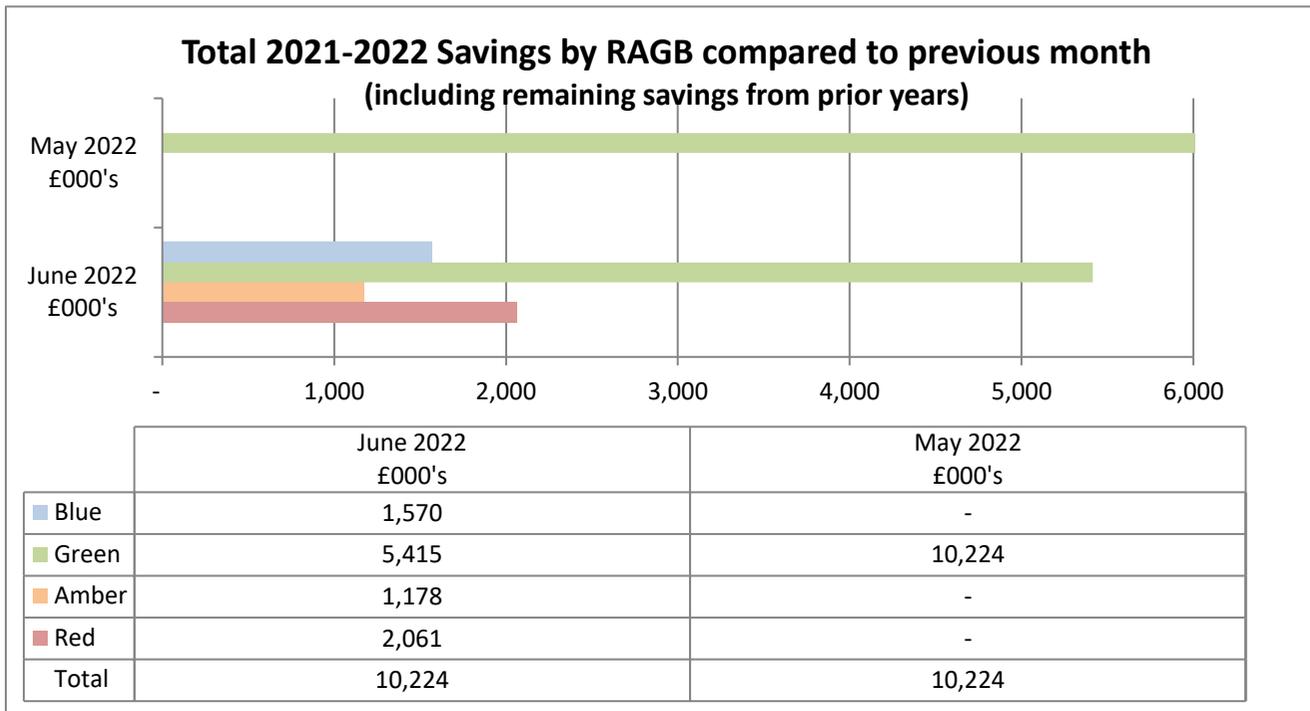
Savings and Delivery Fund 2022-2023 - End of June 2022

Savings

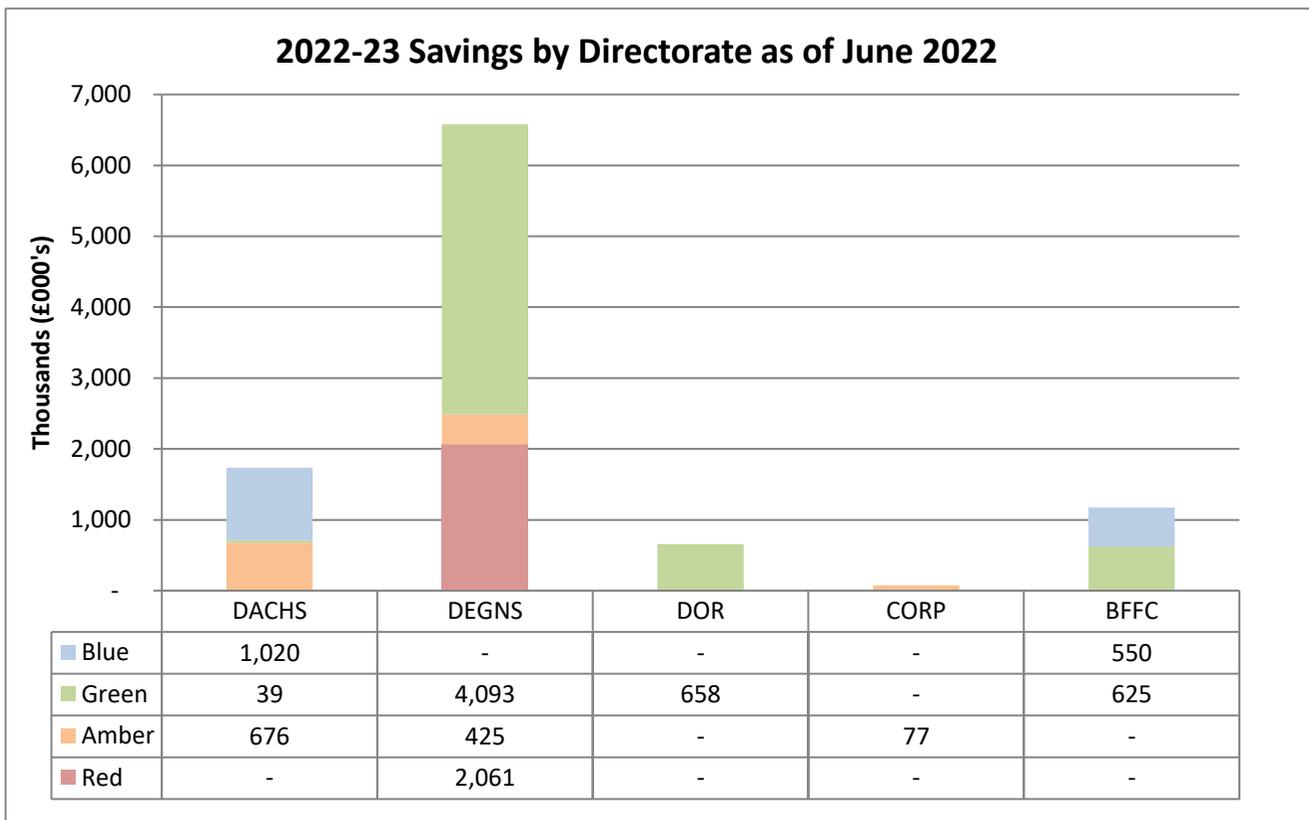
	Project delayed or unachievable and needs reviewing as part of MTFS
	Project has some issues or is at risk
	Project is progressing on track
	Project has been delivered and saving/income generation has been achieved

The below graphs shows the outstanding 2022-23 and prior year savings programme.

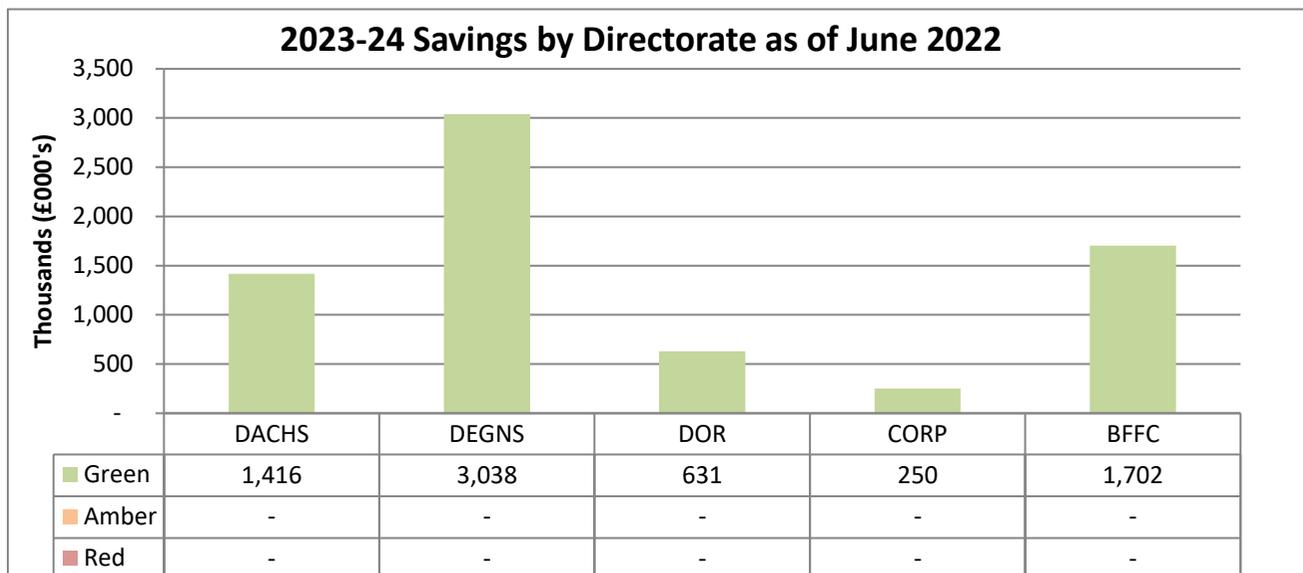
This totals £10.2244m for the overall council.



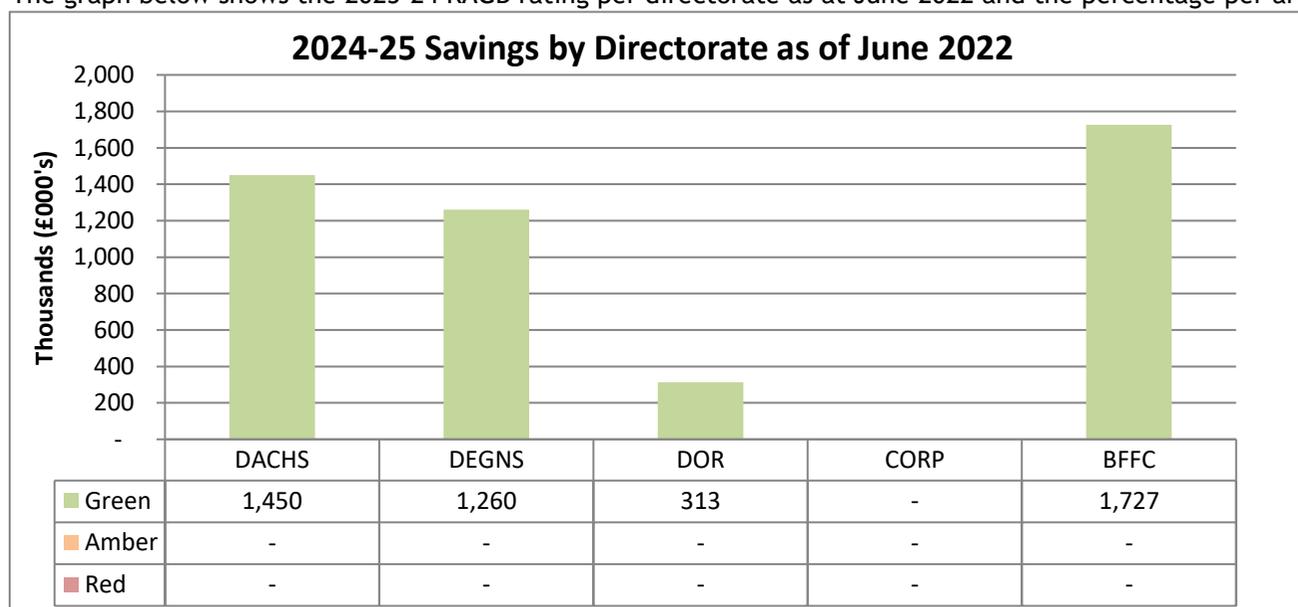
The graph below shows the 2022-23 RAGB rating per directorate as at June 2022 and the percentage per area.



The graph below shows the 2023-24 RAGB rating per directorate as at June 2022 and the percentage per area.



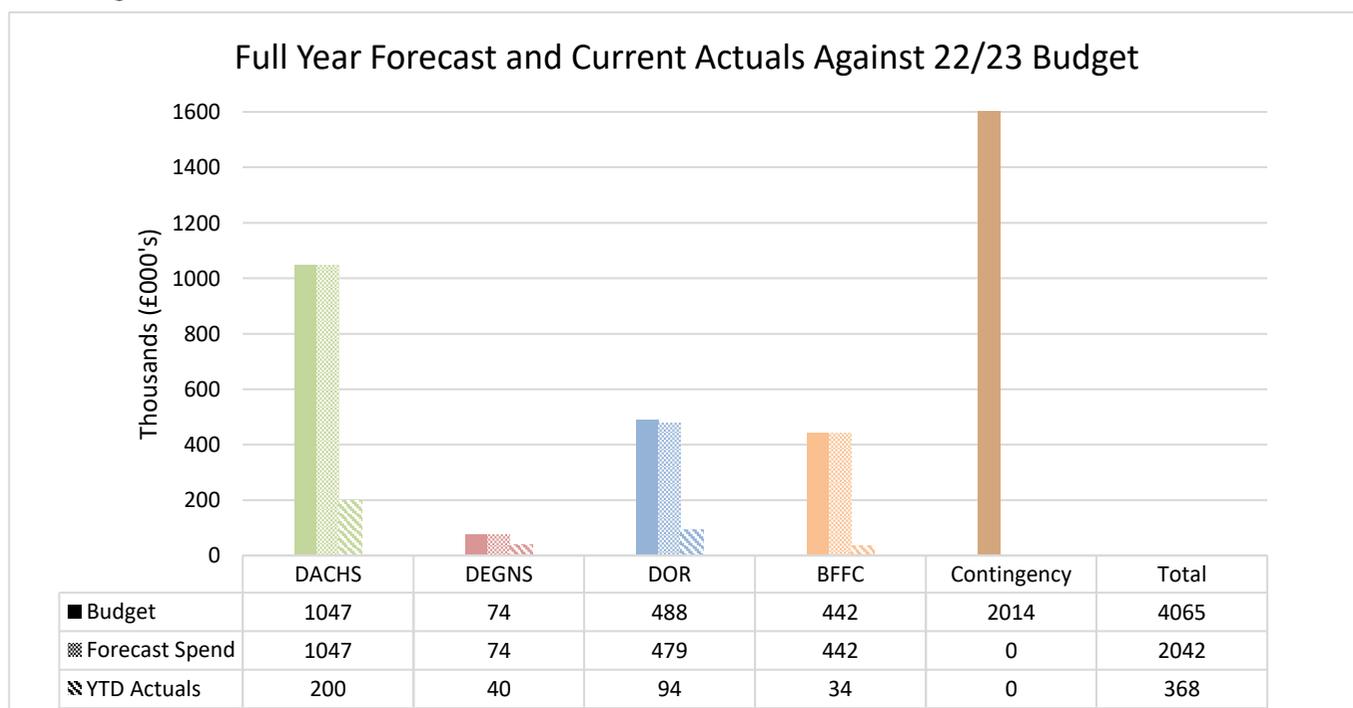
The graph below shows the 2023-24 RAGB rating per directorate as at June 2022 and the percentage per area.



Delivery Fund

There are currently 20 approved Delivery Fund schemes being monitored across DACHS, DEGNS, DOR and BFFC.

The graph below shows the forecast and actual spend on Delivery Fund schemes, by directorate, compared to the 22/23 budget for these schemes.



List of Savings within 2022-23

Savings

SAVINGS PROPOSAL	Current Year Savings (£000s)				
	RED	AMBER	GREEN	BLUE	TOTAL
Directorate of Adults Care and Health Services					
Removal of agreed 3 year Voluntary Care Service funding	0	0	0	250	250
Young people Transitions - Supporting young people into adulthood	0	0	28	22	50
Additional DACHS Staffing Efficiencies	0	0	0	200	200
TEC: Promoting the use of Assistive Technology	0	78	0	0	78
Development of the Personal Assistant Market	0	49	0	1	50
Promoting Independence (Outcome Based Service Delivery)	0	0	4	71	75
Review and Rightsizing of Care Packages (2021/2022)	0	0	4	76	80
Efficiency savings secured through Public Health re-procurement	0	0	0	300	300
Development of an Accommodation Pathway for Vulnerable Working Age Adults	0	0	3	22	25
Closing the DACHS Budget Gap	0	549	0	78	627
Total Directorate of Adults Care and Health Services	0	676	39	1,020	1,735

SAVINGS PROPOSAL	Current Year Savings (£000s)				
	RED	AMBER	GREEN	BLUE	TOTAL
Directorate of Economic Growth & Neighbourhood Services					
School Crossing Patrollers	0	0	14	0	14
Fundamental Service Review - Parking	150	0	0	0	150
Increased revenue from on-street Pay and Display	390	150	0	0	540
Increased income from Parking Enforcement	0	100	120	0	220
Increased provision of Red Routes	0	0	50	0	50
Review Public Car Park provision borough wide	200	0	0	0	200
Increase off street parking charges	150	0	0	0	150
Increase in fees and charges	0	0	3	0	3
Mandatory HMO Licensing	75	0	0	0	75
Discretionary HMO Licensing	20	0	0	0	20
Fundamental Service Review - Planning and Regulatory	0	0	66	0	66
Increase in charges for pre-planning application and planning fees	0	0	110	0	110
Proposed Fee Income Reading Festival	50	0	0	0	50
Reforecast income Licensing income budget	0	0	10	0	10
Increase in fees and charges	0	0	20	0	20
Reduction in professional specialist, management, enforcement and administrative resources; an increase to pre-planning application fees by 10%.	120	0	0	0	120
Town Centre Street Trading - New Pitches	0	0	8	0	8
Housing - Fundamental Service Review	0	0	50	0	50
Increase in fees and charges	0	0	4	0	4
Contribution from Public Health Grant	0	0	250	0	250
In-house management restructuring of Cultural Services	0	100	0	0	100
Increase in fees and charges	0	0	33	0	33
Increase in Savings - Waste Operations	0	0	(130)	0	(130)
Fundamental Service review of Highways	0	0	50	0	50
Increase income on green waste due to additional uptake in years 1-3 and fee increase in years 2-3	25	0	25	0	50
Fundamental Service Review - Parks and Street Cleansing	162	0	0	0	162
Increased income from traded waste services (previous ref to CIL & IPD not relevant)	0	75	25	0	100
Increase in fees and charges	0	0	5	0	5
Additional income from advertising	25	0	0	0	25
Review of Rents on Garages and Shops	0	0	5	0	5
Increase in fees and charges.	0	0	24	0	24
Workforce Review [Transportation]	0	0	200	0	200
Increase parking permit charges	0	0	43	0	43
Arts Fundraising campaign	0	0	60	0	60
Visa Verification increased income	0	0	45	0	45
Rewilding highway verges	0	0	15	0	15
Waste Contract - Budget realignment inline with anticipated expenditure	0	0	100	0	100
Continued commercial growth of Highways service	0	0	5	0	5
In-sourcing of Highways Structures Consultancy	0	0	10	0	10

SAVINGS PROPOSAL	Current Year Savings (£000s)				
Directorate of Economic Growth & Neighbourhood Services	RED	AMBER	GREEN	BLUE	TOTAL
Review of office and workspace requirements	0	0	162	0	162
Workforce Review [Planning & Regulatory Services]	0	0	47	0	47
Workforce Review [Housing]	0	0	50	0	50
Workforce Review [Cultural Services]	0	0	1	0	1
Workforce Review [Environmental and Commercial Services]	0	0	196	0	196
Workforce Review [Regeneration and Assets]	0	0	62	0	62
Recovery of reduced parking income due to Covid-19*	650	0	0	0	650
On Going Pension Costs Savings	0	0	30	0	30
Revenue impact of new contract for borough leisure facilities	0	0	830	0	830
Covid19 income pressure on the Town Hall and recovery plan*	0	0	247	0	247
Covid19 income pressure on the Hexagon and South Street Theatres and recovery plan*	0	0	150	0	150
Reduced fuel costs due to increase in electrical vehicles	44	0	0	0	44
Highways operational resilience	0	0	12	0	12
Investment property rental income increase	0	0	1,086	0	1,086
Directorate of Economic Growth & Neighbourhood Services	2,061	425	4,093	0	6,579

SAVINGS PROPOSAL	Current Year Savings (£000s)				
Directorate of Resources	RED	AMBER	GREEN	BLUE	TOTAL
New customer services model	0	0	207	0	207
Efficiencies from procuring new finance system	0	0	112	0	112
Additional Service Proposals for Registrar Services	0	0	10	0	10
Reduction in employer contributions arising from new Agency Contract	0	0	90	0	90
Increase in Fees and Charges (Kennet Day Nursery)	0	0	5	0	5
Procurement & Contracts savings - Resources Directorate	0	0	100	0	100
Finance workforce review	0	0	50	0	50
Procurement of Case Management system	0	0	45	0	45
Increase in Fees and Charges	0	0	39	0	39
Directorate of Resources	0	0	658	0	658

SAVINGS PROPOSAL	Current Year Savings (£000s)				
Corporate	RED	AMBER	GREEN	BLUE	TOTAL
Reducing mileage expenses through increased use of alternatives e.g. online meetings	0	77	0	0	77
Corporate	0	77	0	0	77

SAVINGS PROPOSAL	Current Year Savings (£000s)				
Brighter Futures For Children	RED	AMBER	GREEN	BLUE	TOTAL
BFFC Savings	0	0	625	550	1,175
Brighter Futures For Children	0	0	625	550	1,175

	RED	AMBER	GREEN	BLUE	TOTAL
TOTAL of Savings with Red rated elements within 2020-2021	2,061	1,178	5,415	1,570	10,224

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Capital Programme for Quarter 1

Scheme Name	Approved Budget 2022/23	Budget Movements Between Schemes	Additional Budgets added to the Programme - Funded by Grants & Contributions	Additional Budgets requested to be added to the Programme - Funded by Capital Receipts & Borrowing	Reduced Budgets - Completed Schemes & Other carry forward budget adjustments	Budgets reprogrammed (to)/from Future Years	Revised Budget Quarter 1 2022/23	Spend to 30th June 2022	Forecast Spend	Forecast Variance
General Fund										
Adult Care and Health Services										
e-Marketplace & Equipment Renewal Portal Software	170						170	0	170	0
Mobile Working and Smart Device	150						150	0	150	0
Replacement of Community Re-ablement Software	85						85	0	85	0
Co-located profound and multiple learning disabilities day opportunities and respite facility and sheltered housing flats	1,413						1,413	0	1,413	0
Adult Care and Health Services Total	1,818	0	0	0	0	0	1,818	0	1,818	0
Economic Growth and Neighbourhood Services										
Transportation, Planning & Regulatory Services										
Air Quality Monitoring	15						15	0	15	0
Active Travel Tranche 2	985						985	43	985	0
Local Transport Plan Development	1,129						1,129	9	1,129	0
National Cycle Network Route 422	132						132	0	132	0
Reading West Station	3,020		1,200				4,220	32	4,220	0
South Reading MRT (Phases 1 & 2)	399						399	0	399	0
South Reading MRT (Phases 3 & 4)	1,632						1,632	(104)	1,632	0
South Reading MRT (Phases 5 & 6)	1,000						1,000	0	1,000	0
Transport Demand Management Scheme - Feasibility Work	50				(50)		0	0	0	0
Town Centre Street Trading Infrastructure	28						28	0	28	0
Construction of Green Park Station	0		1,969				1,969	1,770	1,969	0
Car Park Investment Programme (inc P&D, Red Routes & Equipment)	177						177	42	177	0
Additional Storage Capacity at Mortuary	15						15	0	15	0
CIL Local Funds - Community	502						502	17	502	0
CIL Local Funds - Transport	167						167	8	167	0
CIL Local Funds -Neighbourhood Allocation	477						477	0	477	0
S106 individual schemes list	313		664				977	0	977	0
Defra Air Quality Grant - Bus Retrofit	388						388	0	388	0
Defra Air Quality Grant - Go Electric Reading	18						18	0	18	0
Electric Vehicle Charging Points	250					(125)	125	0	125	0
Air Quality Grant - AQ sensors awareness & behaviour change	106						106	0	106	0
Transport Demand Management Scheme	200						200	0	200	0
Rogue Landlord Enforcement	75						75	0	75	0
Transportation, Planning & Regulatory Services - Sub Total	11,079	0	3,833	0	(50)	(125)	14,737	1,817	14,737	0

