Classification: UNCLASSIFIED

Internal Audit Report
INTERCOMPANY TRANSFERS

To:	Mike Hirst – Interim Chief Accountant Keshika Naidoo – Strategic Business Partner Stuart Donnelly – Financial Planning & Strategy Manager Kate Graefe – Assistant Director Procurement & Contracts Jackie Yates – Executive Director of Resources
From:	Robert Dunford, Senior Internal Auditor
Date:	14/07/2020

Limited Assurance

EXECUTIVE SUMMARY

1. BACKGROUND

1.1 The Council and Brighter Futures for Children (BFfC) are separate legal entities with their own accounts, however they both utilise the Council's Financial Accounting system (Oracle Fusion) and 'shared accounting ledger' facility for conducting budget settlements, service level agreements and accounting transactions.

2. OBJECTIVES & SCOPE OF THE AUDIT

2.1 The audit sought to sample test the completeness and accuracy of intercompany transfer balances against supporting documentation to substantiate those transactions made between the Council and BFfC during 2019/20. This involved verifying that:

a) The reason for the transfer is both recorded and substantiated.
b) There are satisfactory separations of duties in place between the preparer and approver and that there is opportunity for the approver to challenge the need for the transfer, if necessary.
c) Supporting documentation is securely held.
d) There are satisfactory audit trails between the balances being transferred and their supporting documentation.

3. CONCLUSIONS

3.1 With the establishment of Brighter Futures for Children, (BFfC) the Council has implemented the Intercompany accounting facility on Oracle Fusion, its main accounting system, to account for activity and transactions between the two parties. Based upon the audit review undertaken, it is apparent that it needs to review the usage, benefits and risks of operating the intercompany transfer system, alongside the process of documentation of operational standards to ensure the

intercompany controls do not expose the Council to the same risks which had been caused by the historic journal procedure. We found it difficult to confirm the completeness and accuracy of payments because in addition to the payment processing delays, poor reconciliation controls made monitoring problematic.

3.2   Although the reasons for the charges are being recorded on the transfer form and are supported by contractual documentation, there is a need to ensure that where there are any contract variations, then these are raised in a timely way to help identify the reasons for any payment (or accounting issues).

3.3   Although there are opportunities to challenge any payment transfer at the time of review and authorisation via 'outlook', better and standardised approval controls need to be introduced to ensure all transactions are evidenced and formally approved on Fusion. By extension, although we found no evidence of occurrence, controls need to be developed to ensure the financial transaction codes remain valid on Fusion as the Council and BFfC use a shared accounting system.

3.4   The descriptions and audit trails for each intercompany transfer transaction should be improved, so that the specific charge from the contract for each service can be more readily cross referenced or identified, instead of using the current generic reference to the contract.

3.5   Clear and regular reconciliations should be undertaken between the contractual base, the financial support plan, actual receipts and the Fusion income codes and monitored monthly to ensure payments are processed on a timely, complete and accurate basis in accordance with financial procedures and the contractual agreement. This will help identify issues for immediate resolution and improve contractual confidence, otherwise it's possible the service level agreement and wider contract could be placed at risk.

3.6   Controls to prevent and detect the risk of duplicate intercompany transfers need to be introduced.

3.7   A total of 6 recommendations have been made in respect of this review, of which 2 are considered high priority. The recommendations and corresponding management action plan are attached at Appendix 1.

			Management Action Plan			

Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
PROCEDURES					
RISK: Inconsistent accounting practices among the group of