Capital Programme for Quarter 1

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Housing & Communities										
Central Pool Regeneration	373				(373)		0	0	0	0
Sun Street - Final Phase	66				(66)		(0)	0	(0)	0
Provision of Gypsy & Traveller Accommodation	566						566	13	566	0
Harden Public Open Spaces to Prevent Incursion	42						42	7	42	0
Green Homes Scheme - GF element	489				(489)		0	1	0	0
Disabled Facilities Grants (Private Sector)	1,257						1,257	91	1,257	0
Foster Carer Extensions	300						300	0	300	0
Private Sector Renewals	444						444	23	444	0
Housing & Communities - Sub Total	3,538	0	0	0	(928)	0	2,610	135	2,610	0
Culture										
Leisure Centre Procurement	26,998	840			(266)	(247)	27,325	4,075	27,325	0
Christchurch Meadows Paddling Pool	2				(2)		0	0	0	0
Development of facilities at Prospect Park/Play	205						205	116	205	0
New Capital Bid - S106 Kenavon Drive Landscape	153						153	0	153	0
Reading Football Club Social Inclusion Unit to SRLC	1,534						1,534	0	1,534	0
Small Leisure Schemes	617						617	0	617	0
Abbey Quarter restoration works	120						120	(1)	120	0
High Street Heritage Action Zone	905						905	3	905	0
Berkshire Record Office - extension of storage space	232					(169)	63	0	63	0
Hexagon lighting & emergency lighting replacement	270						270	0	270	0
Town Hall Equipment	205						205	0	205	0
Central Library - Reconfiguration/Refurbishment Feasibility	1,050					(1,050)	0	0	0	0
Tilehurst Library Works	0		62				62	0	62	0
Culture - Sub Total	32,290	840	62	0	(268)	(1,466)	31,458	4,193	31,458	0
Environmental & Commercial Services										
Playground equipment and Refreshment: Boroughwide	1,232						1,232	0	1,232	0
Re-wilding highways, parks and open space verges	76						76	0	76	0
Tree Planting	30						30	2	30	0
Purchase of food waste and smaller residual waste bins	1				(1)		0	0	0	0
re3 extending range of recyclables	94				(94)		0	0	0	0
Annual Bridges and Carriage Way Works programme & Highway Infrastructure Works	4,448		206				4,654	975	4,654	0
Carriageways & Pavements Investment Programme	2,000						2,000	0	2,000	0
Chestnut Walk Improvements	35						35	0	35	0
CIL Local Funds - Heritage and Culture	285						285	11	285	0
CIL Local Funds - Leisure and Play	669						669	94	669	0
Highway Signals_Capital Bid	200						200	0	200	0
Highways Operational Resilience _ Capital Bid	74						74	0	74	0
Highways Structures Capital Bid	2,650						2,650	0	2,650	0
Invest to save energy savings - Street lighting	1,171						1,171	4	1,171	0

Capital Programme for Quarter 1

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Pumping Station Upgrade Scheme (new)	229						229	73	229	0
Reading Town Centre Design Framework	86						86	0	86	0
Town Centre Improvements	307						307	0	307	0
Free bulky waste service - collection vehicle	64						64	0	64	0
Cattle Market Car Park	519						519	0	519	0
Digitised TRO's	300					(150)	150	0	150	0
Eastern Area Access Works	199						199	0	199	0
Local Traffic Management and Road Safety Schemes	270						270	2	270	0
Oxford Road Corridor Works	298						298	0	298	0
Traffic Management Schools	431						431	0	431	0
Western Area Access Works	128						128	0	128	0
New Kit/Vehicles for Commercial Services Dvlpt	84						84	0	84	0
New Vehicle for Highways & Drainage Commercial Service	71						71	0	71	0
Replacement Vehicles	6,434					(2,031)	4,403	0	4,403	0
Environmental & Commercial Services - Sub Total	22,383	0	206	0	(96)	(2,181)	20,313	1,161	20,313	0
Property & Asset Management										
The Heights Permanent Site Mitigation	287						287	27	287	0
Invest in Corporate buildings/Health & safety works	2,184				(684)		1,500	77	1,500	0
1 Dunsfold Fitout for BFfC Family Contact Centre - Development for Community Use	350						350	0	350	0
Accommodation Review - Phase 2A - 2C	1,556						1,556	0	1,556	0
Corporate Office Essential Works	841						841	40	841	0
Katesgrove Community and YOS Refurbishment - Development for Community Use	750						750	0	750	0
BFFC Accommodation Review	150						150	0	150	0
Regeneration Projects	2,850					(2,600)	250	57	250	0
The Keep building works and improved arts/culture facilities	94						94	0	94	0
Oxford Rd Community Centre	147				(147)		0	0	0	0
Property & Asset Management - Sub Total	9,209	0	0	0	(831)	(2,600)	5,777	201	5,777	0
Management & Sustainability										
Renewable Energy	2,023	(840)					1,183	0	1,183	0
Salix Decarbonisation Fund	573						573	1	573	0
Salix Re-Circulation Fund	294						294	30	294	0
Management and Sustainability - Sub Total	2,890	(840)	0	0	0	0	2,050	31	2,050	0
Economic Growth and Neighbourhood Services Total	81,389	0	4,101	0	(2,173)	(6,372)	76,945	7,538	76,945	0

Capital Programme for Quarter 1

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Resources										
Customer Digital Experience	750						750	0	750	0
Universal Digital Systems	910						910	7	910	0
IT Future Operating Model	538						538	85	538	0
Re-Procurement / Reimplementation of Finance System	600						600	100	600	0
Education Management System	0			384			384	77	384	0
Cemeteries and Crematorium	85						85	0	85	0
Cremator Procurement	1,000						1,000	0	1,000	0
Cremator	55						55	1	55	0
Burial Land Acquisition	150						150	0	150	0
Resources Total	4,088	0	0	384	0	0	4,472	270	4,472	0
Economic Growth and Neighbourhood Services										
(Education Schemes)										
Additional School Places - Contingency	1,649	(1,983)				584	250	(1)	250	0
SEN Provision - Avenue Centre	4,291						4,291	838	4,291	0
Asset Management	410					(124)	286	0	286	0
Children in care Emergency Provision	35						35	0	35	0
Civitas- Synthetic Sports Pitch	25						25	(4)	25	0
Contribution to SEN School Wokingham	500					(378)	122	123	122	0
Crescent Road Playing Field Improvements	311						311	0	311	0
Critical Reactive Contingency: Health and safety (Schools)	1,153				(653)		500	(1)	500	0
Fabric Condition Programme	3,448						3,448	514	3,448	0
Green Park Primary School	459				(399)		60	0	60	0
Heating and Electrical Programme - Manor Pry Power	29				(29)		(0)	0	(0)	0
Heating and Electrical Renewal Programme	1,047						1,047	25	1,047	0
Initial Viability work for the Free School at Richfield Avenue	66				(26)	(20)	20	0	20	0
Low Carbon Skills Fund - Bid Development	5						5	0	5	0
Low Carbon Skills Fund - Schools Estate Project Delivery	24						24	0	24	0
Katesgrove Primary Trooper Potts Building	59						59	0	59	0
Meadway Early Years Building Renovation	0						0	(5)	0	0
Modular Buildings Review	2,998					(2,498)	500	0	500	0
New ESFA funded schools - Phoenix College	0						0	(113)	0	0
New ESFA funded schools - St Michaels	268						268	0	268	0
Pinecroft-Children who have complex health, physical, sensory, disabilities & challenging behaviour	53						53	0	53	0
Dee Park Regeneration - Housing Infrastructure Fund (school)	5,935						5,935	(7)	5,935	0
Public Sector Decarbonisation Funds - School Estate										
Double Glazing Programme	1,065						1,065	264	1,065	0
SCD Units	473						473	1	473	0
School Estate Solar PV Programme	323						323	118	323	0

Capital Programme for Quarter 1

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Schools - Fire Risk Assessed remedial Works	560						560	21	560	0
SEN early years at 1 Dunsfold	600				(600)		0	0	0	0
SEN Norcot	83						83	0	83	0
SEN High Needs provision capital allocations		1,983					1,983	0	1,983	0
Thameside SEN Expansion	156				(156)		0	0	0	0
The Heights Temporary School	351						351	0	351	0
Park Lane Primary School Annexe Replacement	1,000						1,000	0	1,000	0
Economic Growth and Neighbourhood Services (Education Schemes) Total	27,378	0	0	0	(1,863)	(2,436)	23,079	1,773	23,079	0
Corporate										
Delivery Fund (Pump priming for Transformation projects)	3,992				73		4,065	(1,304)	4,065	0
Loan To RTL (Bus replacement programme)	10,000					(7,500)	2,500	0	2,500	0
Oracle Shopping Centre capital works	100						100	0	100	0
Minster Quarter - Brownfield Land Grant Element	2,000						2,000	0	2,000	0
Minster Quarter	1,000						1,000	0	1,000	0
Corporate Total	17,092	0	0	0	73	(7,500)	9,665	(1,304)	9,665	0
General Fund Total	131,766	0	4,101	384	(3,963)	(16,308)	115,980	8,277	115,980	0
Housing Revenue Account (HRA)										
Disabled Facilities Grants	905						905	0	905	0
Fire Safety Works	269	(269)					0	0	0	0
Green Homes Project - HRA element	809	(809)					0	0	0	0
Housing Management System	502						502	84	502	0
Major Repairs - Existing Homes Renewal	9,472	269				(748)	8,993	0	8,993	0
Major Repairs - Zero Carbon Retrofit works	7,240	809				(5,999)	2,050	0	2,050	0
Local authority new build programme for Older people and vulnerable adults	1,481					(131)	1,350	(37)	1,350	0
New Build & Acquisitions - Phase 2 - 4	22,118					(5,416)	16,702	2,160	16,702	0
Housing Revenue Account (HRA) Total	42,796	0	0	0	0	(12,294)	30,502	2,207	30,502	0

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Title	Frequency	Q1 April - June 22	Target 22/23	Performance against target	Comments
Healthy Environment					
Food waste recycled (percentage of household waste)	Quarterly	11.6%	14%		Lower food waste tonnes compared to the same period last year could be the result of residents having become more aware of the amount of food they were wasting. If lower tonnages are the result of waste reduction, this is a positive outcome. Increased financial pressures may also be causing residents to waste less food. However we are also aware that some food waste is present in the residual waste, and we need to capture this for recycling. Officers will continue to monitor the tonnages.
Percentage total household waste recycled	Quarterly	52%	51%		
Percentage of actionable (40mm depth) potholes repaired within 28 days	Quarterly	93	94		
Percentage of Houses of Multiple Occupation that are licensed	Quarterly	42%	42%		
Thriving Communities					
Number of households prevented from becoming homeless	Monthly	123	112.5		
Older People (65+) who were still at home 91 days after discharge from hospital into reablement	Monthly	96.88%	80%		The service strengthened its referral pathways and reablement intervention to ensure those who have reablement potential can benefit from the service.
Percentage of new contacts to the Advice & Wellbeing hub resulting in a successful outcome not requiring an on-going service	Monthly	92%	80%		ctivity at the Hub remains high and staff are supporting them using a Strength Based Approach to ensure they do not come dependent on long term services.
Percentage of service users supported to live independently in the community	Monthly	77%	74%		Community Based provision remains a priority for Adult Social Care and teams are working with residents and families to remain at home as long as possible
Percentage of service users in receipt of Adult Social Care Direct Payments	Monthly	22.01%	24%		All service users are encouraged to be empowered and take on a Direct Payment allowing them to control their care and support.
Percentage of children in care living more than 20 miles from Reading	Quarterly	30%	28%		Proactive action taken to address the challenge of local place sufficiency (a challenge that Local Authorities across England are experiencing) is beginning to evidence impact, with more children being initially placed in or returning to placements in Reading. A reduction in the overall number of children coming into care means that the number of children who became looked after some years ago and are settled with long term carers beyond 20 miles continues to have a high proportionate impact on this indicator.
Youth re-offending rate	Quarterly	n/a	30	n/a	Not yet available
Proportion of stop smoking service users, who have set a date to stop smoking and are still not smoking 4 weeks later, that are routine and manual workers	Quarterly	n/a	40	n/a	Due to the lag in stop smoking service data, the previous quarter's data (28.5%) is the most robust. This data is still provisional, as the final national dataset is not published 'til later in the year. A rough estimate for Q1, based on previous rates, suggests the actual will be around 25%. We will be able to provide the true actual next quarter.
Number of NHS Health Checks delivered to residents	Quarterly	234	150		
Number of carers supported to maintain their caring role	Quarterly	99	120		We are working with the Carers Provider to increase their provision and support they offer to residents who have a carer role.

Title	Frequency	Q1 April - June 22	Target 22/23	Performance against target	Comments
Inclusive Economy					
Number of visits to our libraries	Monthly	19,240	20,000		There is currently a fault on the issue counting at Central (50% of visits) which we are trying to resolve
Percentage of people with a learning disability in paid employment	Monthly	5%	5%		Where possible, LD service users are supported to engage with education and employment opportunities. This remains a high priority in the Transition and SEND groups.
Percentage of Care Leavers who are not in education, employed or training for work (NEET)	Quarterly	29%	35%		
Participation at Council cultural venues	Quarterly	135,509	100,000		
Number of school places for children and young people with Special educational need and disability (SEND)	Quarterly	453	402		
Cumulative reduction in crime (based on Thames Valley Police crime reporting figures)	Quarterly	n/a	5	n/a	Data for only April and May 2020 has been released, therefore, true indication for Q1 cannot be given at this time
Foundations					
Number of invoices paid within 30 days of invoice date	Monthly	96.6%	80%		
Customer satisfaction in the Customer Fulfilment Centre	Quarterly	64%	89%		64% this has to be noted this is solely collected via the 8 x 8 telephony so only measuring the experience of the telephone call. Previously would have measured manually but would measure the whole customer journey from start to resolution.
Enquiries solved at first point of contact (CFC)	Quarterly	86%	87%		49,433 contacts resolved.
Number of self- service transactions via My Account self- service	Quarterly	20,308	70,000		We have been focusing on the calculation methodology used by Google Analytics to make the published figure as accurate as possible. Changes we have made in this quarter have, we believe, reduced the amount of double counted transactions, and now more accurately reports the current level of customer engagement online. We will continue to review this methodology and provide a further update at the next corporate review date. The target figure was based on current (at the time) reported figures, it is likely this will need reviewing after a further period of reporting (and confirmation that the changes to the process have resulted in more accurate figures)
Deliver the Medium Term Financial Strategy	Quarterly	£149.432 million	£149.990 million		
Percentage of responses to the public on Freedom of Information Act requests made within 20 days	Quarterly	n/a	90	n/a	Due to time lag with collation and reporting, Q1 won't be available til end August.
Percentage of responses to complaints within agreed timescales	Quarterly	n/a	70	n/a	Due to time lag with collation and reporting, Q1 won't be available til end August.
			48.1%		
			14.8%		
			18.5%		
			18.5%	n/a	
			100.0%	Total	

Corporate Plan theme	Initiative	Project or activity	Q1 22-23 RAG	Q1 22-23 Commentary
Healthy Environment	Climate Emergency Strategy	Climate Emergency Strategy	●	The Climate Emergency Strategy action plan reporting is due at the November SEPT meeting. The majority of actions are green - on track or amber - progressing but at risk of not being delivered by the target date.
Healthy Environment	Climate Emergency Strategy	Retaining our position on the 'A' list' for bold leadership on climate change following an assessment by the Carbon Disclosure Project	●	At the time of reporting, Reading is on the A list for climate action (CDP) and is undergoing an annual review to update information and reassess the grade. Outcome due in November
Healthy Environment	Local Transport Plan	New Local Transport Plan (LTP) for Reading	●	Currently awaiting new guidance from the DfT which is due in the autumn.
Healthy Environment	Place improvement projects (roads, parks, community facilities and heritage assets)	The allocation of £1.6 million Community Infrastructure Funds and commencement of the approved schemes	●	£1.6 million of Community Infrastructure Levy funds were allocated to 18 local projects in March 2022 by Policy Committee. Work has commenced on two of the projects, whilst the remainder are currently in the preparatory stages or are awaiting the completion of projects previously allocated CIL funds in 2021.
Healthy Environment	Place improvement projects (roads, parks, community facilities and heritage assets)	Improvements to play areas and park environments	●	
Healthy Environment	Place improvement projects (roads, parks, community facilities and heritage assets)	Deliver and develop the new play hub at Prospect Park.	●	Most work has been completed. Awaiting ground works for external areas and also letting of café area has been put out to advert.
Healthy Environment	Place improvement projects (roads, parks, community facilities and heritage assets)	£9 million on Reading's biggest ever investment in resurfacing roads and pavements.	●	
Healthy Environment	Place improvement projects (roads, parks, community facilities and heritage assets)	Deliver the project to decarbonise the Hexagon theatre through improved heating and lighting.	●	This project is being looked at in the scope of a number of funding bids related to the Levelling Up programme of Government funding. Seeking spend approval in Autumn 2022.
Healthy Environment	Place improvement projects (roads, parks, community facilities and heritage assets)	Delivery of Capital Education Property Development Programme	●	Projects and programme progressing as per the intended timescales
Healthy Environment	Fleet de-carbonisation	Electrification of fleet	●	
Healthy Environment	Environmental action	Implementing the Environment Act 2021	●	Still Awaiting the release of the secondary legislation of the Act which will provide further details needed to assess the implication to how the Council will need to adapt its waste collection and disposal services.
Thriving Communities	Commissioning effective smoking and cessation support	Commissioning a new smoking cessation service	●	The commissioning has been completed and the new service commenced on 1 October 2021
Thriving Communities	Housing Strategy 2020-25 and housing initiatives	Develop social inclusion community development plans for the most deprived areas	●	Completed
Thriving Communities	Housing Strategy 2020-25 and housing initiatives	Delivery of 300 new Council Homes	●	
Thriving Communities	Housing Strategy 2020-25 and housing initiatives	Deliver zero carbon initiatives within Council homes	●	
Thriving Communities	Reading Community Safety Plan	Delivery of a new Community Safety Plan with a focus on tackling serious violence and improving community engagement	●	Draft priorities were presented to the CSP on 14th July 2022. Public consultation for priorities to run from 25/7 - 5/9 with draft strategy to be presented at the CSP Exec Group on 15th Sept. Sign off to be completed by end of October and presented to HNL for adoption in November, with CSP launch of strategy and plan to take place on 10/11/22.
Thriving Communities	Transforming Leisure Services	In partnership with GLL, continue to deliver investment in the borough's leisure facilities including improvements at Meadway Leisure Centre, a new community pool at Palmer Park and progress on the new Rivermead Leisure Centre.	●	Works on the new facility at Rivermead are progressing and the new pool at Palmer Park is on track to open in winter 2022. Improvement works at Medway have been completed.
Thriving Communities	Transforming Leisure Services	Working with our new leisure provider to increase rates of physical activity	●	Work with GLL on the HealthWise programme is picking up pace with new adult weight management courses in place. GP referral scheme in place and Dementia Friendly Audit completed at Rivermead.
Thriving Communities	Supporting communities to recover from major incidents	Implement plans to commemorate the Forbury Gardens attacks and install a permanent memorial in the Gardens, in partnership with key stakeholders.	●	Dialogue with the families is on going. Commissioning anticipated to start in Autumn 2022.
Thriving Communities	Supporting communities to recover from major incidents	Supporting residents to recover from the devastating fire at Rowe Court, helping them to find alternative accommodation and welfare support	●	Displaced residents provided with temporary accommodation and support, possessions returned and the majority have move on into alternative accommodation. 4 remain in temporary accommodation
Thriving Communities	Celebrating diversity	Celebrate Reading's diverse arts, culture and heritage	●	A range of activity has taken place including support for Reading Mela resulting in a successful funding bid; initiating a diverse programme of story telling in libraries; on going dialogue with the Bengal Cultural Association to facilitate the Autumn Festival. Successful events to celebrate the Platinum Jubilee, WaterFest, Children's Festival and a significant number of community events facilitated in the borough's parks and open spaces.

Corporate Plan theme	Initiative	Project or activity	Q1 22-23 RAG	Q1 22-23 Commentary
Thriving Communities	Voluntary and Community Sector partnerships	Implementation of the VCS action plan to build our relationship with the VCS and increase capacity within the sector.	●	A new senior officer lead with responsibility for developing our partnerships with the VCS and delivery of the review action plan is now in post. The programme of work to deliver the VCS Action Plan will accelerate following completion of the Closing the Gap commissioning process.
Thriving Communities	Voluntary and Community Sector partnerships	Delivery of the small grants funding	●	First round of small grants bidding cycle completed and grants awarded.
Thriving Communities	Voluntary and Community Sector partnerships	Recommissioning of Closing the Gap	●	
Thriving Communities	Adult Transformation Programme	Review and expansion of the Community Reablement Team to maximise peoples independence	●	CRT project documentation has been approved at The DACHS Transformation Board. The project group have agreed to prioritise the pathways into CRT from the Advice and Wellbeing Hub and those accessing the service through pathway 1. Collaborative work with the performance team is being carried out to assess demand from these updated routes. The team manager and service manager have established vacancies and underspend in the service and will be undertaking recruitment to address the demand. Recruitment will include increased therapy posts. A standard operating Model is underway to capture the new model ready for consultation.
Thriving Communities	Adult Transformation Programme	Development of an accommodation pathway for vulnerable working age adults	●	The project savings target of £25k has been met through reductions against the placements budget, while concurrent work is ongoing to identify service users who may be able to move away from their current accommodation placements to options which offer more independence. Work has commenced on revisiting and (where relevant) revising the Accommodation Pathways which were developed and approved in 2020, and on reviewing the utilisation of RBC-owned Group Homes to see how any underutilised properties could be used in the future.
Thriving Communities	Adult Transformation Programme	Development of a Personal Assistant Market to enable people to live independently at home	●	Reading Council's Personal Assistant (PA) team were represented at a Reading University event in Broad Street Mall in March and also attended a Reading UK recruitment fair in May. The team were promoting the role of PAs and received lot of interest from potential PAs. In April approval was given to increase the PA minimum hourly rate in line with new Real Living Wage rate of £9.90. The Council's systems have now been updated to include the increase. The PA team circulated flyers at the end of April resulting in a spike of activity on the PA portal in the following days. The number of PAs signed up to work with RBC service users following marketing campaign is increasing each month.
Thriving Communities	Bereavement service that is customer focused and resilient	Procurement of new cremator	●	The cremator project is progressing well and works are due to commence onsite on the 25th July 2022, with the two new fully abated cremators expected to be commissioned on 14th February 2022. The temporary cremator will then be removed and the building works undertaken to improve staff welfare facilities for completion by 8th June 2022.
Inclusive Economy	Cultural Placemaking - improvement projects to parks, community facilities and heritage assets	Deliver the High Street Heritage Action Zones project objectives.	●	
Inclusive Economy	Cultural Placemaking - improvement projects to parks, community facilities and heritage assets	Deliver key improvements to the library service, including plans for the Central Library.	●	Plans for a new Central Library are progressing under the banner of the Levelling Up Round 2 bid due for submission in Summer 2022.
Inclusive Economy	Cultural Placemaking - improvement projects to parks, community facilities and heritage assets	Shape the future 3 year delivery plan 2022-25 for Reading's Culture and Heritage Strategy	●	Workshop held on the 7th of July with follow up interviews being held with key organisations who were unable to attend until the 18th of July. A co-created strategy action plan will be in place for sign off by Autumn end.
Inclusive Economy	Cultural Placemaking - improvement projects to parks, community facilities and heritage assets	Work in partnership to further the community and council ambitions for Reading Gaol	●	The Ministry expect to be able to notify the Council of a decision in Autumn 2022.
Inclusive Economy	Powered by People Strategy - Reading CIC Economic growth and Recovery 2020-24	Actions arising from the Powered by People strategy	●	A full report on the programme over the last 18 months was delivered to SEPT in July. A report outlining the next programme phase, focused on RECOVERY will go to SEPT for approval in November. This will include focus on key skill areas which can be leveraged to support our local Levelling Up agenda – green skills, creative skills and self employment
Inclusive Economy	Employment and Skills training	Develop and implement training programmes	●	The new support employment programme is on track to start in September, we are working in partnership with Ways into Work who will offer our learners work experience at the new café due to open towards the end of August. We have appointed a teacher and we are now recruiting learners, I have a meeting with JCP Disability Employment Advisors this week (green). With regards to the Traineeship unfortunately despite having a variety of Employers eager to work with us, the recruitment of trainees has been very slow, this was also highly impacted by the Kickstart offer (red).

Corporate Plan theme	Initiative	Project or activity	Q1 22-23 RAG	Q1 22-23 Commentary
Inclusive Economy	Employment and Skills training	Employment and Skills programme delivered via Reading CIC	●	A successful Jobs Fair attracted nearly 40 employer and 450 local people in May. A Supported Employment event is being planned for September with providers and employers. Construction Skills continued to be supported at key sites including Station Hill, Domain (Foundry Quarter) and RIBP. New ESPs have been agreed focusing even more work on construction skills (and skills shortages). Support for small businesses and high growth businesses is included in the Investment Plan for UK Shared Prosperity, providing delivery of start up training out in the community and collaboratively with the Berkshire Growth Hub.
Inclusive Economy	Major Transport Schemes	Complete Reading West Station upgrade	●	Interchange works complete, station works being undertaken by GWR.
Inclusive Economy	Major Transport Schemes	Complete and Open Green Park Station	●	Construction nearing completion, station opening by the end of the year.
Inclusive Economy	Major Transport Schemes	Continued delivery of South Reading Mass Rapid Transport	●	Current phase complete.
Inclusive Economy	Town Centre Regeneration	Bring forward the Minster Quarter site for development and utilising the £2m brownfield development grant	●	Policy committee approved officers taking the site to market over summer. Site will be launched in September 2022 with a view to shortlisting prospective bidders in December 22. Preferred bidder to be brought to policy committee June 2023
Inclusive Economy	Town Centre Regeneration	Adoption of a new Town Centre Strategy	●	Finalising with consultants the final version of the strategy.
Inclusive Economy	Social Inclusion Programme	Develop a Strategy for Social Inclusion in Reading underpinned by a programme of work to reduce inequality across the town	●	Social Inclusion Board constituted. Strategy development underway.
Inclusive Economy	Social Inclusion Programme	Implement and subsequently expand a new apprenticeship and work experience mentoring scheme	●	
Inclusive Economy	Social Inclusion Programme	Review all community buildings for digital connectivity and access to computer equipment	●	Model of delivery for HRA community buildings under review, community consultation to begin in the Autumn
Inclusive Economy	Equalities, Diversity and Inclusion Initiatives	Action plan in place to improve community engagement mechanism across diverse communities	●	Strategic review of community development completed, new team structure to be put in place, restructure consultation to launch in the Autumn
Inclusive Economy	Equalities, Diversity and Inclusion Initiatives	Participatory research on the lived experience of diverse communities in the Borough	●	Complete
Inclusive Economy	Equalities, Diversity and Inclusion Initiatives	Create a workforce that is fully representative of the population we serve	●	The Council publishes a Workforce Profile which covers data on the protected characteristics of the current workforce and job applicants. The proportion of job applicants from minority ethnic backgrounds increased again in 2022/21 to 37.1%, up from 32.6% in 2020/21 and 30.9% in 2019/20. The proportion of White British applicants has again reduced slightly in 2022/21 compared to the last two years, to 49.4%. 27.3% of new starters were from non-white British ethnicities, compared to the percentage of non-white British ethnicities in the general workforce (15.9%). The percentage of the workforce in minority ethnic groups has gradually increased over the last few years and is now 15.9%, up from 14.4% in 2020/21. This project has been given a red rating as the BAME population of Reading from the 2011 census was 25%, so we are not yet achieving this target. There is a higher proportion of staff within the lower pay grades 1-6 for Black/Black British employees and those from Mixed and Other Ethnic Groups compared to White British staff. The exception is for Asian or Asian British staff where there is a lower proportion in Grades 1-6 and a higher proportion in Grade 7-10 compared to White British staff.
Foundations	Driving social value through our contracts and procurement	Implement Social Value Strategy and reporting	●	Social Value tools have been developed and need implementing, this will form part of the overall updating and roll out of procurement guidance which will commence in the next two months
Foundations	Driving efficiency through contracts and procurement	Embedding the Hub and Spoke structure	●	
Foundations	Sound financial management	Implement business process redesign, to support service managers improve financial management	●	The design phase for the new finance system project completed in March 2022. The initial build of the finance modules is expected to complete by the end of August 2022 with the system ready for testing by the end of September 2022. The resource constraints which delayed completion of the design phase and hampered progress in the build phase has had a knock on impact on the remaining phases of the project. The project plan has been reviewed and revised dates set for the remaining phases of the project that would allow new year budgets to be updated in January 2023 and a full go-live in April 2023.

Corporate Plan theme	Initiative	Project or activity	Q1 22-23 RAG	Q1 22-23 Commentary
Foundations	Achieving customer services excellence	Implementation of the Customer Experience Programme	●	The 2022/23 programme plan has now been approved and activity is underway to deliver this. Progress is generally good though some projects are being impacted by resource challenges and technical difficulties.
Foundations	Becoming a digital first organisation and digital inclusive community	Implementing the Connected Reading Strategy	●	Following a slow start caused by procurement/legal complexity, the flagship Casework and Customer Platform procurement is in flight and to complete by end Sep. Independent Living pilot providers appointed and mobilising. Progress is being made on other workstreams but has been hampered by a lack of delivery resource. Intent is to seek approval to procure a delivery partner to unblock this; soft market testing to inform proposal is underway.
Foundations	Managing your information effectively	Implementation of our Information Governance Strategy	●	
			57.69%	● 30
			40.38%	● 21
			1.92%	● 1
			100.00%	Total 52

By virtue of paragraph(s) 1, 2, 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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READING BOROUGH COUNCIL REPORT

REPORT BY DEPUTY CHIEF EXECUTIVE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	28th SEPT 2022		
TITLE:	IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER		
LEAD COUNCILLOR:	COUNCILLOR TERRY	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 - Sept 2022.

3. POLICY CONTEXT

- 3.1 This report supports the Council's Corporate Plan 2022-25, ensuring that the Council has fit for purpose processes and remains financially sustainable in order to deliver its service priorities.

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 unique tracker recommendation number is assigned to each recommendation.

- 4.2 As reported previously, the Audit Tracker has been cleansed to ensure it remains relevant and up-to-date and that recommendations are not duplicated as a result of follow up or subsequent audits. In addition, it has been agreed that priority 3 recommendations would not be added to the tracker going forward, as these are advisory points made by the Auditor. Whilst it is important that all agreed audit recommendations are implemented, the focus of the Committee should be on the high to medium risk recommendations.
- 4.3 There is currently a total of 91 recommendations on the tracker, attached at Appendix 1, of which 5 are reporting as completed since the last meeting and will be removed prior to the next meeting. 13 recommendations have been added to the tracker since the last report.
- 4.4 The age of the recommendations is shown in the table below:

	Jan 22		April 22		June 22		Sept 22	
20/21	34	55.7%	28	27.7%	20	20.8%	16	17.6%
21/22	27	44.3%	73	72.3%	59	61.5%	62	68.1%
22/23	-	-	-	-	17	17.7%	13	14.3%
<i>Total</i>	<i>61</i>	<i>100%</i>	<i>101</i>	<i>100%</i>	<i>96</i>	<i>100%</i>	<i>91</i>	<i>100%</i>

- 4.5 Prior to reporting to Committee, officers responsible for implementing the specific recommendations are asked to update the Audit Tracker. Each recommendation is marked with a percentage complete which correlates to a red (up to 25%), amber (26%-75%), or green (76%+) rating. However, any recommendations that are less than 50% complete but have exceeded their agreed completion date are also marked red.
- 4.6 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.
- 4.7 The status of the recommendations detailed in Appendix 1 is as follows:

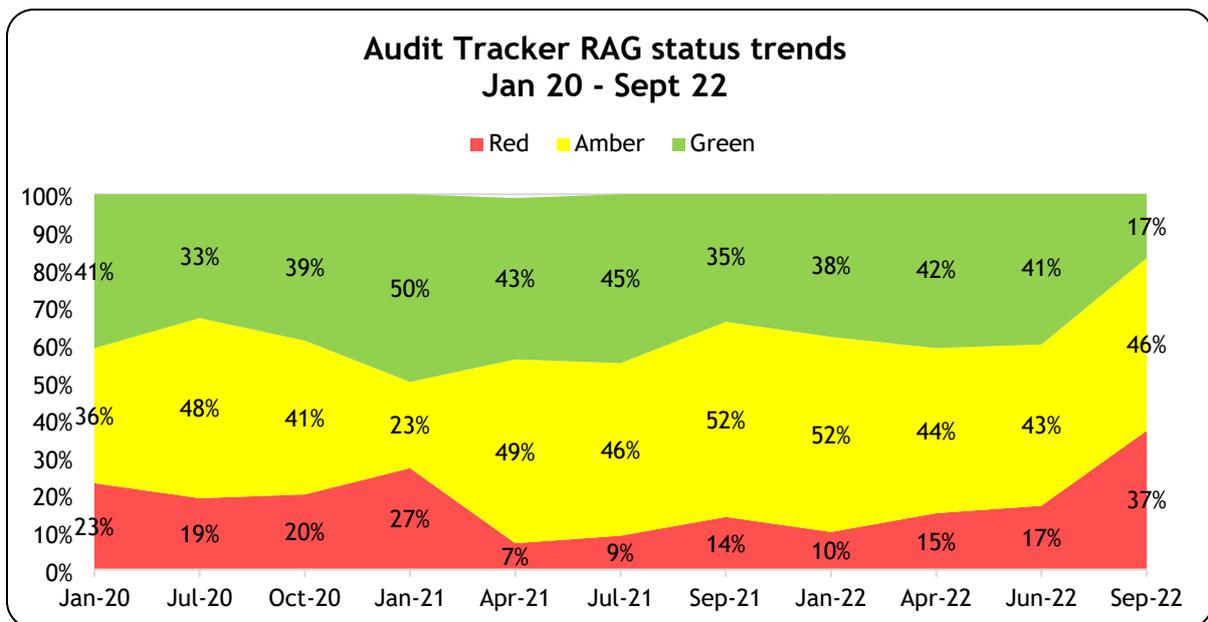
<i>RAG Status</i>	<i>Percentage</i>	<i>Number</i>
Complete	5.5%	5
Green (but not complete)	31.9%	29
Amber	46.2%	42
Red	16.5%	15

RAG Status	Audit & Governance Meetings				Trend since previous meeting
	Jan 22	April 22	June 22	Sept 22	
Green	38%	42%	41%	37%	Decreased
Amber	52%	44%	43%	46%	Increased
Red	10%	15%	17%	17%	No change

4.8 The percentage of red recommendations has remained the same 17%. The number of recommendations which are more than 12 months old has increased slightly since the last report in April at 31, as shown in the table below.

Audit recommendations more than 12 months old				
RAG Status	June 22		Sept 22	
	Percentage	Number	Percentage	Number
Complete	21.4%	6	0%	0
Green (but not complete)	28.6%	8	41.9%	13
Amber	46.4%	13	58.1%	18
Red	3.6%	1	0%	0
Total	100%	28	100%	31

4.10 The graph below shows trends in status for recommendations presented to Audit & Governance Committee meetings over the period from Jan 20 - Sept 22.



4.11 Further detail on how actions have progressed from the previous report is shown in the table below.

	June 22	Change between reporting periods	Sept 22 - new recommendations	Sept 22 - all recommendations
Complete	18	18 removed	0	5
Green	21	1 now complete 20 still green	4	29
Amber	41	4 now complete 6 now green 31 still amber	9	42
Red	16	0 now complete 0 now green 5 now amber 11 still red	0	15
Total	96	96	13	91

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 The proposals contained in the report support the Council's Corporate Plan, ensuring that the Council remains financially sustainable in order 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. Priority Rating	Original Implementation Date	Rec Yr.	Original Audit Completion Date	Responsible Officer	Responsible Officer Latest Update	Updated on (date)	Status (% Complete)	Current status	Previous report status
203 20/21	DoR	Bank & Cash Reconciliations	Procedure notes for the completion of reconciliations should be updated and reflect the current process.	2	11/09/2020	20/21	16/06/2020	Mark Sanders Chief Accountant	Main bank rec process clearly documented, transparent, up to date, simple to follow supporting audit trail and confidence as a result. Written procedures for control account/feeder system reconciliations are being progressed on a priority basis, with the team currently working on Cash in Transit processes	14 September 2022	51 to 75	Amber	Amber
105 20/21	DEGNS	Rent Guarantee Scheme	It is recommended that all Housing related systems establish consistent naming conventions that will allow for easy data verification across systems, followed by a data cleansing operation to update current records to the new standard.	2	31/01/2021	20/21	11/08/2020	Housing system project team - Project manager Johnnie Stanley	21/3/22 JS - This task is amber, the officers in Housing don't have the capacity to fully address all data issues. System admins have been hired to fulfill this task. Aimed go live of Jan 23. 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.	09 September 2022	26 to 50	Amber	Amber
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.	1	complete	20/21	15/07/2020	Mark Sanders Chief Accountant Andy Jehan Exchequer Manager Henry Swan AD Procurement & Contracts Stuart Donnelly Financial Planning & Strategy Manager	CHAPS / Swiftpay are no longer used to make inter company payments (M5/AJ) Guidance notes are in progress and will be included as part of the improvement programme. The co-ordination between Finance and Procurement & Contracts on having an agreed joint understanding of any deviations will be planned for Q3 FY22/23 through the Strategic Finance Business Partner support for the contract (Stephen MacDonald).	14 September 2022	76 or more	Green	Green
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.	2	31/12/2021	20/21	02/12/2020	Clyde Masson, Principal Licensing Officer	We are reviewing out specifications and conditions in respect of School Transport vehicle Licensing to reflect the changes in the industry which include the age of vehicles licensed. We are still reviewing our conditions in respect of all areas of taxi / private hire and private hire (school transport) licensing and are looking to complete by the end of the year 2022. Officers have now revised conditions and are finalising sign off. HC Conditions have been consulted on and are being revised taking into account reps from HC trade. Committee date to be arranged. Work on PH (INCLUDES School Transport) will be consulted on thereafter. Revised date is Dec 22	15/09/2022	76 or more	Green	Green
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.	2	31/03/2021	20/21	02/12/2020	Catherine Lewis, Acting Licensing & Environmental Protection 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. Covid has impacted the role out of issuing the self assessment forms due to the follow up needed. The trial has been completed and we are now rolling this out for specific premise types. Starting with off licences.11/01/22Unfortunately there has been a delay to the role out of the self assessment forms due to staffing issues. Officers have compiled a data set for admin support to send out the initial batch of forms within the next 2 weeks. 22/03/22 119 self assessment forms have been sent out at we have received 43 responses but these have not as yet been verified to determine if complete. 119 self assessment forms have been sent out and 43 have been returned. The forms have not as yet been reviewed to determine if they have been completed correctly due to staffing issues. The forms will be reviewed and processed so to understand if the process has been a success or not and what the next steps are. Either to push the forms out wider to all premises or not. Officers will also determine whether the process has encourage the submission of change of DPS applications/ other applications due to change being made improving compliance.	15/09/22	76 or more	Green	Green
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.	2	31/03/2021	20/21	07/12/2020	Mark Worringham, Planning Policy Manager / Neal Gascoine, CIL Officer	As part of the review mentioned in 140, the process and procedures associated with the delivery of the 15% CIL local schemes is being reviewed to define each of the relevant officers roles within the delivery process of projects funded via the 15% CIL funds. This is linked to 142 below. 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 and have informed a new allocation of 15% CIL in March 2022. Processes around the allocation of 80% CIL are now being discussed between Councillors and Finance, and this may lead to procedural changes.	08 September 2022	51 to 75	Amber	Amber
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.	1	31/03/2021	20/21	07/12/2020	Mark Worringham, Planning Policy Manager / Neal Gascoine, CIL Officer	As part of the review mentioned in 140, the process and procedures associated with the delivery of the 15% CIL local schemes is being reviewed to define each of the relevant officers roles within the delivery process of projects funded via the 15% CIL funds. This is linked to 142 below. The CIL working group has now been running for some time and officers understand the roles related to 15% CIL much better.	08 September 2022	76 or more	Green	Green

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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.	2	31/03/2021	20/21	09/12/2020	Andy Jehan Exchequer Manager	A six monthly review will take place in September and April to review card usage. A monthly review takes place to ensure that all cards are used correctly and returns are received on-time.	14 September 2022	51 to 75	Amber	Amber
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 ascertaining 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.	2	31/03/2021	20/21	09/12/2020	Henry Swan (AD of Procurement & Contracts)	We are carrying out an internal spend analysis which will address understanding our spend including card spend so we can set up more contracts and moving forward catalogues to target lower level spend, we will work with finance to look at improving reporting and controls	08 September 2022	26 to 50	Amber	Amber
158 20/21	Cross directorate	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.	1	31/03/2021	20/21	15/01/2021	Michael Graham, Assistant Director of Legal and Democratic Services	Actions have been identified and are in hand to be picked up as part of the wider information governance projects which are to be initiated this year. Planning session arranged for 17 Jan 2022 to take this work forward with sign off from the Information Governance Board. The Information Management Strategy has been to Policy Committee, the Information Governance team are working on taking the actions forward. Initial meeting with the Records Management centre completed and work will progress from April 2022. The Information Management Strategy and Action Plan has been signed off by Policy Committee. Next steps is to train the Information Asset Owners and recruit Information Champions across service areas to assist the IG Team with this work. Paper on this has been drafted by Nayana for CMT and is with MG for review. Paper to CMT presented. MG updated SLG on 9/9/22.	12 September 2022	26 to 50	Amber	Amber
159 20/21	Cross directorate	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).	2	30/09/2021	20/21	15/01/2021	Michael Graham, Assistant Director of Legal and Democratic Services	Actions have been identified and are in hand. See comments above.	12 September 2022	26 to 50	Amber	Amber
160 20/21	Cross directorate	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.	1	30/09/2021	20/21	15/01/2021	Michael Graham, Assistant Director of Legal and Democratic Services	Actions have been identified and are in hand to be picked up as part of the wider information governance projects which are to be initiated this year. See comments above.	12 September 2022	26 to 50	Amber	Amber
161 20/21	Cross directorate	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.	2	30/06/2021	20/21	15/01/2021	Nayana George, Customer Relations & Information Governance Manager	Actions have been identified and will be completed as part of the wider Information Governance project. See above comments	12 September 2022	26 to 50	Amber	Amber
162 20/21	Cross directorate	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.	2	30/06/2021	20/21	15/01/2021	Nayana George, Customer Relations & Information Governance Manager	Actions have been identified - as above	12 September 2022	26 to 50	Amber	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.	2	31/03/2021	20/21	11/02/2021	James Crosbie Assistant Director Paul Allcock Car Parks Manager	Procedure notes written for each reconciliation that set out in detail. • 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 are retained. 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 Still unable to reconcile spreadsheets with Oracle	28/06/2022	76 or more	Green	Green
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.	2	31/03/2021	20/21	11/02/2021	Alyson Few Finance Business Partner Paul Allcock 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. Reconciliation to be moved to Share point in September 22 and a workflow process will be set up to send spreadsheet to Approvers for digital signatures	14/09/22	76 or more	Green	Green

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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.			21/22	06/04/2021	Zelda Wolfe Assistant Director of Housing	Service Charge Review programmed to be carried out in 22/23. 13/9/22 Review underway with progress being monitored at the Housing Project Board. Draft options paper to be completed by the end of Oct 22	12 September 2022	76 or more	Green	Green
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.	2	30/07/2021	21/22	09/04/2021	Henry Swan (AD of Procurement & Contracts)	Significant progress has been made in mapping new processes and we are updating intranet and about to start communicating changes.	08 September 2022	76 or more	Green	Amber
182 20/21	RES	General Ledger	There should be an agreement/understanding put in place between the Council and Brighter Futures for Children, to ensure a common understanding as to where supporting documentation relating to part Brighter Futures journals is held, including right(s) of access for relevant RBC staff (if held by Brighter Futures). Consideration should also be given to agreeing and documenting a business process specifically detailing who should review and authorise journals in the Council's ledger that are raised by Brighter Futures staff.	2	30/06/2021	21/22	01/06/2021	Stuart Donnelly Financial Planning & Strategy Manager Jenny Bruce Financial Systems Manager	A new working group has been established to give consideration to key financial systems issues and this recommendation will now be progressed through this group. This specific task has been delayed due to recent unavailability of key staff and other corporate priorities. In mitigation, the Final Accounts team has completed an Intercompany debtors/creditors analysis to support the 2019/20 and 2020/21 statement of accounts and this information will be beneficial to support the implementation of this recommendation	14 September 2022	26 to 50	Amber	Red
183 20/21	RES	General Ledger	Journal reports should be run and reviewed on a regular basis by Finance, to include monitoring numbers of journals being raised, raised but not authorised, who is authorising them and any unusual activity, emphasising that "first time right" principle should be adopted where possible.	2	30/06/2021	21/22	01/06/2021	Mark Sanders Chief Accountant	Journal transactions reports will be run to support the final accounts external audit sample testing work, and thereafter will be produced on a regular basis and reviewed by the Chief Accountant reporting exceptions and any unusual activity to the Finance Leadership Team. The current provision of transactional working papers to support the 2020/21 Statement of Accounts and evidence provided for External Audit Scrutiny will be monitored and reviewed for learning points over Q3 2022 after which their implementation will enable this recommendation to be completed	14 September 2022	76 or more	Green	Green
184 20/21	DEGNS	Travel Demand Management Grant	Transport should produce a register of all expected grant funding for the financial year together with their appropriate grant determination notices, letters and guidance of usage, so that the necessary accounting and auditing resource and scheduling arrangements can be put into place to meet the required deadlines. This will help: - •Mitigate repayment or missed claim risks which could seriously impact the council's financing. •Reaffirm cash receipting, cash flow and budgetary expectations and plans.	2	01/09/2021	21/22	24/06/2021	Chris Maddocks Strategic Transport Manager Alyson Few Business Partner DEGNS	Joint Sharepoint site for Transport and Finance officers has been established, grant register has been completed and all of the relevant documentation is being collated and uploaded to the Sharepoint site.	09 August 2022	76 or more	Green	Amber
185 20/21	DEGNS	Travel Demand Management Grant	Checks need to be put into place within the Service and Finance to ensure grant income is received and posted to the correct Fusion further analysis code to ensure the grant is specifically accounted for. This is particularly important where the accounting involves identifying and differentiating between: - •Capital and revenue grants •Ring-fenced grants •Repayment of unspent / unallocated grants	2	01/09/2021	21/22	24/06/2021	Chris Maddocks Strategic Transport Manager Alyson Few Business Partner DEGNS	This is an on-going process due to the number of external grants being received at present - Finance and Transport officers review this each month as part of the regular budget monitoring process.	09 August 2022	51 to 75	Amber	Amber
186 20/21	DACHS	Mosaic Payment Controls	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.	2	30/04/2022	21/22	01/07/2021	Sunny Mehmi Locality Manager, Adult Care	This is monitored closely in DACHS Operations by Team Managers using reporting. Any themes identified that create barriers to this are shared via the DACHS Performance Board for discussion and resolution. A specific report has been written identifying APTs that are open more than 4 weeks which is discussed at the Performance Board for focus. We have now developed a reported that allows actions from ERRG to be automatically records and chased.	08/09/2022	76 or more	Green	Green
187 20/21	DACHS	Mosaic Payment Controls	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.		10/07/2021	21/22	01/07/2021	Melissa Wise, Deputy Director - Commissioning & Transformation Andrew Jehan Acting Accounts Payable and Accounts Receivable Manager	Rigour around the time spent for Purchase Orders to be raised on the back of a completed APT is in place via Audits. We have assurances that this is the case as the PBST Senior Officer regularly verifies cases and their payment status. Any issues relating to delays are escalated to the DACHS Performance Board. The Personal Budget Support Team cannot raise a Purchase Order until the APT is finished as per the current MOSAIC process which is in line with Purchase to Pay principles. Further mitigation has been put in place with Business Support oversight where decisions made at the Eligibility Risk and Review group are followed through to ensure they are completed in a timely manner. This action will unlikely ever be fully closed as it is an ongoing task that will need monitoring. The timeliness of APTs being completed sits as an Adult Social Care Operational Responsibility (see other recommendation 186 20/21) and is also being addressed.	15/09/22	76 or more	Green	Green
188 20/21	DACHS	Mosaic Payment Controls	Service user reviews should be conducted in a timely manner to ensure that provision meets, and continues to meet, service users' needs. 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.	2	31/07/2021	21/22	01/07/2021	Sunny Mehmi Locality Manager, Adult Care	There has been additional investment in the ASC Review Team which has increased in the number of service users being reviewed. Timeliness of Reviews is monitored via the DACHS Performance Board.	08/09/2022	76 or more	Green	Green
189 20/21	DACHS	Mosaic Payment Controls	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.	1	30/09/2021	21/22	01/07/2021	Claire Gavan DACHS Strategic Business Partner	Linked to 216 20/21 & 218 20/21 Ongoing recovery work is underway, with targeted resources to ensure this is resolved. Any prepayment remaining balances are being offset against current invoices where agreements have been reached with Providers. Agreements are in place for a number of Providers where the balance is being reduced each month. For all other Providers contact has been made with each Provider and agreements to recover the balance of any prepayment are being established. Balances will be cleared for each Provider based on their ability to pay. For some this will be over three months (preferred option) and for others we have a request to recover the balance over 12 months. Work is ongoing to ensure engagement is maintained with all Providers. Full notes have been provided, with many providers with plans in place or invoices raised. This work is being transferred to the Accounts Payable team to review and progress is being monitored by the Finance Transformation Board.	14/09/2022	51 to 75	Amber	Amber

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194 20/21	DEGNS	Facilities Management	The list of properties held on Planet FM should be reconciled periodically by Property Services against the list of properties held by Valuations. This list should then be used to verify the Council's legal repair obligations for both its corporate, non-corporate and other service level agreement requirements to ensure there are no omissions in the scope or repair obligations.	1	02/08/2021	21/22	28/07/2021	Paulo Neale, Engineering and Compliance Manager Amanda Burton, Property and FM Technical Team Manager Glyn Bethell FM Manager	The list of properties have now been reconciliation completed 09/07/2021. The list includes all properties in which the council has an interest however Valuations need to confirm RBC responsibilities for leased property where it exists. Still awaiting a response GB chased 16/9/22	16/9/2022	51 to 75	Amber	Amber
198 20/21	DEGNS	Facilities Management	Exception reports should be produced and monitored showing the reason(s) for delay(s) in progress notes and should be used, managed and assessed for follow up investigation and action. Prolonged or excessive delays should be reported to the CRG for strategic consideration and decision.	1	02/11/2021	21/22	28/07/2021	Paul Neale Engineering Services and Compliance Manager Amanda Burton Property & FM Technical Team Supervisor Glyn Bethell, Corporate Facilities Manager	Weekly reports are produced identifying work not completed and a proactive approach is in place. Priorities are now used and monitored with actions for officers managing contracts in the engineering part of Property Services. Property and FM Technical team attend contractor monthly meetings. Issues are being addressed in the Planet project most contractors are now using Planet and inputting job status and notes directly. There are some contractors still not using Planet however this is being addressed in Sept 22 and all contractors will be using.	29/06/2022	51 to 75	Amber	Amber
199 20/21	DEGNS	Facilities Management	Facilities Management and Property Services should provide the AD of Property & Asset Management, Regeneration & Assets with an assurance that none of the outstanding works and actions unduly compromise the health and safety at or of the Council's corporate assets.	1	02/01/2022	21/22	28/07/2021	Paul Neale Engineering Services Manager Amanda Burton Property & FM Technical Team Supervisor Glyn Bethell, Corporate Facilities Manager	Weekly report produced identifying work not completed proactive approach in place. Contractor meetings are held monthly. Planet is updated where gaps are identified in contractor meetings. All issues may not be fully resolved until the Planet system has been updated to include all assets and PPMs and the portal is operational and everyone is using. Even at this stage there will still be some residual risk. H&S is an agenda item at the Property and Assets team meeting.	29/06/2022	51 to 75	Amber	Amber
200 20/21	DEGNS	Facilities Management	We fully support the product review being undertaken of this area by Corporate Procurement and recommend this should include any issues arising from: - •Lessons learnt from the contract management / provider experience •any developing or emerging service issues arising from contractor performance and/or business transformation improvement	2	02/09/2021	21/22	28/07/2021	Mark Atree, Engineering Services Manager Glyn Bethell, Corporate Facilities Manager	Addressing outstanding work via the production of weekly job reports from Planet works reordering system and regular meetings with contractors at which the Property and FM Technical Team and Property Services attend. Working with Procurement Officer Steve York to forward for all Plan contracts. Working towards contractors using Planet Portal so that work detail and progress are current. The project to re-launch Planet with cleansed data, PPM schedules and a suite of suitable reports has gone live in Feb22. All jobs being raised on the portal,	29/06/2022	51 to 75	Amber	Amber
201 20/21	DEGNS	Facilities Management	The placement of contracts, existence and type of contract agreements held should be confirmed by Property Services and Facilities Management to demonstrate compliance with the Public Contract Regulations	2	02/09/2021	21/22	28/07/2021	Mark Atree, Engineering Services Manager Glyn Bethell, Corporate Facilities Manager	We are working closely with Procurement Officer Steve York and updating the contracts register database regularly along with contract to forward planning. All contracts held are available for scrutiny. Lack of human resource has been for a number of years and continues to be a significant issue. This should be addressed in the proposed re-structure but until then, progress is and will continue to be slow.	29/06/2022	51 to 75	Amber	Amber
202 20/21	DACHS	Contract Management	The contract management framework should be reviewed, re-formularised and approved on an annual basis to ensure this remains fit for purpose for ensuring compliance with Contract Procedure Rules. The purpose of this is to embed continual improvement to manage the contract or supplier delivery risk throughout the commissioning and contract lifecycles. This should include: - •A contract management framework and Commissioning Strategy to demonstrate how the Council will manage the supply and demand risk, the quality care risk and what the role of contract management should be within adult social care. •Contract management procedures, workflow processes, resources, risk evaluations, the monitoring and reporting approach should be produced to ensure the ASC contractual requirements deliver the specified outcomes e.g. from a risk perspective, what constitutes a successful or failed contract	1	31/12/2021	21/22	09/09/2021	Lara Fromings - Head of Commissioning	Regular contract management meetings are taking place with all block contracted providers to support good commercial delivery throughout the lifecycle of the contract. Most officers have completed Foundation Level Contract Management Training. Contract management will be on a risk based approach, with greater resource focused on higher value, business critical contracts. The Commissioning Team are working with the Council's Contract & Procurement hub to develop documentation to support the contract management framework. The Commissioning Service team and resource is being reviewed - timescale end of March 2023. Quality functions are moving from Commissioning to the DACHS Quality and Safeguarding Team and work is being carried out to achieve this.	15th September 2022	51 to 75	Amber	Amber
203 20/21	DACHS	Contract Management	An integrated contract register, and workflow/document management system should be considered to account for all contracts. This will help provide more effective, efficient, and secure contract management and monitoring platforms for monitoring all ASC contract and supplier provisions. As a minimum, reconciliation controls against Mosaic and Fusion should be established to ensure the completeness of provider records held on the contract register, especially where the term of the provision is £5k or more.	1	31/12/2021	21/22	09/09/2021	Lara Fromings - Head of Commissioning	Additional resource is being recruited to support delivery of this action during this financial year. This will ensure that all spot purchased contracts are included on the Intend Contract Register and contractual information verified on Fusion. This work has been delayed due to issues with securing additional resource. Commissioning is supporting the work of Rouleaux - an independent consultancy - commissioned to work with all directorates across the Council.	15th September 2022	51 to 75	Amber	Amber
204 20/21	DACHS	Contract Management	Internal Audit fully support the ASC review to confirm the completeness of all contract documentation, but we recommend this is completed against the core care records on Mosaic as the contract registers are incomplete. This review could be used as the basis for confirming compliance with Public Contract Regulations.	2		21/22	09/09/2021	Lara Fromings - Head of Commissioning	Commissioned contracts are reflected on the Intend Contract Register. During the coming year all spot purchased contracts will be included on the Intend Contract Register.	15th September 2022	51 to 75	Amber	Amber
205 20/21	DACHS	Contract Management	The existing monitoring and reporting controls should be developed to provide timely and effective assurance to senior management on the status of: - •Strategic commissioning risk, •Contractual and service delivery risk of providers, •Compliance within ASC and with providers, •The completion of contractual documentations.	2	11/10/2021	21/22	09/09/2021	Lara Fromings - Head of Commissioning	A work plan is in place to support the Commissioning Team with governance structures in place, including the DACHS Commissioning & Procurement Board which has been established and will provide oversight.	15th September 2022	76 or more	Green	Amber

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210 20/21	DEGNS	Staff vehicle documentation (grey fleet)	The existing draft grey fleet policy needs to be formally and appropriately approved, launched and then made widely available across the Council. It also needs to be included within the new starters' induction process. Prior to approval, the revised policy needs to be reviewed to ensure it still meets all necessary legislation/regulation etc. However, online managers guidance would benefit from review and updating to reflect the new process and the launch and training of the new process needs to emphasise roles and responsibilities.	1	30/11/2021	21/22	18/11/2021	Teresa Kaine HR Services Manager	The policy has now been reviewed and updated and all necessary legislation/regulatory requirements have been met. The policy has been agreed by the TUs and Personnel Committee in March 2022. The policy has been formally signed by the TUs and has been uploaded to the intranet. A communication to all managers and staff went out week beginning 4 July 2022.	14 September 2022	76 or more	Green	Amber
211 20/21	DEGNS	Staff vehicle documentation (grey fleet)	Once agreed and launched, the policy will need to be implemented to ensure that checks are conducted consistently and on a minimum of an annual basis. Original/copies of documentation will not now need to be kept. Once the new grey fleet policy is in place, details of all checks should be recorded on iTrent with a monthly sharing of data between Fleet (Fleetwave) and HR (iTrent) to ensure consistency. There needs to be a thorough review of the data held on iTrent in relation to grey fleet/RBC drivers to ensure data is up to date, not duplicated and that drivers are correctly designated (grey fleet/RBC).	1	30/12/2021	21/22	18/11/2021	Teresa Kaine HR Services Manager Ben Morgan HR Data Systems Officer / Resourcing Manager Ben Morgan HR Data Systems Officer / Resourcing Manager	Once the policy is agreed and launched, managers will need to refer to the policy to make sure they understand their responsibilities and ensure that checks are conducted consistently and on an annual basis as a minimum. Original/copies of documentation will not now need to be kept. A process is now in place to upload, share and cross reference data between Fleetwave and iTrent to ensure consistency and as part of this a data clean exercise has been undertaken to ensure accuracy.	14/09/22	Complete	Green	Amber
214 20/21	DEGNS	Staff vehicle documentation (grey fleet)	The roles and responsibilities of employees and managers in relation to grey fleet checks need to be clearly communicated and managers and staff educated as to what needs to be completed and when in relation to grey fleet checks. This could form part of the launch of the new policy. Consideration should also be given to adding a reminder to managers on iTrent when approving mileage claims that they have confirmed that appropriate document checks are in place for the staff member in question.	1	30/11/2021	21/22	18/11/2021	Teresa Kaine HR Services Manager Ben Morgan Resourcing Manager	Online guides are available for both employee and managers, which will be promoted upon policy launch and highlighted as a permanent item in iTrent company news, on both the employee and manager portal. Information has been added to all email alerts reminding them that an up to date drivers check must be recorded in iTrent for them to approve the claim.	14/09/22	Complete	Green	Amber
215 20/21	DEGNS	Staff vehicle documentation (grey fleet)	There needs to be monitoring and reporting of compliance, as appropriate, once the policy has been formally agreed and implemented, with particular consideration given to having a regular report provided to senior management on grey fleet and compliance and feedback to managers on key issues also included. Reporting capability needs to be clarified, with reports containing key information being produced in a timely and accurate manner and necessary action taken to address issues identified, including non-compliance.	2	30/11/2021	21/22	18/11/2021	Teresa Kaine HR Services Manager Ben Morgan Resourcing Manager	Reporting capability is in place, enabling non compliance to be followed up. A communication to all managers will be sent out week beginning 19 September asking for all Grey Fleet checks to be updated before end of October. A report will then be run to check compliance.	14/09/22	76 or more	Green	Amber
216 20/21	DEGNS	Staff vehicle documentation (grey fleet)	Firmer action needs to be taken where checks have either not been undertaken or are not up to date and/or not appropriately recorded, making it clear to staff and managers alike that expenses cannot be paid without these being in place.	2	30/11/2021	21/22	18/11/2021	Teresa Kaine HR Services Manager	The policy makes line manager responsibilities very clear. Where checks have not been undertaken or are not up to date the matter will be escalated through the management line.	14 September 2022	76 or more	Green	Amber
220 20/21	DEGNS	Housing Allocation Scheme	Housing Needs should ensure that there are clear audit trails for the shortlisting and viewings/offers processes. Shortlists should be closed down correctly and in a timely manner on Locata after shortlisting is completed to provide an accurate audit trail, evidence of banding documented/retained and a copy of the short list (with any relevant annotations) retained as part of the audit trail. There should also be clear evidence of successful applicants being invited to attended property viewings and an audit trail that shows when properties were viewed and offers made and accepted. There should also be evidence that letters have not been sent to successful bidders with a formal offer until all required information has been received and verified	2	between 31/2/22 - 30/9/22	21/22	29/11/2021	Gemma Northway Voids & Lettings Team Manager	Following further investigation on this point, management have spoken to the Officers to ensure that they are aware of the impact of closing the shortlists in a timely manner, however we are reliant on information being shared by our Registered Provider partners to ensure this is completed fully. Processes have been updated to reflect this point to ensure that there is a clear audit trail. Some of this concern is a result of our current system which we are unable to modify. A new system is due to be implemented in October 2022 and this point has been carefully considered to ensure it is not a problem replicated in the new system. 23/06 New system going live mid November 2022. 08/09 Same as above	08 September 2022	51 to 75	Amber	Amber
221 20/21	DACHS	Adult Provider Payments	There needs to be a full set of documented processes that address all control weaknesses which are reviewed by internal audit to determine their adequacy. This needs to include a clear, documented process for applying all agreed inflationary increases to providers in the future. Also clearly documented roles and responsibilities need to be included, as well as what information should be provided and appropriate checks/validations to ensure that the information is complete and accurate. Details should also include how inflationary increases are carried out and that there is suitable review/authorisation of key processes.	2	31/03/2022	21/22	13/01/2022	Darren Carter Director of Finance Melissa Wise Deputy Director for Adult Social Care	A new inflationary uplift process alongside a suite of documentation clarifying roles and responsibilities and the associated operating procedure has been tested and implemented. This includes independent checks at key stages of the process to ensure there are no errors. This will be reviewed in October to ensure it is fit for purpose and to iron out any issues. In terms of levels of authorisation additional guidance has been issued to DACHS staff to reinforce the Financial Controls in place and staffs requirement to adhere to them.	15/09/22	76 or more	Green	Green
229 21/22	DACHS	Adult Provider Payments	Providers should be contacted in all cases where a balance remains on the prepayments, details of the overpayment provided, and a clear agreement reached as to how any overpayment will be recovered. This should be clearly documented.	2	28/02/2022	21/22	13/01/2022	Claire Gavanan DACHS Strategic Business Partner	Linked to 216 20/21 & 218 20/21 Ongoing recovery work is underway, with targetted resources to ensure this is resolved. Any prepayment remaining balances are being offset against current invoices where agreements have been reached with Providers. Agreements are in place for a number of Providers where the balance is being reduced each month. For all other Providers contact has been made with each Provider and agreements to recover the balance of any prepayment are being established. Balances will be cleared for each Provider based on their ability to pay. For some this will be over three months (preferred option) and for others we have a request to recover the balance over 12 months. Work is ongoing to ensure engagement is maintained with all Providers. Full notes have been provided, with many providers with plans in place or invoices raised. This work is being transferred to the Accounts Payable team to review and progress is being monitored by the Finance Transformation Board.	14 September 2022	51 to 75	Amber	Amber
230 21/22	DACHS	Adult Provider Payments	Correct invoices should be attached in all cases to the relevant transactions in Oracle Fusion as supporting evidence.	2	31/03/2022	21/22	13/01/2022	Andy Jehan Exchequer Manager	AP staff are ensuring that all new invoices are attached promptly once the invoices have been interfaced from Mosaic to Fusion. They are currently working on a historic backlog and this work should be finished by the end of October 2022.	14 September 2022	76 or more	Green	Green

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231 21/22	DACHS	Adult Provider Payments	There should be consistent and appropriate treatment of offsetting provider invoices against prepayments including coding to the appropriate accounts.	2	28/02/2022	21/22	13/01/2022	Claire Gavagan DACHS Strategic Business Partner	Linked to 216 20/21 & 218 20/21 Ongoing recovery work is underway, with targeted resources to ensure this is resolved. Any prepayment remaining balances are being offset against current invoices where agreements have been reached with Providers. Agreements are in place for a number of Providers where the balance is being reduced each month. For all other Providers contact has been made with each Provider and agreements to recover the balance of any prepayment are being established. Balances will be cleared for each Provider based on their ability to pay. For some this will be over three months (preferred option) and for others we have a request to recover the balance over 12 months. Work is ongoing to ensure engagement is maintained with all Providers. Full notes have been provided, with many providers with plans in place or invoices raised. This work is being transferred to the Accounts Payable team to review and progress is being monitored by the Finance Transformation Board.	14 September 2022	51 to 75	Amber	Amber
233 21/22	DACHS	Adult Provider Payments	Automatic, system-generated remittance advice slips need to be reinstated for all payments to providers to ensure clarity around payments made.	1	31/01/2022	21/22	13/01/2022	Darren Carter Director of Finance Claire Gavagan Strategic Business Partner	Officers have been working with the Council's IT Providers to find a technical solution for generating remittance advices. Thus far this has not resulted in a successful solution as the Providers offer would require the Council to reduce its security which is not an option. Requests have been logged to the Provider to undertake further development but the timetable on this has not been committed to. In the meantime remittance advices are being generated manually upon request but the lack of them continues to create issues with Payments and results in increasing queries.	14 September 2022	25 or less	Red	Red
234 21/22	DACHS	Adult Provider Payments	The ASC Scheme of Delegation needs to be formally updated, documented, approved and made available to those who require it and followed.	1	30/04/2022	21/22	13/01/2022	Darren Carter Director of Finance Seona Douglas Executive Director for Health & Social Care	An interim communication has been circulated to all Officers clarifying the Financial Controls in Adult Social Care and expectation around authorisations. This is stored in the DACHs policies and procedures SharePoint Site and adherence is checked via the performance board. A revised Scheme of Delegation for DACHS has been prepared for discussion with wider stakeholders and alignment with the Council's Constitution which is separately being reviewed.	15/09/22	51 to 75	Amber	Amber
235 21/22	DACHS	Adult Provider Payments	An appropriate performance framework needs to be put in place to assist with identifying quality issues. This needs to define what good performance is and what performance should be measured against.	2	31/01/2022	21/22	13/01/2022	Joanne Lappin Assistant Director, Safeguarding, Quality, Performance & Practice	Work to strengthen the existing Performance Framework is underway to clarify expected standards and timeframes	01 July 2022	76 or more	Green	Green
236 21/22	DACHS	Adult Provider Payments	Managers need to ensure that information on weekly dashboards (for example in relation to open APTs and reviews) is reviewed and actioned as appropriate by / with team workers.	2	31/03/2022	21/22	13/01/2022	Joanne Lappin Assistant Director Operations and Safeguarding, Quality, Performance and Practice	A weekly ASC Performance Report is being sent to all Managers in ASC for review and action as appropriate. Performance against expected standards is monitored at each Monthly Performance Board attended by all managers.	01 July 2022	76 or more	Green	Green
237 21/22	DACHS	Adult Provider Payments	There needs to be regular review/monitoring and reporting of data quality, for example of APTs completed within a required timeframe, care packages input/amended/closed on Mosaic in a timely manner and appropriate action taken for any issues identified, to ensure only relevant/appropriate information is being recorded on service users' records.	2	31/03/2022	21/22	13/01/2022	Joanne Lappin Assistant Director of Safeguarding Quality Performance and Practice	Weekly data is provided to Operational Managers to enable them to review data quality and ensure management oversight. The Performance Board is responsible for a monthly audit of data quality to ensure consistency of reviewing and monitoring. Weekly data includes safeguarding and DoLS.	01 July 2022	76 or more	Green	Green
239 21/22	DACHS	Adult Provider Payments	APTs need to be completed in a timely manner, the service input onto Mosaic and a PO raised to ensure services and financial commitments are accurately reflected. There needs to be appropriate review of decisions approved at ERRG to ensure timely actioning of agreed services and input onto Mosaic.	1	31/03/2022	21/22	13/01/2022	Melissa Wise Deputy Director for Adult Social Care Joanne Lappin Assistant Director of Safeguarding Quality Performance and Practice	Linked to 287 20/21. A review of all processes that result in purchasing services has been completed to ensure a) expectation of staff are clear, b) roles and responsibilities are clarified, c) opportunities to improve the systems are taken. Staff have been fully engaged in this process. An updated process map and associated guidance has been issued to staff.	15/09/22	Complete	Green	Green
241 21/22	DACHS	Adult Provider Payments	New starters need to be given appropriate training and provided with relevant policies and procedures for work on Mosaic and the need to follow these enforced. Consideration also needs to be given as to how working practices can be adopted to ensure adequate support for the workers when working remotely.	2	31/03/2022	21/22	13/01/2022	Sunny Mehmi Assistant Director of Operations Social Care Systems Manager	All team now have standard operating procedures which include the requirements on the use of mosaic and have been passed to staff. The MOSAIC training offer has been revised to provide a combination of classroom based and online training. For all new starters a classroom offer will be available to properly induct people into MOSAIC. The content of the training offer has also been revised to look at 'bite size' training options for specific subjects that create issues. There is now a Workforce Development Group in place which also considers the wider training requirements of the staffing group.	08 September 2022	76 or more	Green	Green
242 21/22	DACHS	Adult Provider Payments	The reliability of access to and accuracy of information on Mosaic needs to be improved. Access to service users' records and relevant reports should be as and when needed to those who require it, and importantly the information provided should be both accurate and up to date. The service should be developing reports to provide an overview of key information in relation to data quality.	1	30/06/2022	21/22	13/01/2022	Sunny Mehmi Assistant Director of Operations Social Care Systems	Mosaic access is largely permissions based according to the job role that the user has. This has been reviewed to ensure it is fit for purpose. We will be undertaking case audits as part of our quality improvements and in addition Data Quality be one of the priority areas of the Performance Board.	08 September 2022	76 or more	Green	Green

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243 21/22	DACHS	Late Payment of Voluntary Sector Grants	There needs to be a clear communication pathway to prevent enquiries about non-payment of invoices being escalated in the first instance to Director level without the teams involved being aware of it. It is suggested that all enquiries should in the first instance be dealt with through Adult Social Care Commissioning. To ensure that issues are identified it is suggested that the AP team ensure that any issues with invoices being rejected are notified to the Commissioning Team when they occur. This process needs to be documented.	2	31/03/2022	21/22	17/01/2022	Melissa Wise Deputy Director of Social Care Darren Carter Director of Finance Lara Fromings Head of Commissioning	A process has been established across teams to capture invoice issues alongside a monthly meeting to discuss themes and issues. This will be continuously monitored to determine challenges and capacity issues.	15/09/22	76 or more	Green	Amber
244 21/22	DACHS	Late Payment of Voluntary Sector Grants	There needs to be prompt communication between the AP and Adult Commissioning Teams to ensure that anything that impacts the ability to effect prompt payment is highlighted and communicated to organisations awaiting payment. This process should be documented and clearly understood by both teams.	2	31/03/2022	21/22	17/01/2022	Melissa Wise Deputy Director of Social Care Darren Carter Director of Finance	There a monthly meeting (referenced in a previous update) that includes all relevant teams which discusses a) specific provider issues, b) team pressures, c) areas to escalate, d) comms to providers. This will be documented as part of the action above.	15/09/22	76 or more	Green	Green
245 21/22	DEGNS	Climate Change Strategy	It would be useful if the Corporate (Carbon) Plan listed the Council's delivery actions is detailed in the strategy. We advise the plan: - a) Be laid out and references in the same format as the Strategy. b) Confirms the directorates and services responsible and provides brief details of their actions from their service plans to achieve this. c) Reaffirms details of the delivery contribution i.e. emission reduction, adaptation, or both.	2	30/09/2022	21/22	17/02/2022	Ben Burfoot Sustainability Manager Kirstin Coley Energy Management Officer	Discussed and agreed at Climate Programme Board on 8 March 2022 - work underway but delayed by critical energy contract negotiations - scheduled for sign-off at next Climate Programme Board (Nov 2022).	14 September 2022	51 to 75	Amber	Amber
246 21/22	DEGNS	Climate Change Strategy	A Corporate Adaptation Plan is required, which we understand will require an organisational wide exercise, and that services will need to identify potential impacts on communities, services and service users, and appropriate adaptive responses, with help and advice from appropriate internal and external experts. This should confirm whether these actions relate to corporate infrastructure for delivering services and those for managing the consequences i.e. this might include business continuity, resilience etc.	2	31/12/2022	21/22	17/02/2022	Peter Moore Head of Climate Strategy	Discussed and agreed at Climate Programme Board 8 March 2022, using approach set out in Local Partnerships adaptation toolkit for local authorities. Presentation to Team Talk initiated the process in May 2022. Drafting and engagement with Services underway. Substantial piece of work - target completion date Q3-4 2022.	14 September 2022	26 to 50	Amber	Red
247 21/22	DEGNS	Climate Change Strategy	A separate provision, or sub-category could be created on the Strategic Risk Register for monitoring adaptation to climate change.	2	30/06/2022	21/22	17/02/2022	Peter Moore Head of Climate Strategy	Completed in Q2 review of the Strategic Risk Register.	14 September 2022	Complete	Green	Amber
248 21/22	DEGNS	Climate Change Strategy	To develop a more systematic approach to delivering the Council's climate change commitments: (i) The ownership of individual RBC actions within the Climate Strategy should be clarified at service/officer level (ii) RBC commitments within the Climate Strategy should be reflected within Service Plans at both the strategic level and in terms of specific actions (iii) In addition to integrating relevant Climate Strategy commitments, in the process of refreshing Service Plans annually, services should be identifying, with the support of the Climate Change & Sustainability Team, additional actions which may be required to contribute to the Council's corporate emissions reduction and adaptation strategies, and giving these an appropriate level of priority (iv) Services may need additional training to become more 'climate literate' and a training package should be developed to support this (v) Adapt the Service Plans to ensure there is a golden thread to demonstrating how services will discharge their climate change responsibilities.	2	30/09/2022	21/22	17/02/2022	Peter Moore, Head of Climate Strategy Ben Burfoot Relevant ADs	Discussed and agreed at Climate Programme Board on 8 March 2022. Point (i) complete and signed off by Climate Programme Board 13/9/2022; points (ii, iii, v) PM circulated a guidance note for ADs on embedding climate action in Service Plans in Feb 2022 which signposted to Climate Emergency Strategy actions and PM/BB have attended Service Plan meetings with each Service to initiate discussion, but fully embedding climate action will be an iterative process over this and the next Service Plan cycle; point (iv) training package in preparation - discussed potential integration in core training programme with HR&OD team 28/03/2022 (target completion date Q3 2022). Climate change now integrated in corporate staff induction as a first step.	14 September 2022	51 to 75	Amber	Amber
249 21/22	BFFC and RBC joint audit	Intercompany accounting	The Director of Finance (RBC) should ensure the agreed Governance documents (policies) are enhanced to include, but not be limited to: •Outlining the high-level expectations of intercompany accounting •Treatment of VAT •Debtors •Creditors Payment for services provided outside of those in the contract •Apportionment Best practice requires a common standard across all entities.	2	30/04/2022	21/22	14/03/2022	Stuart Donnelly Financial Planning & Strategy Manager Steve Davies Strategic Finance Business Partner BFFC	The inter-company guidance /policy set up by RBC will be developed to incorporate: •Outlining the high-level expectations of intercompany accounting •Treatment of VAT •Debtors •Creditors •Apportionment •Payment for services provided outside of those in the contract This will ensure best practice and a common understanding is clearly understood across RBC and BFFC. Once completed to be formally signed off by the Director of Finance (RBC) and the Director of Finance, BFFC. This work will be undertaken over October to December 2022	14 September 2022	25 or less	Red	Red
250 21/22	BFFC and RBC joint audit	Intercompany accounting	The Director of Finance (RBC) and Executive Director of Finance and Resources (BFFC) need to provide a briefing on the Service Contract, to raise awareness and guidance to those Business Partners and accounting staff with inter-company accounting responsibilities, on what is required of them to comply with the conditions of the contract. Allocation of responsibilities should be highlighted across both entities. Furthermore, there should be some consideration in providing this briefing as a joint briefing across both entities to promote a collaborative, supportive, and professional working relationship with a single aim.	1	30/06/2022	21/22	14/03/2022	Darren Carter Director of Finance	Following recent senior manager appointment in BFFC, these processes will be refreshed over 22/23 in line with the Finance Improvement Programme and taking on board advice on best practice as identified through the External Audit process of the 2019/20 Statement of Accounts.	14 September 2022	26 to 50	Amber	Red

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251 21/22	BFFC and RBC joint audit	Intercompany accounting	<p>The (RBC) Director of Finance in collaboration with (BFFC) Executive Director of Finance and Resources should develop agreed and documented systems, procedures, and processes to further improve and manage intercompany accounting and transactions. They should include, but not be limited to:</p> <ul style="list-style-type: none"> •Being able to easily identify transactions across a common chart of accounts •To match transactions, from both sides •Identify (tag) those for elimination from financial reporting to prevent double accounting •Automate processes where possible •The use of recurring invoices/instalment payments for contract / SLA payments •Billing cut off period •Electronic approval process (Office 365) •Centralised repository (SharePoint) for intercompany financial purposes accessible by both entities and managed by permission rules •Grant funding monitoring (at both entities) •Regular reconciliations of expected income streams •Appropriate lines of communication with documented terms of reference and purpose <p>These procedures and processes should be standardised, and where there is a business need for difference, there should be compatibility.</p>	1	31/10/2022	21/22	14/03/2022	<p>Stuart Donnelly Financial Planning & Strategy Manager RBC</p> <p>Steve Davies Strategic Finance Business Partner BFFC</p>	<p>The (RBC) Director of Finance in collaboration with (BFFC) Executive Director of Finance and Resources will develop agreed and documented systems, procedures and processes.</p> <p>During the new finance systems implementation the following will be implemented:</p> <ul style="list-style-type: none"> •Being able to easily identify transactions across a common chart of accounts •To match transactions, from both sides •Identify (tag) those for elimination from financial reporting to prevent double accounting •Automate processes where possible •The use of recurring invoices/instalment payments for contract / SLA payments •Billing cut off period •Electronic approval process (Office 365) •Centralised repository (SharePoint) for intercompany financial purposes accessible by both entities and managed by permission rules •Grant funding monitoring (at both entities) •Regular reconciliations of expected income streams •Appropriate lines of communication with documented terms of reference and purpose 	14 September 2022	25 or less	Red	Red
252 21/22	BFFC and RBC joint audit	Intercompany accounting	<p>The finance structure for intercompany accounting and day to day activities should be considered, documented, authorised and agreed and shared, and aligned with strategy and policies, that also promote professional and cooperative ways of working.</p> <p>Roles and responsibilities need to be agreed, documented, and imparted to all relevant personnel.</p> <p>Some consideration should also be given to:</p> <ul style="list-style-type: none"> •The adoption of a single finance team for intercompany accounting actions supported by entity specific finance teams for the day to day financial tasks. •Shared repository for key data with appropriate permissions 	2	31/10/2022	21/22	14/03/2022	<p>Stuart Donnelly Financial Strategy and Planning Manager RBC</p> <p>Steve Davies Strategic Finance Business Partner BFFC</p>	<p>Currently there are named officers from RBC and BFFC who have clarity on their roles and responsibilities with appropriate permissions and electronic authorisation.</p> <p>The policy / guidance and work processes are being revised as part of the design of the new finance system which will further clarify the roles and responsibilities.</p> <p>The adoption of a single finance team for intercompany accounting actions supported by entity specific finance teams for the day to day financial tasks is not appropriate within the current arrangements.</p>	14 September 2022	25 or less	Red	Red
253 21/22	BFFC and RBC joint audit	Intercompany accounting	<p>The Director of Finance (RBC) and the Executive Director of Finance and Resources (BFFC) should remind staff to comply with timescales detailed in the agreed procedures and ensure there are controls in place that will highlight if / when there is non-conformance.</p> <p>Consideration should be given to including intercompany- tasks and responsibilities within the annual performance review goals / targets for relevant staff.</p>	2	30/10/2022	21/22	14/03/2022	<p>Stuart Donnelly Financial Strategy and Planning Manager RBC</p> <p>Steve Davies Strategic Finance Business Partner BFFC</p>	<p>This will be re-iterated during the communication to staff and reinforced in the guidance / policy guidance.</p>	14 September 2022	25 or less	Red	Red
254 21/22	BFFC and RBC joint audit	Intercompany accounting	<p>The Director of Finance (RBC) and the Executive Director of Finance and Resources (BFFC) need to establish co-ordinated monthly reconciliations, which should be compared for accuracy. Any anomalies should be investigated, agreed and adjustments made in a timely fashion.</p> <p>Responsibility for completing reconciliations should be allocated to an appropriate individual and include authorisation for any necessary adjustments.</p>	2	30/06/2022	21/22	14/03/2022	<p>Stuart Donnelly Financial Planning & Strategy Manager RBC</p> <p>Steve Davies Strategic Finance Business Partner BFFC</p>	<p>Initially it is proposed to do quarterly reconciliations and to be reviewed at a later date. This is being reviewed and will take on board the position as the Intercompany Reconciliations completed over August 2022 as part of the 2020/21 Statement of Accounts preparation is completed</p>	14 September 2022	25 or less	Red	Red
255 22/23	DoR	Accounts Receivable	<p>There needs to be a relaunch of the existing debt policy to ensure clear strategic management around debt creation and recovery across the council. This would include clear reporting lines at senior management level across all levels of the council to enable greater awareness across all areas of the importance of debt avoidance where possible and prompt greater effort on debt recovery.</p>	2	01/10/2022	21/22	30/05/2022	<p>Sam Wills Revenues & Benefits Manager</p>	<p>This is occurring organically in some areas as a result of the focussed activity of debt collection, i.e. ASC & DEGNS.</p> <p>It does however require a relaunch to bring all directorates on board and understand their role in the corporate process to reduce debt occurring.</p> <p>Consideration will be given to aligning communication of the Corporate Debt Policy with the implementation and training of the new Finance system.</p>	14/09/2022	25 or less	Red	Red
256 22/23	DoR	Accounts Receivable	<p>There needs to be clear and accountable processes and procedures for debt management that are linked to a council wide debt recovery strategy.</p>	2	01/08/2022	21/22	30/05/2022	<p>Sam Wills Revenues & Benefits Manager</p>	<p>Process mapping sessions have commenced with Revs & Bens Manager, AR Team Leader and AR Officers. These sessions will embed the corporate debt recovery policy and in addition document the processes and reporting we expect to be undertaken by an AR Officer.</p> <p>Process maps will be held electronically with hyperlinks to the relevant process and templates.</p>	14/09/2022	26 to 50	Amber	Red
257 22/23	DoR	Accounts Receivable	<p>Further work is required to reduce the overall historic debt levels, particularly in adult social care. There needs to be a write off of existing historical debt where recovery is deemed unlikely before any data is transferred across to a new debtors system.</p>	2	01/10/2022	21/22	30/05/2022	<p>Sam Wills Revenues & Benefits Manager</p>	<p>Fortnightly meetings in respect of ASC write offs are currently held and have been in place for several months. The group focus on identifying uncollectable sums and actively progress them through the write off process.</p> <p>Sums below £20,000 are agreed in the meeting and subsequently approved by Darren Carter (s.151).</p> <p>High value write offs are now scheduled for Policy Committee approval and will be a standing quarterly agenda item.</p> <p>Revs & Bens Manager also attends meetings with other directorates to progress and agree write offs in those areas.</p> <p>A data cleansing exercise is also in progress ahead of the migration to a new system</p>	14/09/2022	26 to 50	Amber	Red
258 22/23	DoR	Accounts Receivable	<p>To back up the debt strategy there needs to be a comprehensive easy to access set of management reports that are capable of reflecting the determined debt strategy at all levels of the debt process (ie cost centre manager to AD level as well as the Debtors team)</p>	2	01/10/2022	21/22	30/05/2022	<p>Sam Wills Revenues & Benefits Manager</p> <p>Advanced System Team</p>	<p>We are currently limited on the reporting available through Fusion.</p> <p>We have to consider time spent developing further reporting in a system that is to be replaced in the near future.</p> <p>An extensive list of KPIs has been provided to the Advanced project manager to ensure this capability is built into the new system.</p>	14/09/2022	25 or less	Red	Red

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261 22/23	DoR	Reconciliations	Assuming it remains the objective, a timetable should be devised and agreed to support the intention for the Reconciliation Officer to understand, improve (where necessary) and take over feeder system reconciliations. Similarly, it is suggested that this monitored by the Finance Transformation Board (or equivalent).	2	30/09/2022	21/22	31/05/2022	Mark Sanders, Chief Accountant	Target Date 30/09/22 In Progress. The newly appointed Reconciliations Officer will support the review of objectives and timetable for completion analysis work and will provide advice and authorisation where this does not conflict with her primary responsibility of bank reconciliation. It is likely that feeder system reconciliations will need to be completed by non-accountancy teams to maintain appropriate segregation of duties. A status update has been requested for feeder systems to review process and responsibilities and is in line to be reported to the next Finance Transformation Board Meeting at the beginning of October 22.	14 September 2022	51 to 75	Amber	Amber
263 22/23	DoR	Reconciliations	Following completion of those actions detailed in recommendation 3 above in respect of the main bank rec, this process should be repeated for the feeder systems and responsibility for this task clearly assigned. These procedures should reflect agreed processes, roles and responsibilities etc and be as sufficiently detailed as is assessed as necessary. These agreed and completed documented procedures should then be agreed by the relevant service manager and also by Finance and then circulated to all relevant staff and stored in an appropriate site and be used for reference and training purposes, as appropriate.	2	31/03/2023	21/22	31/03/2022	Mark Sanders, Chief Accountant	A standard template has been produced and is in the process of being rolled out across all reconciliations completed. Note this recommendation is being implemented alongside Recommendation 260.	14 September 2022	51 to 75	Amber	Amber
264 22/23	DoR	Reconciliations	Any revised guidance as laid down in the procure notes for the main bank reconciliation (or other feeder reconciliations) should address what (other) system access rights the officer(s) involved should have, to ensure there is proper separation of duties in place, that ensures and promotes good separation of duties.	2	31/03/2023	21/22	31/03/2022	Mark Sanders, Chief Accountant	Planned work for Q4 22/23	14 September 2022	25 or less	Red	Red
265 22/23	DoR	Reconciliations	To promote increased resilience and mitigation of risks associated with being potential over-reliant on specific posts carrying out financial reconciliations, it is recommended that to manage risks and to protect the organisation and individual officer(s) alike, that agreed systems ensure and allow for a shared understanding of procedures by than more than a single person.	2	31/12/2022	21/22	31/12/2022	Mark Sanders, Chief Accountant	Planned work for Q4 22/23	14 September 2022	25 or less	Red	Red
266 22/23	DoR	Reconciliations	Where the Reconciliations Officer and / or Bank Rec Team detect regular and continued problems with specific information being reported as part of any reconciliation process (for example incorrect posting information) then these should be referred back to the team / officer concerned for correction, but in the event of repeated and persistent instances, then this should be referred to the Chief Accountant for their attention.	2	31/05/2022	21/22	31/05/2022	Mark Sanders, Chief Accountant	Planned work for Q3 22/23. A review will be undertaken across all central accountancy reconciliation processes and resources to better align responsibilities and aim to reduce single points of reliance	14 September 2022	25 or less	Red	Red
267 22/23	DACHS	Client Contributions	Actions that ASC staff need to take in relation to the financial assessment process: 1) Relevant ASC staff need to be reminded of their role within/related to the financial assessment process. 2) Care packages need to be put onto Mosaic in a timely manner to allow client contributions to be recognised and then invoiced to the service user. 3) Direct payments need to be reviewed to ensure appropriate payment arrangements are in place. 4) Mosaic records need to detail the appropriate financial representative for the service user, where appropriate, as well as other key information to enable financial assessments to be completed and in a timely manner. There should also be appropriate authority in place for these representatives which should be documented/evidenced. 5) APTs need to be closed down and in a timely manner to enable amendments to be made to service lines, as appropriate. 6) A financial assessment referral needs to be raised and in a timely manner to ensure all service users are assessed for their ability to contribute to their care costs (where applicable).	1	30/09/2022	21/22	17/06/2022	Michelle Tenreiro-Perez Transformation Project Manager Cliff Clync, Senior Personal Budget Support Officer	Update on each action as follows: 1) Complete - this is already in place. Workshops were held with all staff involved in the financial assessment process between October 2021 and March 2022 establishing expectations of roles and responsibilities within the financial assessment process. 2) In progress - Collaborative work with ASC, the Finance Assessments and Benefits Team and Personal Budgets Support Team has commenced and a concluding meeting to clarify expectations of roles, processes and timescales to be undertaken by all parties was held on the 15th of June. Identified process changes were proposed at Operational Portfolio Board on 12/09/2023 and agreed subject to some clarifications. Process changes are expected to commence in January 2023. Links to Conversation 3 work. 3) Complete - Officers have reviewed Direct Payments clients where they are invoiced for their contributions & all are appropriate as they also receive a commissioned service. 4) In progress - Mosaic records will need to be set up for financial representatives to record their status and so a standardised letter can be sent out. Appointeeships in the Deputy's Team are being explored. Standard letters and process changes were proposed at Operational Portfolio Board on 12/09/2023 and agreed subject to some clarifications. Relaunching Appointeeships is subject to Delivery Fund approval, for which a response will be provided in October. Process changes are expected to commence in January 2023. . 5) & 6) In progress - Both the closure of Conversation 2s and timely referrals for a financial assessment are included in the work between ASC, FAB and PBST setting out expectations of roles and timely processes. A guide to making referrals to the Financial Assessments and Benefits team has been created and will be added to relevant staff desktops. ICT work to support agreed processes will be completed. Identified process changes were proposed at Operational Portfolio Board on 12/09/2023 and agreed subject to some clarifications. Process changes are expected to commence in January 2023. Links to Conversation 3 work.	14/09/22	51 to 75	Amber	Amber
268 22/23	DACHS	Client Contributions	Signed legal agreements to support all 3rd party top ups in place, should be on Mosaic and the Mosaic workstep updated to reflect current practice. The identified discrepancy in one case in relation to top up amount needs to be resolved (see 4.2.15 below). Invoicing for 3rd party top ups needs to be to the correct person and there needs to be appropriate debt controls in place to ensure that top ups are actually (being) paid, and in a timely manner.	2	30/10/2022	21/22	17/06/2022	Steve Saunders Principal Personal Budget Support Officer Tracy Maskell, Senior Entitlement & Assessment Officer	In progress - part complete. Cases involving one person are completed in Mosaic, complex cases with multiple people are completed on a word template as the current Mosaic template is insufficient for these. Officers to ensure the Mosaic template to be amended to resolve this issue. Complete - this is already in place. The case with a discrepancy has been reviewed and the need to follow agreed process has been reiterated to the teams involved.	14/09/22	51 to 75	Amber	Amber
269 22/23	DACHS	Client Contributions	It needs to be ensured that invoices have sufficient detail on them to allow service users/their representatives to identify which service they relate to and for what period. FAB Team (and PBST) need to be involved and input into the wider process of implementing the interface between Mosaic and new financial system.	2	31/07/2022	21/22	17/06/2022	Tracy Maskell, Senior Entitlement & Assessment Officer Steve Saunders, Principal Personal Budgets Officer	Officers to implement separate budget codes for interim funding, Deferred Payments & 3rd party top ups will be utilised to define the detail on invoices. Complete - this is already in place. Bi-weekly project management meetings being attended. Work ongoing with the project team to substantiate which requirements are, & which aren't going to be available for go live.	14/09/22	76 or more	Green	Green
270 22/23	DACHS	Client Contributions	Charging uplifts need to be checked in a timely manner and any issues addressed. Also rate uplifts should be implemented automatically where possible rather than manually to reduce the possibility of errors.	2	15/07/2022	21/22	17/06/2022	Tracy Maskell, Senior Entitlement & Assessment Officer	Complete A review of the uplift process has been completed with the Mosaic Support Team & the subsequent actions have been built into the plan for next year. Complete The review also included ensuring uplifts are implemented automatically where possible.	14/09/22	Complete	Green	Amber

Unique Tracker Rec No.	Dir	Audit Title	Recommendation	Rec. Priority Rating	Original Implementation Date	Rec Yr.	Original Audit Completion Date	Responsible Officer	Responsible Officer Latest Update	Updated on (date)	Status (% Complete)	Current status	Previous report status	
271	22/23	DACHS	Deferred Payment	The success and failure of the deferred payment scheme, policy, and procedures operated by the Council should be benchmarked and evaluated.	1	August 2022 - March 2023	22/23	11/07/2022	Sarah Stockle Technical Policy Officer	1) DPA monitoring carried out through debt monitoring meetings at this time while a handover of work takes place for staff changes. New specific DPA monitoring meetings to start end Sept. Process notes have been updated with agreed internal processes. 2) Benchmarking template issued from NAFAO 13 Sept for 22/23 for completion end Sept 22.	14/9/22	26 to 50	Amber	n/a
272	22/23	DACHS	Deferred Payment	Feedback should be sought from the Eligibility Risk Review Group and used to identify those restricting factors which delay or complicate the approval of the deferred payment agreement and more widespread adoption of deferred payments as an option e.g., are social workers identifying and engaging on issues?	2	Aug-22	22/23	11/07/2022	Steve Saunders Principal Personal Budget Support Officer	An Eligibility, Risk and Review Group meeting will be arranged to discuss restricting factors, the overall adoption of deferred payments and agree any next steps.	14/09/22	25 or less	Amber	n/a
273	22/23	DACHS	Deferred Payment	The operational performance of services supporting the deferred payment scheme should be evaluated through a service level agreement e.g., Social Workers, FAB team, and Legal Services.	2	Dec-22	22/23	11/07/2022	Sarah Stockle Technical Policy Officer DACHS DMT / CMT decision	Work is taking place to set out service requirements to share with senior management teams involved in supporting the DPA scheme.	14/9/2022	25 or less	Amber	n/a
274	22/23	DACHS	Deferred Payment	To confirm the completeness of records and confirm the assurance status of the assets to be used as security for a loan, a single master register should be established to clarify those people with existing DPAs and the status of their interim funding arrangements, deferred payments, or solicitors undertaking.	2	Sep-22	22/23	11/07/2022	Sarah Stockle Technical Policy Officer	A standard business report (workflow steps) is current tool to identify all DPA cases and interim cases from Mosaic, information is added to this report. Work is underway to specify Mosaic field/report requirements for a report as a register which will include status of asset security.	14/9/2022	25 or less	Amber	n/a
275	22/23	DACHS	Deferred Payment	This information should be used to help identify DPA debt and status of security, and visa-versa.	2	Sep-22	22/23	11/07/2022	Sarah Stockle Technical Policy Officer	As above and debt monitoring reports are used. Work is under way to analyse what information can be obtained from IKEN reporting on DPA cases.	14/9/2022	25 or less	Amber	n/a
276	22/23	DACHS	Deferred Payment	More care needs to be taken to ensure accurate and up to date supporting records are kept as part of any DPA case, including better documentary evidence and filing of solicitor arrangements.	2	Aug-22	22/23	11/07/2022	Tracey Maskell Senior Entitlement & Assessment Officer	Work is under way with the team to ensure that accurate and up to date supporting evidence are kept as part of the DPA cases, including written/approved solicitors undertaking (training has been & is being provided along with help with legal services)	15/9/22	26 to 50	Amber	n/a
277	22/23	DACHS	Deferred Payment	As confirmation, a signed copy of the deferred payment agreements, HM Land Registry charge evidence, and/or solicitor's undertaking should be required and documented as a key control /field on Mosaic.	2	Sep-22	22/23	11/07/2022	Sarah Stockle Technical Policy Officer	Internal process documentation has been updated to include this flow of information on securing of an asset under a DPA and recording. Updated training for how to record on Mosaic to be covered at a team workshop w/c 19 Sep.	14/9/2022	76 or more	Green	n/a
278	22/23	DACHS	Deferred Payment	A copy of the estate agent's property valuation should be held on Mosaic for each DPA, and a revaluation should be completed annually to ensure the equity available is appropriate so that the level of debt is correctly accounted for.	2	Aug-22	22/23	11/07/2022	Tracey Maskell Senior Entitlement & Assessment Officer	Work is under way with the team to ensure that there is at least one estate agent valuation's provided at the time of the DPA application & that re-valuations are provided at the necessary time to ensure that the level of debt/outstanding balance is correct (training has & will be provided)	15/9/22	26 to 50	Amber	n/a
279	22/23	DACHS	Deferred Payment	Greater emphasis needs to be placed on monitoring the security status and debt risk of those deferred payment agreements which remain as an interim funding arrangement.	2	Aug-22	22/23	11/07/2022	Tracey Maskell Senior Entitlement & Assessment Officer	Work is under way with the team and at the debt meetings regarding securely the accrued debt & there is now a DPA/IF debt meeting once a month where Legal have been advised to attend so that we can discuss these cases	15/9/22	26 to 50	Amber	n/a
280	22/23	DEGNS	Rent Accounting	HFR tenants must be notified of rent increases and evidence retained centrally in all cases.	2	31/08/2022	22/23	18/08/2022	Ashley Blackwood (HFR) Senior Property Manager - HFR	13.9.22- Database created and stored in share point to record date all address, current rents, date of rent increase, increased rent and detail of CPI at the time of increase plus reason for cap and confirmation of approval of this decision by service manager. Rent increase letters templates to be created by 31.10.22in I@W so these can be stored automatically against the tenancy	Sept 2022	76 or more	Green	n/a
281	22/23	DEGNS	Rent Accounting	Users should not be able to access or work on any rent accounts in which they have an interest. It is recommended that users are required to declare interests on a regular (i.e., annual) basis. Declaration of interest forms should be held for all officers who are able to access Ohms.	2	31/10/2022	22/23	18/08/2022	Natalie Waters Claire Goodliffe Housing Management & Income Recovery	OHMS is being replaced by NEC Jan 23. A review of declaration will be done as part of the go live project. NEC has the capability to lock users out of individual account, unlike OHMS. There will be a regular review of declaration thereafter. OHMs user completes a declaration and this is retained. Users informed that they must advise if there changes required to the declaration.	Sept 2022	51 to 75	Green	n/a
282	22/23	DEGNS	Rent Accounting	HFR rent increases due should be automatically flagged and the associated calculations clearly documented, reviewed/approved and retained. A consistent approach to calculating rent increases should be documented and implemented. Any deviations from this should be subject to appropriate approval.	2	31/07/2022	22/23	18/08/2022	Ashley Blackwood Natalie Waters Senior Property Manager - HFR /Housing Management & Income Recovery Service Manager	13.9.22- Database created and stored in share point to record date all address, current rents, date of rent increase, increased rent and detail of CPI at the time of increase plus reason for cap and confirmation of approval of this decision by service manager. Rent increase letters templates to be created by 31.10.22in I@W so these can be stored automatically against the tenancy. With the new Housing IT system being implemented early 23 we are exploring the options of if it can automatically flag when next increase are due as part of phase 2 (March 23-Sept 23)	Sept 2022	51 to 75	Green	n/a
283	22/23	DEGNS	Rent Accounting	Regular reconciliations between the property databases and Ohms should be carried out by Accountancy and HFR for RBC and HFR properties and supporting evidence retained.	2	31/10/2022	22/23	18/08/2022	Stephen MacDonald Strategic Business Partner, Accountancy	HFR reconciliations completed, RBC properties significant progress made and reconciliation completed for 19/20 and 20/21 financial years and in progress for 21/22 and for 22/23 ahead of the planned completion date of 31st October 2022.	12 September 2022	26 to 50	Amber	n/a
											25 or less		15	16.5%
											26-50		17	18.7%
											51-75		25	27.5%
											76+ Complete		29	31.9%
													5	5.5%
											Total		91	100.0%

READING BOROUGH COUNCIL
REPORT BY DIRECTOR OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	28th SEPTEMBER 2022		
TITLE:	CLOSING FINANCIAL ACCOUNTS UPDATE		
LEAD COUNCILLOR:	COUNCILLOR TERRY	PORTFOLIO:	CORPORATE AND CUSTOMER SERVICES
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
LEAD OFFICER:	MARK SANDERS	TEL:	
JOB TITLE:	CHIEF ACCOUNTANT	E-MAIL:	Mark.Sanders@reading.gov.uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report updates the Committee on progress with the completion of the audit of the Council's Final Accounts for 2019/20, and the preparation for the 2020/21 and 2021/22 accounts. The information contained in the report was the position at 16 September 2022. This report should be considered alongside the External Auditors' (EY) Audit Results Report update.

2. RECOMMENDED ACTION

- 2.1 That the Committee notes the progress made on the audit of the accounts for 2019/20, and the preparation for following years' 2020/21 and 2021/22 accounts.

3. SUMMARY

- 3.1 Continued progress has been made by both the Council's Finance team and the External Auditor's (EY) team since the last committee meeting with increased resources being allocated to complete residual work on the 2019/20 Statement of Accounts and to begin the audit of the 2020/21 accounts whilst they are being prepared.
- 3.2 Both teams are managing two sets of data which although increases the complexity of the work, it also enabled the experienced and consistent staff to identify learning points in real time and embed them during the process.
- 3.3 This has involved detailed planning and work allocations to achieve and both teams are thanked for their continued hard work. The priority is clearly on bringing the whole accounts process up to date and the approach being adopted and commitment to achieve this aim continues to be beneficial.

2019/20 Accounts

- 3.4 Members will recall that the draft 2019/20 accounts were published on 10 November 2021 and has been subject to External Audit scrutiny since that date.
- 3.5 At the last Committee meeting in July 22, it was reported that the accounts process was almost complete but had taken longer than anticipated to complete. It is pleasing to note that at the time of writing that all information and explanations have been provided to the External Auditor (EY) who are now in the stage of final write ups and concluding the audit.
- 3.6 Elsewhere on tonight's agenda EY will be presenting their updated Audit Finding Report (with the updates highlighted in blue text in their report) together with a verbal update on matters progressed and finalised over the last few days. It can be seen that the process is all but complete, with just one outstanding item which relates to the national challenge regarding the accounting treatment and disclosure of Infrastructure Assets. This is noted in further detail at paragraphs 3.17 to 3.23 below.
- 3.7 There have been a number of technical and presentational adjustments which have been made to the draft accounts, with both Council and External Audit Staff focussing on making improvements which will in turn help to reduce the time it takes to audit future years' accounts.
- 3.8 The final sign off will need to take account of the outcome of a technical CIPFA consultation on temporary changes to accounting for Infrastructure Assets. This consultation is affecting nearly all Local Authorities which may delay the receipt of formal audit opinions whilst the matters are being considered nationally.
- 3.9 It is not clear when the relevant Accounting Codes of Practice will be updated following the results of this consultation, there was anticipation that further information will be available from CIPFA before the date of this committee however it is more likely that further news will be some weeks away. The Council will continue to monitor developments.
- 3.10 At the last meeting of the Committee, delegation was approved for the Director of Finance, in consultation with the Chair of Audit & Governance Committee, to sign off the Statement of Accounts for 2019/20 on behalf of the Council.

National progress on audit opinions

- 3.11 The latest national data on the completion of audit opinions shows the sector is facing significant challenges in completing external audits. Whilst the latest available information was correct at 31 May 22, it is not expected to have improved significantly since then.
- 3.12 Up until 31 May 2022, a total of 51 local authorities have not had Audit Opinions issued for 2019/20, with a further 19 opinions delayed from earlier years. There are clearly several issues still being addressed at other authorities, and these issues present a significant challenge for the sector to overcome and impact on external audit resource planning.
- 3.13 The position for 2020/21 is that 201 audit opinions are still in progress. Given that CIPFA is consulting on changes to Infrastructure accounting, this may be a significant factor.

- 3.14 Looking forward, the Council will continue to work with EY in planning for the preparation and audit of future years' accounts.

Adjusting Items

- 3.15 There have been a number of adjusting items which the Council has agreed and corrected in the accounts. These are listed in more detail in EY's Audit Findings Report elsewhere on tonight's agenda.
- 3.16 All the required amendments for the adjusting items have been agreed and implemented.

Infrastructure Assets Update

- 3.17 Reading Borough Council has a net book value of £130 million of Infrastructure Assets at 31 March 2020. The accounting treatment and disclosure requirements are currently being reviewed nationally and until this is resolved it is preventing formal conclusion of the 2019/20 accounts.
- 3.18 The CIPFA Local Authority (Scotland) Accounts Advisory Committee (LASAAC) has recently approved an update to the Accounting Code that will remove the requirement to report gross cost and accumulated depreciation. The Code Update is still subject to formal consideration by the Government's Financial Reporting Advisory Board, but it is anticipated that the update to the Code will be available during mid to late September. This should remove concerns about reporting of gross book values and accumulated depreciation.
- 3.19 CIPFA has confirmed that it is now working with the Government and devolved administrations on a time limited statutory prescription (override) related to component derecognition. Whilst the Government's decision on this is still awaited, it is hoped that this will address auditors' concerns about the efficacy of net book values for infrastructure assets.
- 3.20 The remaining issue would then be the requirement to demonstrate the effectiveness of depreciation policies for infrastructure assets.
- 3.21 If approved by the Financial Reporting Advisory Board, the statutory override will allow auditors (notwithstanding any other issues that arise from audit) to sign off accounts without qualifications. However, the anticipated update to the Code is still some weeks away.
- 3.22 The Council has provided analysis and a briefing note to EY to confirm what financial records are available. A significant consideration is that work was undertaken for the 2016/17 accounts to reduce (impair) the carrying value of Infrastructure Assets and establish individual asset lives which in turn confirms a more accurate annual depreciation charge.
- 3.23 The Council continues to work with EY to resolve this issue and will incorporate any changes in accounting guidance when issued.

2020/21 and 2021/22 Accounts

- 3.24 The external audit of the 2020/21 accounts began at the start of August 2022 as planned.

- 3.25 The Council has twice-weekly updates with EY to track progress with requests for audit evidence with no issues arising to date.
- 3.26 The 2020/21 Statement of Accounts document is in the final stage of production at the time of writing. It is anticipated that the draft accounts will be published and made available for statutory public inspection before the date of this committee. A verbal update will be provided.
- 3.27 To facilitate the start of the audit process, the Council has been releasing on a staged basis the sections of the accounts that are completed with the aim of providing a steady stream of work for audit staff. This is being closely managed to ensure optimum use of resources available.
- 3.28 The first stage in the production of the 2021/22 accounts has been completed. This is primarily based on the closure of the annual management accounts, and the receipt of asset and pension valuations from external advisors. Although focus is also on the 2020/21 process, many of the working papers for both years are being prepared and reviewed concurrently. The intention is for the 2021/22 Statement of Accounts to be made available for public inspection in January 2023 to coincide with the external audit work commencing, subject to agreement with EY.
- 3.29 The Council will continue to focus on controls and working paper improvements with the clear aim of reducing the time it takes to conclude audit processes. This will include taking account of emerging national accounting/auditing issues as they arise.

Final Accounts Plan

- 3.30 The following table confirms the plan to bring the accounts process back up to date by the 2022/23 accounts process concluding in September 23. It is dependent on the incremental successful approval of each year's accounts and on resources being available to both Council and EY staff.

Table 1: Final Accounts High Level Plan

Estimated dates in Italics

Status	19/20	20/21	21/22	22/23
Mgt Accounts / Accruals	Completed	Completed	In Progress	Not Started
Statutory Accounts	Completed	In Progress	Not Started	Not Started
Audit Fieldwork / Sign-Off	In Progress	In Progress	Not Started	Not Started

Deadlines	19/20	20/21	21/22	22/23
Mgt Accounts / Accruals	Completed	Completed	<i>Jul-22</i>	<i>May-23</i>
Statutory Accounts	Completed	<i>Sep-22</i>	<i>Dec-22</i>	<i>May-23</i>
Audit Fieldwork / Sign-Off	<i>Sep-22</i>	<i>Dec-22</i>	<i>May-23</i>	<i>Sep-23</i>

Publication	19/20	20/21	21/22	22/23
Draft Accounts Published	10-Nov-21	<i>Sep-22</i>	<i>Dec-22</i>	<i>May-23</i>
Draft Accounts Deadline	31-May-20	31-Jul-21	31-Jul-22	31-May-23
	+ 1yr 5 months	+ 1yr 2 months	+ 5 months	On Time
Audited Accounts Published	<i>Oct-22</i>	<i>Dec-22</i>	<i>May-23</i>	<i>Sep-23</i>
Audited Accounts Deadline	31-Jul-20	30-Sep-21	30-Nov-22	30-Sep-23
	+ 2yrs 2 months	+ 1yr 3 months	+ 6 months	On Time

- 3.31 The Council has put in place an experienced team to achieve this plan. Where the team is supplemented by temporary staff covering vacancies, permanent recruitment will take place over the forthcoming months which will be managed carefully to enable handover of skills and knowledge. This will be undertaken in conjunction with the Finance Improvement Programme.

4. CONTRIBUTION TO STRATEGIC AIMS

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

5. ENVIRONMENT AND CLIMATE CHANGE IMPLICATIONS

- 5.1 None arising.

6. COMMUNITY ENGAGEMENT AND INFORMATION

- 6.1 The draft 2019/20 accounts were made available for public inspection during November / December 2021 as required under Part Five of the Accounts and Audit Regulations 2015. It is anticipate that the draft 2020/21 accounts will be available over October 2022.

7. EQUALITY IMPACT ASSESSMENT

- 7.1 Not applicable.

8. LEGAL IMPLICATIONS

- 8.1 Part Five of the Accounts and Audit Regulations 2015 requires authorities to allow the public to inspect the accounts for a single period of 30 working days and stipulates that must include the first 10 working days of June of the financial year immediately following the financial year to which the accounts relate. The Council was unable to comply with this requirement in respect of the financial years 2017/18 to 2021/22 as the accounts were not ready for inspection.

9. FINANCIAL IMPLICATIONS

- 9.1 The audit fees for 2019/20 will be reported in due course.

10. BACKGROUND PAPERS

- 10.1 None.

Reading Borough Council and Group Draft Audit Results Report

15 September 2022

Year ended 31 March 2020

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y'.

Building a better
working world

Agenda Item 13



Audit & Governance Committee

Reading Borough Council

Council Offices

Reading

15 September 2022

Dear Audit & Governance Committee Members

We are pleased to attach our audit results report for 2019-20. This report summarises our preliminary audit conclusions in relation to the audit of Reading Borough Council and Group for 2019/20 and also updates the Audit & Governance Committee.

We have substantially completed our audit of Reading Borough Council for the year ended 2019/20.

As set out in our executive summary, a number of issues have arisen as a result of COVID-19 which impacted on our audit. We will need to assess at the conclusion of the audit the impact of our findings on the Authority's financial statements.

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 would like to thank your staff for their help during the engagement.

Yours faithfully

Maria Grindley

Partner, For and on behalf of Ernst & Young LLP

Encl

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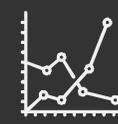
02 Areas of Audit Focus



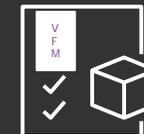
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09 Independence

10 Appendices



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 Hywel Ball, 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 25 January 2022 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, we considered the following possible areas of change:

Update on materiality:

Single Entity:

In our Audit Committee Planning Report, we communicated that our audit procedures would be performed using a materiality for the Council of £4,842 m, with performance materiality, at 50% of overall materiality, of £2.421 m, and a threshold for reporting misstatements of £0.242 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.

Group Materiality:

In our Audit Committee Planning Report, we communicated that our audit procedures would be performed using a materiality for the Group of £5.798 m, with performance materiality, at 50% of overall materiality, of £2.899 m, and a threshold for reporting misstatements of £0.290 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.

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.



Executive Summary

Scope update

In our audit planning report for the January 2022 Governance and Audit Committee meeting, we provided Members with an overview of our audit scope and approach for the audit of the 2019/20 financial statements. We carried out our audit in accordance with this plan. We note below some key considerations arising as a result of Covid-19.

Changes to reporting timescales

- As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404 came into force on 30 April 2020. This announced a change to the publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities. As Reading Borough Council is behind on its delivery of audited accounts this timeline has not been met for the 2019/20 statements.

Changes to our risk assessment as a result of COVID-19

- Valuation of Property Plant and Equipment (PPE) and Investment Property (IP) - The Royal Institute of Chartered Surveyors (RICS), which sets the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of COVID-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Authority's valuers. We consider that the material uncertainties disclosed by the valuers gave rise to an additional risk relating to disclosures on the valuation of PPE and IP.
- Disclosures on Going Concern - We are required to consider management's going concern assessment and the impact of COVID 19. We considered the unpredictability of the current environment gave rise to a risk that the Local Authority would not appropriately disclose the key factors relating to going concern, underpinned by management's assessment on the effects of COVID-19 and the Local Authority's actual year-end financial position and performance.
- Events after the balance sheet date - We identified an increased risk that further events after the balance sheet date concerning the current COVID-19 pandemic will need to be disclosed. The amount of detail required in the disclosure needs to reflect the specific circumstances of the Local Authority.

Changes to the scope of our audit as a result of COVID-19

- We followed up any impact of COVID-19 on how internal controls operated, and revisited the risks around the valuation of PPE and investment property, and how officers had challenged the valuations provided to them by their specialists.

Executive Summary

Scope update

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports because of COVID-19. Due to the unprecedented events over the last twenty four months there was a requirement that all audit opinions issued by EY are consulted on centrally by the firm's Professional Practice Directorate to ensure a consistent and robust approach is taken. The changes to audit risks, audit approach and consideration on the impact on auditor reporting requirements have changed the level of work we needed to perform. We now need to complete a risk assessment matrix to assess the level of any internal consultation. For Reading we will also need to consult internally on any proposed amendments to any areas where we had previous qualifications of the accounts.

There will be an impact on the audit fee, but we are not yet in a position to quantify this.

Infrastructure Assets

An issue has been raised via the NAO's Local Government Technical Group as to whether local authorities should be assessing if there is any undepreciated cost remaining in the balance sheet for replaced components that needs to be de-recognised when the subsequent expenditure is added. This may also lead to issues related to the reporting of gross historical cost and accumulated depreciation as elements of depreciated historical cost. This is a national issue impacting the majority of clients holding material infrastructure assets.

CIPFA published in May 2022 its 'Temporary Proposals for the Update of the Code of Practice on Local Authority Accounting in the United Kingdom' on infrastructure assets. Following the CIPFA consultation, there may be enhanced guidance, or amendments to the CIPFA code. Asset registers do not tend to record infrastructure capital expenditure with sufficient detail to enable identification of prior cost of replaced parts/components and related accumulated depreciation. Given the challenges raised as a result of the level of information available, it is not possible to identify the cost and accumulated depreciation balances that need to be de-recognised. The issues effects additions to infrastructure from 2010/11 when IFRS was adopted by the CIPFA code of practice.

Infrastructure Assets have a Gross Book Value of £303.6 m as at 31.3.20. Given the material nature of this balance and the uncertainty around a resolution of the issue we have been in discussions with officers to assess the potential impact at Reading Borough Council. We will provide an update at the Audit & Governance Committee.

Status of the audit

We have substantially completed our audit of Reading Borough Council & Group's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit Planning Report.

We will need to assess at the conclusion of the audit the impact of our findings on the Authority's financial statements. In prior years we have qualified our audit report in a number of areas. 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.

Changes in Risk Assessment:

In our Audit Planning Report we presented our assessment of Significant Risks and Other Areas of Audit Focus. Since our planning we have re-assessed the risk around the IAS 19 Pensions Liability Valuation. This has been re-assessed as a Significant Risk as a result of additional work required to address issues raised in the letter from the Pension Fund Auditor, Deloitte. We have used our Pensions Specialists to support this work. Further details can be found at Section 2.

Incorrect valuation for pension liability due to significant judgement involved: Significant Risk (originally presented in our Audit Plan as an Other Area of Audit Focus)

We have also included some additional information regarding IFRS 16 Leases at Section 2.

There are no other 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.

Audit differences

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

We are also reporting a number of uncorrected adjustments greater than our reporting threshold details of which are recorded at Section 4. As the audit is still ongoing it is possible that further adjustments may arise. At the end of the audit we will ask that any unadjusted differences greater than our reporting thresholds are considered and referenced by management in the signed Letter of Representation.

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 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 2019/20 financial year. We therefore needed 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 2019/20 year.

1) Informed Decision Making:

1) In prior years we 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 previous years and we note that in 2019/20 not all noted deficiencies were corrected. As a result this finding it is noted as not having been fully corrected in 2019/20. We note also that Internal Audit confirmed a Limited Assurance Opinion for 2019/20. We have raised a number of recommendations in respect of the control environment at Section 7.

2) Working with Partners and Third Parties:

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 prior years. We committed to following up on this area in 2019/20. We reviewed the subsequent Ofsted inspection reports for 2019/20 and noted that despite pockets of improvement the consistent tone of the messaging in 2019/20 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 Working with Partners and Third Parties 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. Given the delay in the certification of the audit we do need to complete the WGA procedures for 2019/20 as the national submission deadline has now passed.

We have no other matters to report.

Independence

In our Audit Planning Report for 2019-20 presented at the January 2022 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

Risk of fraud in revenue and expenditure recognition, through inappropriate 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 substantially complete and in final review.](#)

To date 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 to date has not identified any 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

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What did we do and what judgements did we focus on?

We have:

- asked management about risks of fraud and the controls to address those risks;
- Ensured we understood the oversight given by those charged with governance of management's processes over fraud; and
- considered the effectiveness of management's controls designed to address the risk of fraud.

We also performed 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.

We used our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale.

What are our conclusions?

Based on the work completed to date we have not identified any evidence of material management override. We have not identified any instances of inappropriate judgements being applied or management bias. We have not identified any transactions during our audit which appeared unusual or outside the Council's normal course of business. [We will provide an update at the Audit & Governance Committee meeting with regard to the remaining audit fieldwork completed since this report has been drafted.](#)



Significant risk

Potential misstatement in valuation of land, buildings and investment properties due to significant judgements involved

What is the risk?

The Local Authority Accounting Code of Practice require the Council to make extensive disclosures within its financial statements regarding its land and buildings. The net book value of Property, Plant and Equipment (PPE) represents a significant balance (£1,016 million as at 31 March 2020) in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Investment Property balances were also material at £79 million as at 31 March 2020.

Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Additionally, the uncertain impact of COVID-19 on valuations and the material uncertainty clause included in the year-end valuation report reinforced our view that this should be classified as a significant risk.

What did we do and what judgements did we focus on?

We have:

- 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;
- Involved our internal valuation specialists to review a sample of PPE and Investment Properties;
- reviewed the internal challenge of external valuations by the Council's surveyor;
- 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) and challenged the key assumptions used by the valuers;
- 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 Investment Property. We also considered if there are any specific changes to assets that have occurred and whether these have been communicated to the valuers;
- Reviewed assets not subject to valuation in 2019/20 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;
- Tested to confirm that accounting entries have been correctly processed and disclosed within the financial statements;
- Ensured the appropriate disclosure has been made in the accounts concerning any material uncertainty relating to year end valuations; and
- Considered whether the disclosures relating to the above required an Emphasis of Matter within our audit opinion.



Areas of Audit Focus

Significant risk

Potential misstatement in valuation of land, buildings and investment properties due to significant judgements involved (continued)

What are our conclusions?

We have not identified any issues with the data sent to, and the report produced by, the Authority's valuer.

Our sample testing of valuations by our internal valuation specialists back to key asset information used by the valuer showed that the valuations carried out were reasonable. This included a sample of 10 assets across higher risk asset categories. All 10 assets were found to be within an acceptable range and there were no significant findings in respect of the key assumptions being applied.

In addition to the testing undertaken by our internal specialists the audit team also tested a number of assets across both PPE and Investment Properties. This work is substantially complete. To date we have nothing material from our work completed to date that we need to bring to the attention of the Audit & Governance Committee.

In Section 4 (Audit Differences) we highlight an adjustment in respect of Phoenix College which transferred to an Academy during the year and therefore was found to be still incorrectly on the Council's Balance Sheet. For associated correcting adjustments - see Section 4.

No issues were identified with the economic lives of assets.

Our testing of the journals for the valuation adjustments confirmed they have been accurately processed in the financial statements.

Our work to date has not identified any material issues we need to report to you.



Significant risk

Incorrect valuation for pension liability due to significant judgement involved

What is the risk?

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 Royal County of Berkshire Pension Fund, administered by the Royal Borough of Windsor and Maidenhead Unitary Authority (RBWM). At 31 March 2020 the pension fund deficit totalled £396 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Pension Fund Administrator.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates. This, alongside the impact of COVID-19 on asset values, led us to classify this as a significant risk.

In the prior year the 'McCloud' judgement impacted the estimate and resulted in an amendment of the net pension liability. We anticipate this will again be a key assumption in estimating the pension liability. We would expect the Authority's actuary to be basing their assumptions taking into account the Authority's specific membership profile and how it has been impacted by the judgement. We also note that there may be further developments in this area, potentially again coming after the balance sheet date.

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What did we do and what judgements did we focus on?

We have:

- liaised with the auditors of the Berkshire County Council Pension Fund to obtain assurances over the information supplied to the actuary in relation to Reading Borough Council.
- assessed the work of the Pension Fund actuary (Barnett Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments 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;
- assessed the impact of the McCloud and Goodwin legal rulings on the IAS 19 liabilities, including adjustments made by the Council and its actuary (Barnett Waddingham) in the production of the financial accounts and valuation report and
- engaged our internal actuarial Pensions specialists ('the Specialists') to assess the reasonableness of the rollforward of the IAS 19 Liabilities under the new accounting estimate ISA 540. This work is now concluded and the specialists were able to independently reconcile their roll-forward with the figures produced by the actuary as at the balance sheet date to a difference of < 1%. Having completed their review the Specialists were able to conclude that the figures for the Scheme's liability for the disclosures as per 2019/20 were acceptable relative to the prior year.



Areas of Audit Focus

Significant risk

Incorrect valuation for pension liability due to significant judgement involved (continued)

What are our conclusions?

We have assessed the work of the pension actuary (Barnett Waddingham) including the assumptions used. We have relied on the work of PWC - Consulting Actuaries commissioned by the NAO for all Local Government sector auditors, in turn reviewed by the EY actuarial team. We did not find any issues in this area. The accounting entries and disclosures within the Authority's financial statements had been carried out correctly based on the information the Authority received from the actuary.

We have liaised with the auditors (Deloitte) of Royal County of Berkshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Authority. The response to our request was provided on 21 May 2021 however did not completely answer all the work we requested, and therefore we were required to carry out additional procedures and involve our EY pensions specialists to ensure we have the appropriate audit evidence.

Issues that have been identified by Deloitte in relation to their audit of the Royal County of Berkshire Pension Fund that members should be aware of are;

- Based on the evidence obtained from a walk-through of the key controls identified over maintaining member records; updating member records for employer monthly/annual data returns and changes identified by members, it was noted that there is no record of any formal checks performed over the data extracted from the administrative systems by a senior team member. As a result, Deloitte did not consider the controls to be designed and implemented satisfactorily and recommendations have been made to management in respect of those controls. We have considered the impact on the Council's accounts and we have concluded that this has no material effect on them.
- It was identified that there was a significant risk over the valuation of the longevity swap. The design and implementation of controls over the valuation of this investment at the Fund were tested. Based on the evidence obtained from a walk-through of the key control identified and it was noted that there was no record of any formal challenge by the Fund to the mortality assumption and discount rate. As a result, Deloitte did not consider the controls to be designed and implemented satisfactorily and recommendations have been made to management in respect of those controls. We have considered the impact on the Council's accounts and we have concluded that this has no material effect on them.
- During the audit work it was noted that the Fund made an unauthorised overnight loan to RBWM of £1.2m during the year ended 31 March 2020. This is a control weakness identified by Deloitte and an indicator of poor governance. Following consideration of the permissibility of the overnight loan and the associated control weakness, we understand that the Fund has reported the issue to the Pensions Regulator. This has not impacted the Council's audit, but is something Members should be aware of.



Areas of Audit Focus

Significant risk

Incorrect valuation for pension liability due to significant judgement involved (continued)

What are our conclusions?

- For the Council, Deloitte have reconciled the total number of active, deferred, pensioner and dependents members submitted to the actuary to the IAS19 report produced by the Actuary. Difference of 179 were noted in relation to active members, (279) were noted in relation to deferred members (including “undecided” members) and 10 were noted in relation to pensioner and dependant members. The Pension Fund auditor test does not provide assurance on completeness and accuracy of individual employer membership data submitted to the actuary. Therefore, we have involved our EY pensions specialists to review this area in order to assess if there was the potential for a material misstatement in the LGPS liabilities. [Our Pension specialists have reviewed the rollforward of liabilities specifically for the Council and these have been confirmed as reasonable.](#)
- [Deloitte also highlighted that valuations of some of the Fund’s property fund investments that have a total value in the financial statements of £251.210m. Included in the Fund’s property fund is alternative funds in which Deloitte noted that there were overstated in the financial statements by approximately £31.5m. This misstatement was adjusted in the final financial statements. In discovering and resolving this misstatement it was noted that there was no process or control in place to determine the valuation of lagged price funds as at the year-end, or to update the financial statements if new information came to light they were signed.](#)

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[Findings and observation of the audit team testing of the assumptions relating to the pension liability](#)

- The procedures on the agreement we performed on the IAS19 report and the pension scheme liability disclosures in the account did not result to any exceptions noted.
- Our review and assessment of the assumptions used by the Barnett Waddingham (actuary) for the present value of defined benefit obligation is in line with the assessment performed by our EY Pension Specialist and there were no exceptions raised by the specialist. Any matters raised for action are dealt with by the audit team. Further, the testing and reconciliation we performed on the benefits and contribution did not result to any difference above our reporting threshold.
- Our reconciliation of the reported fair value of plan assets and the share of RBC to adjusted net assets of the pension fund resulted to a judgemental difference of £1.180m. The reported fair value of plan assets is higher as compared to the calculation performed on the share of RBC to adjusted net assets of the pension fund. We included the difference as part of the uncorrected judgmental mis-statements at Section 4.
- The emergence of another discrimination case in June 2020, originating within the Teacher’s Pension Scheme (i.e. Goodwin) resulted for the team to reassess the present value of defined benefit obligation. As per the consultation of our EY Pensions, for larger employers such as local authorities, a pragmatic approach may be to simply adopt the average 0.2% estimate and given its infancy and uncertainty, allow for a contingent liability as a note to their accounts in 2019/20. We have calculated for the impact of the Goodwin legal judgment to the present value of the defined benefit obligation which is calculated at 0.2% of £777.124m which amounted to £1.554m. We will include this judgemental adjustment as part of our uncorrected mis-statements at Section 4. For clarity these matters have not been amended at the Pension Fund or the Council and this is the estimated potential impact on the liability.

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>Going Concern Compliance with ISA 570</p> <p>This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.</p> <p>The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee.</p> <p>The CIPFA Guidance Notes for Practitioners 2019/20 accounts states 'The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.'</p> <p>NAO guidance notes to auditors accepts that whilst the technical position regarding the going concern basis of accounting is clear, there may be a tension between the going concern assumption and the significant resource issues some authorities are facing.</p> <p>It is therefore important that authorities and auditors are aware of the requirements for assessing going concern in the local government context and consider the requirements of IAS 1 and the accounting code. Where relevant, this may require the inclusion of appropriate disclosure, for example within the narrative report.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Challenged and tested management's identification of events or conditions impacting going concern (i.e. the impact of Covid-19 on fees and charges), particularly areas where there is the risk of management bias • Carried out a greater amount of work to challenge management's assessment of going concern, which has included auditing cashflow forecasts covering a period of 12 months from the date of issuing the audited financial statements. • Applied necessary consideration regarding the appropriateness of financial statement disclosures around going concern • Carried out our work in the context of, and with due consideration of, the Practice Note 10 definition of public sector Going Concern <p>Our work on Going Concern has started and we have made some initial enquiries of management for supporting documentation. We will conclude our work on Going Concern at the same time as the conclusion of the audit as the disclosures and data need to reflect the current position as at the date of the audit sign off. We will provide an update at the Audit & Governance Committee.</p>

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>Group accounts: differences in accounting policies of the components</p> <p>We performed the group scoping for the subsidiaries of Reading Borough Council in 2019/20 and identified no new significant components.</p> <p>We will continue to focus on Brighter Futures For Children Limited and Homes for Reading Limited. Reading Transport Limited remains significant from our 2018/19 audit.</p> <p>We are aware that all the subsidiaries follow FRS102 for their accounts preparation, while the Council's group accounts follow the CIPFA Code, supported by IFRS.</p>	<p>We:</p> <ul style="list-style-type: none"> 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 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. <p>Our work on Group accounts and accounting is ongoing.</p> <p>We will provide an update at the Audit & Governance Committee meeting.</p>
<p>Group accounts: potential error in consolidation process due to the change in accounting period of RTL</p> <p>In 2019/20, Reading Transport Limited (RTL), as a wholly owned subsidiary of the Reading Borough Council changed its financial accounting period from 23 September to 5 April. RTL issued an audited financial statement covering an 18 month period from 24 September 2018 to 5 April 2020. As a result of the related changes, there is a high likelihood that an error may occur on the consolidation process of RTL to the Group Accounts of the Council.</p>	<p>We:</p> <ul style="list-style-type: none"> Obtained management group consolidation working paper for 2019/20 and performed a review of the individual subsidiary balance whether the balance were traced back to the audited financial statements of subsidiaries; Reviewed RTL consolidation balances to assess if they were correctly reflected the balances covering the period from 1 April 2019 to 31 March 2020. Assessed whether the eliminating entries for consolidation are appropriate and reflected correctly in the disclosures. Checked additional disclosure requirements in the Group Accounts of the Council relating to the change in the accounting period of RTL. <p>Our work on Group accounts and accounting is ongoing.</p> <p>We will provide an update at the Audit & Governance Committee meeting.</p>

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>Higher Estimation Uncertainty Over the Value of PFI</p> <p>The Council is engaged in two Private Finance Initiatives (PFI) contracts: one is with FCC (RE3 Limited) for the shared Waste PFI with Bracknell Forest Borough Council and Wokingham Borough Council and the other with Affinity (Reading) Limited for the North Whitley Housing PFI scheme. After an assessment under the requirements of IFRIC 12, it has been determined that both arrangements are controlled by the Council.</p>	<p>We:</p> <ul style="list-style-type: none"> • 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 2019/20 accounts and ensure that they are reported in line with the standards. • Included a PFI specialist to review the 2 models against independently derived models to assess their output. <p>Our work on PFI is substantially complete.</p> <p>In 2019/20 we involved our internal specialist to complete an update review of the 2 PFI models: Waste and Housing.</p> <p><u>Waste PFI Model:</u></p> <p>Our internal specialist has completed their review of the model and has concluded that that the Waste Model continues to be Code compliant producing materially correct outputs for disclosure in the financial statements.</p> <p><u>Housing PFI Model:</u></p> <p>Our internal specialist has concluded their review of the model and has concluded that that the Housing Model continues to be Code compliant producing materially correct outputs for disclosure in the financial statements.</p> <p>Alongside the work of the PFI internal specialist we have been reviewing all of the PFI disclosure notes to ensure that the 2 PFI models are accurately reflected in the draft financial statements and disclosures. We will provide an update at the Audit Committee meeting.</p>

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>Potential error in the accounting treatment of cash reconciling items in main bank account reconciliation</p> <p>During the 2018/19 audit, we identified an issue on unexplained and untraceable cash reconciling items in the main bank account reconciliation of the Council. Management was required to provide resolution over the related issue noted in 2018/19. However, initial discussion with the management revealed that the same issue still exists and management is currently working on this to resolve the issue.</p> <p>As a result of the above issue, we believe that there is a higher inherent risk that errors in accounting treatment of the related cash reconciling items may occur.</p>	<p>We:</p> <ul style="list-style-type: none"> • Obtained management’s revised bank reconciliations for the main bank account/s. • Performed a review of the bank reconciliation of the main accounts focusing on the bank reconciling item and testing at lower thresholds. • Assessed the accounting treatment of the reconciling items and trace the journal entries made to identify any inappropriate treatment. <p>Our work on the Bank Reconciliations is substantially complete. The officers have performed an assessment of the clearance of Cash in Transit items and we are finalising our work on the bank reconciliation of the main bank account. This will include an assessment of the reconciling items. We will provide an update at the Audit & Governance Committee.</p>

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Other areas of audit focus (continued)

What is the risk/area of focus?

IFRS16 – leases

IFRS 16 Leases was issued by the IASB in 2016. Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as “pay as you go” arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

Implementation of IFRS 16 will be included in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2022/23. This Code has yet to be published, but in July 2019 CIPFA/LASAAC issued ‘IFRS 16 leases and early guide for practitioners’.

This early guidance provides comprehensive coverage of the requirements of the forthcoming provisions, including:

- the identification of leases
- the recognition of right-of-use assets and liabilities and their subsequent measurement
- treatment of gains and losses
- derecognition and presentation and disclosure in the financial statements,
- the management of leases within the Prudential Framework.

The guidance also covers the transitional arrangements for moving to these new requirements, such as:

- the recognition of right-of-use assets and liabilities for leases previously accounted for as operating leases by lessees
- the mechanics of making the transition in the 2021/22 financial statements (including the application of transitional provisions and the preparation of relevant disclosure notes).

What did we do?

The new standard was not included in the 19/20 CIPFA Code of Practice and has been delayed until 2023/24.

Full compliance with the revised standard for 2023/24 is likely to require a detailed review of existing lease and other contract documentation during 2022/23 in order to identify:

- all leases which need to be accounted for
- the costs and lease term which apply to the lease
- the value of the asset and liability to be recognised as at 1 April 2021 where a lease has previously been accounted for as an operating lease.

We have concluded that there is no impact on the 2019/20 financial statements.



03 Draft Audit Report



Draft Audit Report 2019-20

Draft audit report 2019-20 – To Follow at Conclusion of Audit

Reading Borough Council 2019-20

Our opinion on the financial statements

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04 Audit Differences





Audit Differences

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

Summary of adjusted differences agreed to date

We highlight the following known misstatements greater than £0.242 million (audit difference) which have been corrected by management that were identified during the course of our audit:

The following are differences identified by either the Council or the audit team that were agreed to be adjusted in the financial statements

- Reclassification of short term borrowings to long term borrowings amounting to £10.129m as a result of the incorrect booking in the general ledger accounts of the short term and long term borrowings.
- Derecognition of the Phoenix College from the fixed asset register and from records of the Council due to its conversion to academy in 2019/20. The adjustment resulted in a reduction in the value of Property, Plant and Equipment (PPE) by £2.132m, recording of loss on disposal of non-current assets and reduction of revaluation reserve to capital adjustment account amounting to £1.263m
- Adjustments relating to the housing benefits overpayment to correct the amount recorded in the general ledger and the housing benefits reconciliation. The adjustments resulted to a decrease in short term debtor and increase in corporate support services expenses amounting to £0.586m
- Impairment of duplicate council dwellings already reported in the other land and buildings. The adjustment resulted to a decrease in council dwellings and increase in housing revenue account expense £0.337m.
- Reversal of unsupported adjustments on bad debt provision amounting to £0.671m. The adjustments resulted to an increase in adult care and health services expenses and decrease in short term debtor balance.
- Adjustment in bad debt provision due to the incorrect calculation of bus lane and special parking bad debt calculation. The adjustments resulted to an increase environment and neighbourhood services expense and a decrease in short term debtor (i.e. allowance for bad debts) amounting to £0.564m
- Adjustments in the calculation of housing rental accounts bad debt provision reported in the short term debtor. The adjustments resulted to an increase in short term debtor (i.e. allowance for bad debts) and decrease in environment and neighbourhood services expenses amounting to £0.314m.
- Other adjustments below the audit difference above which the council opted to update in the financial statement.

Below are adjustments that were identified errors by the Council which were already communicated to the audit team, and are currently under review by the audit team.

- Adjustments on the intercompany balances between BFFC and RBC. The adjustments are affecting the balances reported in short term debtor, children education and early help service expenses and corporate support service expenses.



Audit Differences (continued)

Summary of adjusted differences agreed to date (continued)

Misstatements in the note disclosures:

There are also a number of other presentational and disclosure amendments which management have agreed to be corrected so far.

- The notes disclosures affected by the reclassification of short term borrowing to long term borrowings, derecognition of Phoenix College and reclassification of BFFC short term borrowing to long term borrowing should be update these changes. The affected notes include the short term debtor, long term debtors, financial instruments and others.
- Updates on the notes relating to assumptions and key estimates due to the amount reported in the NDR appeals provision.
- Updates on the financial instruments note relating to the revised short term debtor workings.
- Updates on the disclosures relating to accounting policies that are not in line with CIPFA Guidance Note.
- Correction of the earmarked reserves note relating to the inclusion of contras transactions in the transfer in/out amounts. The earmarked reserves affected by the changes in the disclosure amount include: collection fund smoothing, organisational change, parking and transportation and resilience earmarked reserves.
- The segmental analysis of I&E should provide segmental analysis of revenue generated from external customers. The note currently shows only segmental analysis of grant income.

Incorrect presentation of the insurance provision as "other" instead of "Insurance provision". The change in the note amounted to £1.8m. The note does not affect the total amount in the trial balance or the amount presented in the balance sheet of the statement of account and is merely a presentation issue.

There are also a number of casting and consistency checks which the management agreed to correct in the latest version of the account.

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Summary of un-adjusted differences

The following are the uncorrected audit adjustments identified so far by the audit team greater than our reporting threshold of £0.242 million.

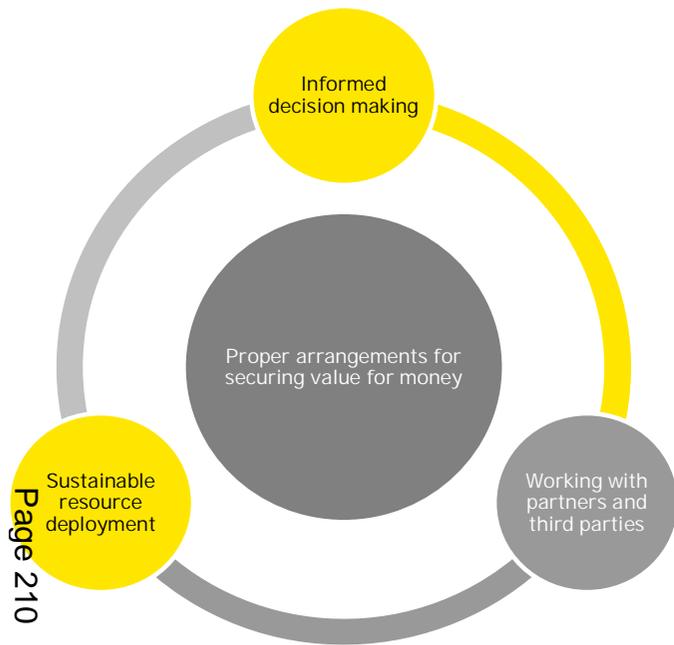
- Understatement on the pension schemes liability of £1.180m as a result of understatement in fair value of plan assets. Our reconciliation of the reported fair value of plan assets and the share of RBC to adjusted net assets of the pension fund resulted to a judgemental difference of £1.180m. The reported fair value of plan assets is higher as compared to the calculation performed on the share of RBC to adjusted net assets of the pension fund. We have included the difference as part of the un-adjusted differences.
- Understatement on the pension schemes liability of £1.554m as a result of the Goodwin impact. We have calculated for the impact of the Goodwin legal judgment to the present value of the defined benefit obligation which is calculated at 0.2% of £777,124m which amounted to £1.554m. We will include this judgemental adjustment as part of our un-adjusted differences.
- Projected overstatement in adult social care income and expenditure amounting to a £0.996m and £0.948m, respectively.

We will continue to review the unadjusted audit differences and will report the position at the end of the audit should any unadjusted differences be greater than £0.242 million. At the conclusion of the audit we will also need to assess any potential turnaround impact of prior year unadjusted differences.



05

Value for Money



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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 2019/20 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 (AGS)..

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 2 of the 3 sub-criteria and our VFM conclusion opinion was qualified with an adverse opinion.

During 2018/19 due to the progress in financial reporting we removed the qualification in the following area:

Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance information. This therefore removed the previous qualification on 'Sustainable Resource Deployment'.

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;
- Working with Partners and Third Parties

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 2019/20 value for money conclusion we have specifically focused on revisiting the recommendations made as part of the 2017/18 and 2018/19 audits 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.

Sustainable Resource Deployment

- 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

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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 (continued)

In respect of the appropriateness and reliability of financial information and reporting we have seen positive progress in this respect in 2019/20 as evidenced in the positive movement on financial outturn in 2019/20 resulting in a £7m underspend. This has been helped by more accurate financial reporting in 2019/20 as well which has enabled management to make better informed decisions.

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 £52.6m in Earmarked Reserves as at 31 March 2020 (PY: £43.8 m). As a result we are satisfied with arrangements in place in this area.



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?

- 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 2019/20. We also note that the Head of Internal Audit Opinion reverted in 2019/20 to an assurance conclusion of: Requires Improvement (PY: Reasonable Assurance).

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 2019/20. 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?

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.

Ofsted concluded that Children’s services in Reading were 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 report and in its update letters, issued in July 2019 and October 2019 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 2019/20:

July 2019 Inspection Report	October 2019 Inspection Report
<ul style="list-style-type: none"> - Performance management data and audits have identified areas for improvement but this is impeded by lack of staff; - Although some improvements in service e.g. children and young people disability team, progress is slow, uneven and when made, is not always sustained; - Despite commitments from senior leadership to improve - not translated into the quality of service that children in Reading receive. 	<ul style="list-style-type: none"> - Frequent changes in senior management have slowed down progress; - Some children aren’t still properly assessed and understood; - Evidence of improvement in most areas since last inspection; - Quality of assessments has improved but not all are completed in a timely manner.

Taking the reports as representative of the position in Children’s services in 2019/20 there is evidence of improvement on the inspections taking place. We know for example that OfSTED updated its conclusion in respect of Children’s Services. This moved the assessment from Inadequate to Requires Improvement.

During 2019/20 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 Reading’ was incorporated in December 2018 and this has been 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 2019/20 and results in a qualification on Working with Partners and Third Parties. 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 2019/20 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 2019/20 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.

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 2019/20 accounts we are not required to complete the certification as the national WGA certification for 2019/20 has been completed and closed for further submissions. This was also the position for the 2018/19 WGA submission.

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 nothing further that we need to draw to the attention of the Audit & Governance Committee.



07

Assessment of Control Environment

Assessment of Control Environment – 2018/19 and 2019/20

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 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 2018/19 and to assess the status of these issues and also report additional following matters identified in 2019/20.

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2019/20 audit. At the completion of the audit we will issue a formal management letter containing all of the identified points.

	High	Moderate	Low	Total
New issues raised in FY 18/19	6	6	0	12
New issues raised in FY 19/20	0	1	0	0

- 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 – Reported in 2018/19

<p>Area</p> <p>HRA Financial Management</p>	<p>Rating</p> <p>■</p>	<p>Area</p> <p>MRP Changes in Methodology</p>	<p>Rating</p> <p>■</p>	
<p>Page 220</p> <p>Observation</p>	<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>		<p>Observation</p>	<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>
<p>Management comment</p>	<p>Agreed. An internal audit also identified weakness in the financial management of the HRA. These were reported to Audit & Governance committee on 20 April 2021. A new procedure for the financial management of the HRA has been agreed and is in the process of being implemented that will address this control deficiency.</p>		<p>Management comment</p>	<p>Agreed. The updated MRP policy was properly agreed by Council on 28 February 2018 but it did not expressly address the matter of how the new policy allowed for prudent provision to be made. This will be addressed when the MRP policy is presented to Council for approval in February 2022.</p>

Assessment of Control Environment – Reported in 2018/19

Area

Schools' Reporting Monitoring/Reconciliation Processes

Rating



Page 221
Observation

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.

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.

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.

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.

Management comment

Agreed. RBC Finance staff have met with the relevant BFFC staff and agreed changes to the process of allocating grants to maintained schools from 2021/22 which will resolve the potential to double count the grant related expenditure and income. Specific codes will be used for grant reallocations to maintained schools thus making easier to track and identify the transfer of grants from RBC and the income in maintained schools' codes and to reverse these entries on consolidation. The change of coding above can only be introduced from 2021/22 as it requires changes to the current schools' processes and these will need to be communicated and set up before they are implemented.

For the 2019/20 and the 2020/21 accounts an additional task has been included in the closing timetable/task list to complete a working paper identifying and reconciling all grants passed to maintained schools and to complete a reserving journal in the RBC accounts to remove the impact of the grant transfer and school's income on consolidation.

Assessment of Control Environment – Reported in 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 222</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.</p> <p>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.</p> <p>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>Agreed. The s151 officer and deputy s151 officer will both be tasked with carrying out an overall analytical review of the draft accounts before publishing the accounts and submitting them for audit.</p>		<p>Management comment</p>	<p>Agreed. The review of impairment of material investments has been built into the Council's year end task list/timetable and this work has been completed for the 2019/20 draft accounts.</p>

Assessment of Control Environment – Reported in 2018/19

Area Bank reconciliation was incorrectly performed and was not carried out frequently

Rating ■

Area Inconsistencies in the supporting documents received and the records of the starters and leavers

Rating ■

Page 223
Observation

During the 2018/19 audit, we noted that the bank reconciliation process was not performed in a monthly basis until January 2019.

In 2018/19 and 2019/20, 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.

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.

Observation

Our substantive testing on the starters and leavers during the 2018/19 and 2019/20 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:

2018/19 Findings

- 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.

2019/20 Findings

- Inconsistency in the start date as per the first payslip and the stater form for some of new joiner
- Last pay slip date is after the leaver date for some of the leaver sample selected.

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

Agreed. Bank reconciliations are now completed on a monthly basis and reviewed and approved by the Chief Accountant. The issues relating to the cash control account reconciliation which links to the bank reconciliation and cash in transit balance are being investigated to identify the variance and improve the processes.

Management comment

Agreed. Significant changes have been made in HR systems since 2018/19.

Assessment of Control Environment – Reported in 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 in 2018/19 and 2019/20.
- No reconciliation performed between the general ledger account and subsidy claim form to determine the correct amount of housing benefit expenditure to be recorded in 2018/19
- 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 in 2018/19 and 2019/20.

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 walkthrough procedures noted instances in the accounts payable and accounts receivable process that the review and approval process was not implemented effectively. This includes the following:

- No review or approval process observed for the inputs in the supplier database.
- There was no authorisation required for the receipt of goods in the system
- Any employee can raise an invoice and set up a customer account.
- There were no set guidelines for evaluating request to raise credit notes.

The control recommendation is that a proper review and approval process should be made across all the accounts

Management comment

Agreed. The reconciliation issues raised are being dealt with as part of a wider review of the Council's financial reconciliations. This work is currently in progress and improvements will be implemented during 2021/22. In the meantime additional work is being carried out to review the reconciliations for 2019/20 and 2020/21 for sundry debtors and housing subsidy.

Management comment

The supplier inputs process is now completed by the Procurement Team to ensure a segregation of duties from Accounts Payable. A report of all supplier changes is generated weekly for review by senior officers in the Procurement Team due to the volume of supplier changes, this process is currently under review.

Assessment of Control Environment – Reported in 2018/19

Area Control environment surrounding transactions between the Council and Brighter Futures for Children

Rating ■

Area Disposal of Assets

Rating ■

Pages 25

Observation

During the 2018/19 audit we identified a number of different errors in respect of the transactions between the Council and the new subsidiary 'Brighter Futures for Children' (BFFC). The component auditor also reported findings in respect of their audit of BFFC. We recommend that a thorough review or audit is conducted to ensure that all issues highlighted have been thoroughly completed and fully resolved.

Observation

We noted that there was a decision made in respect of the disposal of an asset which was based on a valuation report dated after the date of the decision. All decisions should be made on the information available as at the date of the decision.

Management comment

Agreed. BFFC transaction reconciliations are now in place to control the movements between RBC and BFFC for intercompany transactions. In addition, regular meetings take place between RBC and BFFC to review the reconciliations and as part of the contract monitoring process. Grant payments to BFFC have now been reconciled and improvements are in the process of being implemented during 2021/22 to improve the monitoring and control of the payments. A procedure note of the reconciliation processes and controls has been produced and shared with the relevant staff.

Management comment

Agreed. Although the valuation report confirms that best value was achieved in this case, it is accepted that the Council's procedures could be clarified. In any case where there is a suggestion of a sale at an undervalue, and the disposal has not been subject to an open market tender process, an independent valuation report should be made available to the decision maker at the time of the decision. In those cases where the sale is made to the highest bidder in an open market process, the details of the process followed will be included in the report to the decision maker so it is clear that best value is achieved. Where there is any renegotiation of terms based on a previously agreed disposal, either open market or private treaty, this too should be supported by independent valuation advice to the decision maker to ensure that best value can be evidenced. The Council will implement a protocol for disposal of assets which reflects this.



Assessment of Control Environment – Reported in 2018/19 2019/20

Area	Approval of new reserves	Rating	■
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Area	Clearing of suspense account and holding codes	Rating	■
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Observation

During the audit we identified a number of reserves which had been created but which did not have formal approval.

Observation

During the review of the short term debtor, we noted cash suspense account on credit balance which were not applied or cleared against the short term debtor account.

We would expect that all suspense and holding accounts should be cleared and segregated from the rest of general ledger accounts for financial statement reporting.

Management comment

Agreed. We will ensure that in future all reserves have formal approval as part of the regular communication of financial reporting through to those charged with governance.

Management comment



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 2019/20, 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.

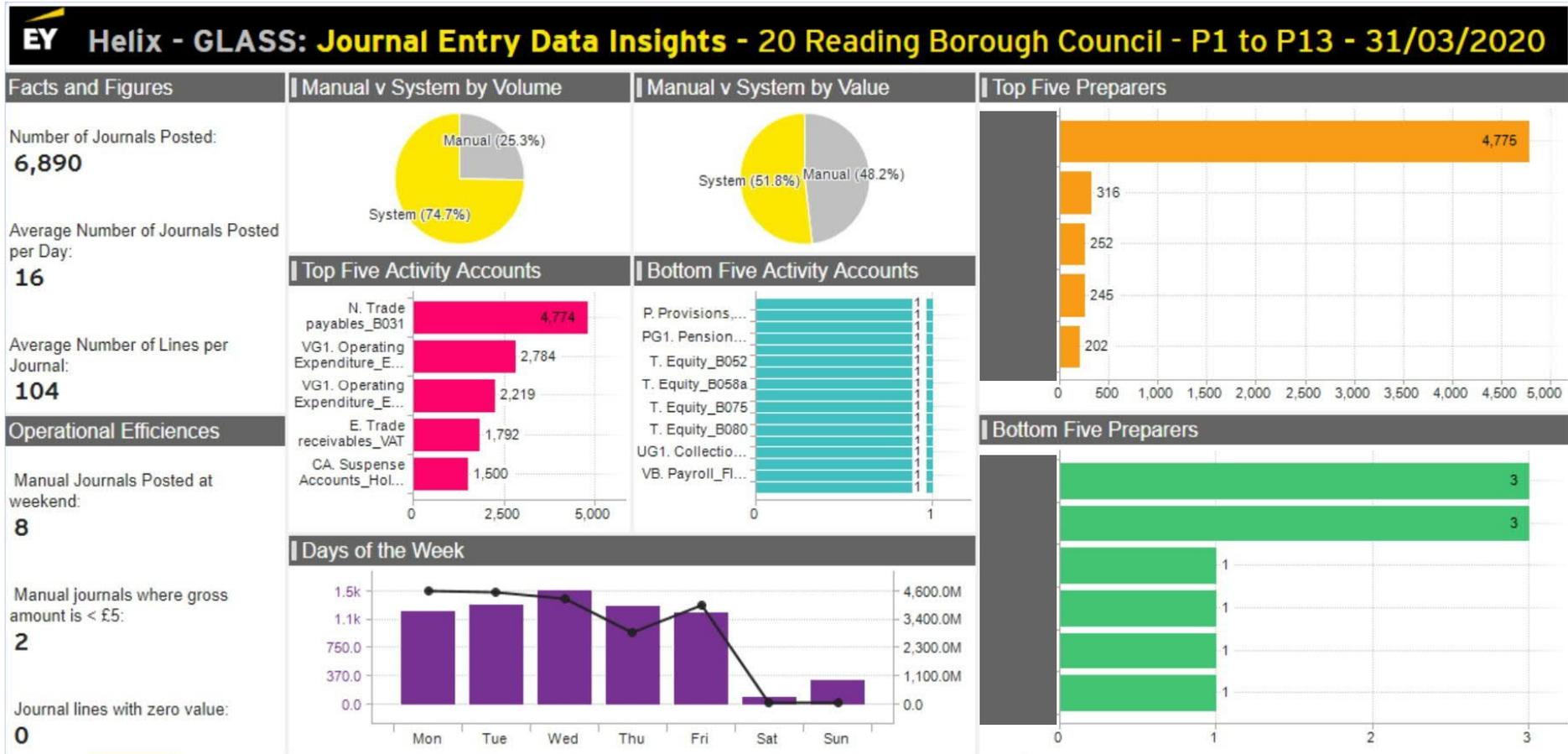


Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2019/20. 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

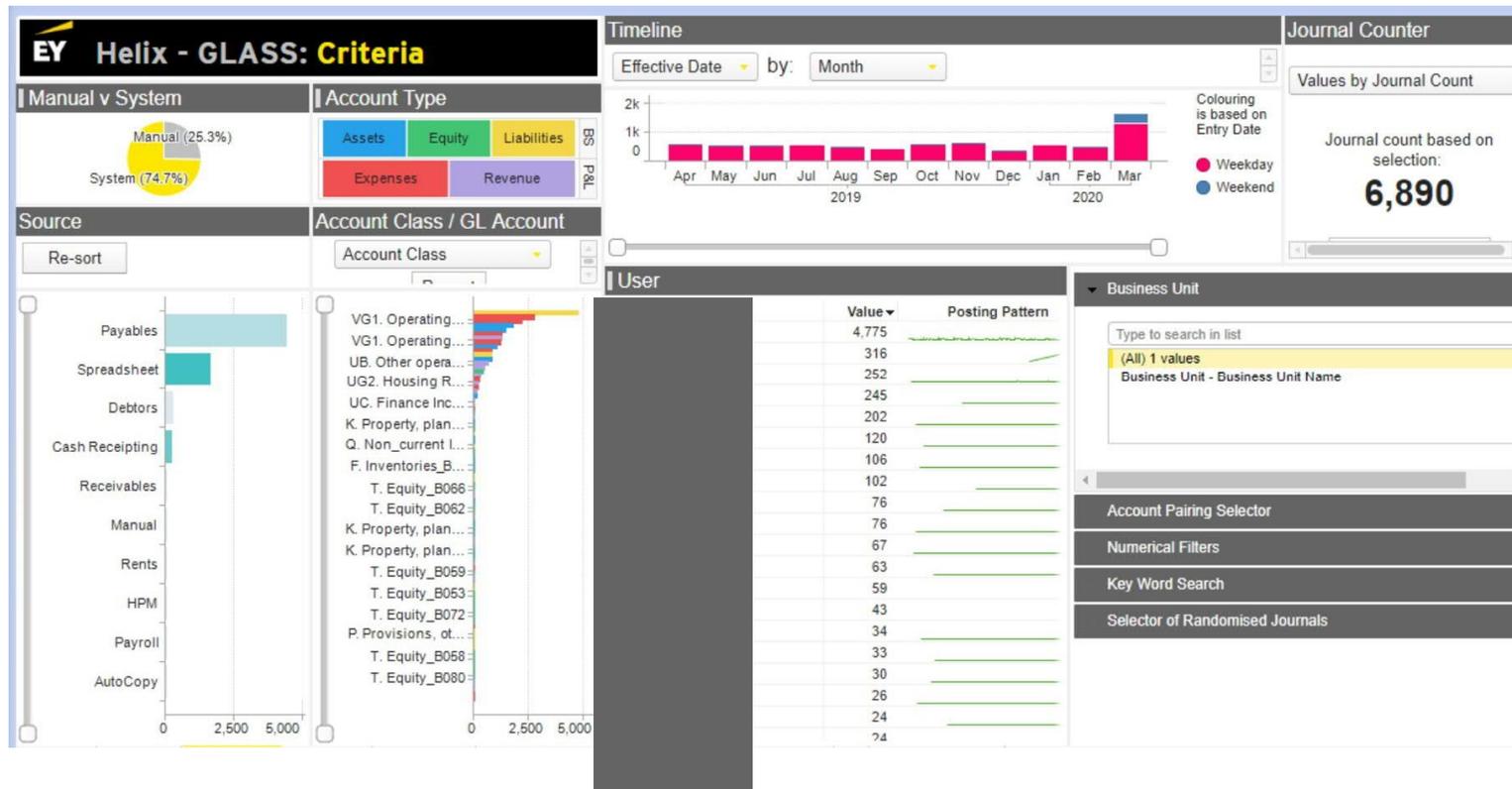
What is the risk?

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 2020



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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.

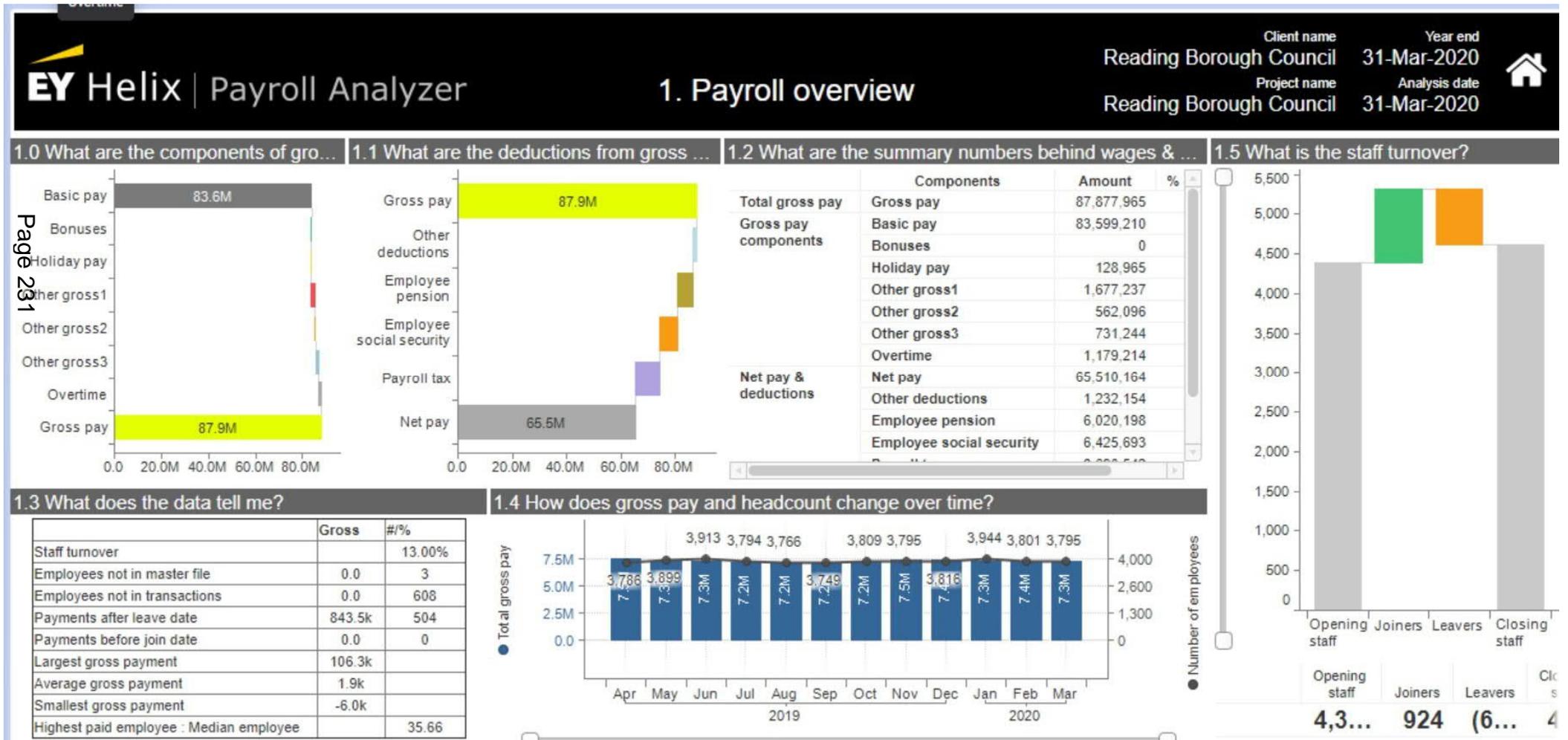
What are our conclusions?

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.



Payroll Analyser Insights

The graphic outlined below summarises the payroll data for 2019/20. We review transactions for payroll at a more granular level, which allows us to identify items with a higher likelihood of containing material misstatements or to identify unusual patterns within a population of data and to design tests of details. This allows us to provide a more effective and risk focused audit on payroll, improving efficiency for both audit and the management as we reduce the need for evidence support for larger random sample.



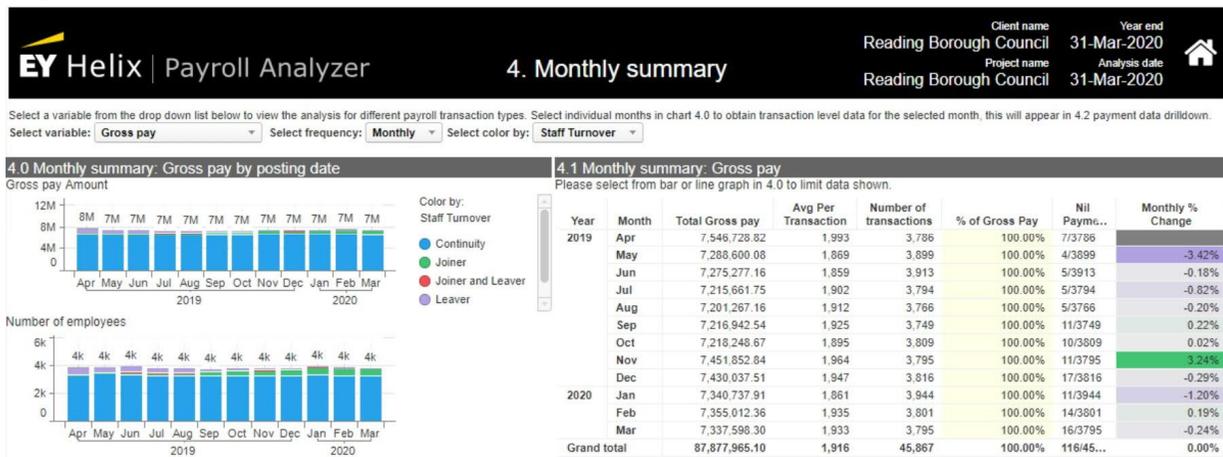


Payroll Testing

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 2020



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 appear 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.



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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 2022.

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 12 April 2022.

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 2020 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 2020/21.

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 2020.

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 2019/20	Planned Fee 2019/20	Scale Fee 2019/20	Final Fee 2018/19
	£	£	£	£
Total Audit Fee – Code work	TBC**	TBC**	108,938	382,905*
Housing Benefits	34,591	34,591	34,591	18,623
Non-audit work – Housing Capital Receipts	TBC***	7,500	7,500	7,000
Non-audit work – Teacher's Pensions	11,000	11,000	11,000	10,500
Total non-audit services	TBC***	53,091	53,091	36,123

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All figures are exclusive of VAT

* - Due to the extensive and pervasive issues identified during the 2018/19 audit, certification was delayed by approximately 1 year and required significant additional audit input including significant specialist input. The 2018/19 accounts were qualified on a number of specific areas. An additional fee of £273,967 was incurred and this was approved by Public Sector Audit Appointments Ltd (PSAA) in February 2022 following review of EY audit documentation and meetings with officers. The total fee of £382,905 includes the additional fee of £273,967 and the scale fee of £108,938.

** - Given the significant issues identified in the 2018/19 audit, including qualification of the accounts, there will be additional fee on the 2019/20 audit. As the audit is still not complete we have not yet agreed this additional fee. Similar to 2018/19 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

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

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 
October 2021 through to January 2022	Meetings	There were a number of meetings to discuss progress with the audit and planned timings for completion – these were updated as progress was made so that all parties were up to speed on the latest position. This included senior officers including the Director of Finance and senior members of the audit team including the Associate Partner.
29 November 2021	Meetings	Senior members of the audit team met with the Chief Internal Auditor to discuss their 2019/20 Annual Internal Audit Report and also to discuss the latest position on the control environment
January 2022	Report	The draft 2019/20 Audit Plan, including confirmation of independence, was issued to the Audit Committee.
January - April 2022	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 plan and audit results report and specifically to discuss timelines for completion of the 2019/20 audit and also the indicative planned timescales for completion of the 2020/21 audit.
March 2022	Meeting	The Senior Manager and Assistant Manager met with the Director of Finance to discuss the wider Group structure as part of the audit consideration of Going Concern
April 2022	Report	The draft 2019/20 Audit Results Report, including confirmation of independence, was issued to the Audit Committee.
April 2022	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 plan and audit results report and specifically to discuss timelines for completion of the 2019/20 audit and also to discuss significant findings arising from the 2019/20 audit.
July 2022	Meeting	The Partner and senior members of the audit team met with the Director of Finance and senior members of the management team to provide an update on the status of the audit and to discuss the draft audit plan and audit results report and specifically to discuss timelines for completion of the 2019/20 audit and also to discuss significant findings arising from the 2019/20 audit. The meeting also focused on future year audits and wider issues impacting on the sector.
July 2022	Meeting	The Senior Manager 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 specifically to discuss timelines for completion of the 2019/20 audit as well as to inform the Committee that the 2020/21 audit would be also starting in August 2022.

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.

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 2022 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 2022 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 April & September 2022 Audit & Governance Committee meetings

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Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	We have identified Covid-19 as an event or condition and we will be completing a process of internal consultation to determine the impact on our audit opinion. Draft Audit results report presented to the April & September 2022 Audit & Governance Committee meetings
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 April & September 2022 Audit & Governance Committee meetings
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 April & September 2022 Audit & Governance Committee meetings
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 April & September 2022 Audit & Governance Committee meetings

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 April & September 2022 Audit & Governance Committee meetings</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 & April & September 2022 Audit & Governance Committee meetings</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 April & September 2022 Audit & Governance Committee meetings
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 April & September 2022 Audit & Governance Committee meetings
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 2022 Audit & Governance Committee. Draft Audit results report presented to the April & September 2022 Audit & Governance Committee meetings

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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 April & September 2022 Audit & Governance Committee meetings
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Draft Audit results report presented to the April & September 2022 Audit & Governance Committee meetings
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Draft Audit results report presented to the April & September 2022 Audit & Governance Committee meetings
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report and draft audit results reports presented to the January; & April & September 2022 Audit & Governance Committee meetings
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 
Receipt of final signed Statement of Accounts 2019/20 and Letter of Representation	Management to update the Statement of Accounts for all agreed amendments including disclosures. At the conclusion Management and TCWG to review and sign the Statement of Accounts and Letter of Representation	Management, TCWG and EY
Going Concern	EY to review all evidence supporting the use of the Going Concern assumption for the preparation of the 2019/20 Council and Group Statement of Accounts	Management and EY
Income and Expenditure (I&E) Testing	EY to complete final review of I&E testing and to assess impact of errors.	Management and EY
Property, Plant and Equipment (PPE) and Investment Property (IP) Testing	EY to complete final review and documentation of PPE and IP sample testing.	Management and EY
IAS 19 Pensions Liability Testing	EY to conclude work on IAS 19 Liability testing.	Management and EY
Short term debtors and Short term creditors	EY to conclude on the other areas under short term debtors and short-term creditors. Please note that samples or clarification may be raised depending on the review of the balances.	Management and EY
All other disclosures	EY team to complete work on All Other disclosures	Management and EY
Cash and cash equivalents	Bank reconciliation for the year 2019/20 and supporting schedules of the cash in transit. EY is monitoring the bank confirmation responses received.	Management and EY
Group	Work required to complete work on Group scoping	Management and EY

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 2020. 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 2020 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 2019/20 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 the mis-statements which you have identified during your audit. 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 2019/20 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 2019/20 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 2019/20 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]

6. We confirm the Group and Council does not have securities (debt or equity) listed on a recognized exchange.

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.

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 25 January 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

7. From the date of our last management representation letter dated 29 September 2021 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. Going Concern

1. Note 1 to the consolidated and Council financial statements discloses all 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.

F. Subsequent Events

1. Other than the events described in Note 6 to the consolidated and Council financial statements, there have been no other 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.

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. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst Council, subsidiary undertakings and associated undertakings.

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. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

J. Reserves

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

Management representation letter

Management Rep Letter (cont.)

K. Use of the Work of a Specialist – Pensions, Property, Plant and Equipment and Provision Valuation Specialists

1. We agree with the findings of the specialists that we engaged to evaluate the valuation assertion on pensions, property, plant and equipment and provisions 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.

K. Estimates – Pensions, Property, Plant and Equipment and Provisions

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 2019/20 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.

K. Estimates (cont'd)

3. We confirm that the disclosures made in the consolidated and Council financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 .
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and Council financial statements due to subsequent events, including due to the COVID-19 pandemic.

L. 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 - Director of Finance

Councillor Josh Williams - Chair of the Audit & Governance Committee

Appendix F

Regulatory update

Since the date of our last report to the Audit & Governance Committee, there have been a number of regulatory developments. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on Reading Borough Council 
Code of Audit Practice 2020	<ul style="list-style-type: none"> The updated Code of Audit Practice issued by the National Audit Office has introduced some significant changes to the requirements regarding auditors' work on the value for money conclusion, which will be applicable from 2020/21. 	<ul style="list-style-type: none"> The NAO are currently updating the Auditor Guidance Notes which will set out how the new Code of Audit Practice should be applied when carrying out value for money work. As such, the impact remains to be confirmed. Further updates will be provided when possible.
Going Concern - ISA (UK) 570 (Revised September 2019) Page 251	<ul style="list-style-type: none"> The standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, however EY expects to early-adopt the revised standard for all of our audits of periods ending on or after 30 June 2020. 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. 	<ul style="list-style-type: none"> Practice Note 10, which sets out how the auditing standards are applied in a public sector context, is currently being revised, including in light of the updated standard for Going Concern. As such, the impact is not clear at this stage. Further updates will be provided when possible.
Independence	<ul style="list-style-type: none"> The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and will be effective from 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to companies that are UK Public Interest Entities (PIEs). This prohibition will also extend to any UK parent and apply to all worldwide subsidiaries. A narrow list of permitted services will continue to be allowed. 	<ul style="list-style-type: none"> We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under the FRC Revised Ethical Standard 2019 which will be effective from 15 March 2020. Non-audit services which are in progress as at 15 March 2020 and are permitted under the existing ethical standard will be allowed to continue under the existing engagement terms until completed. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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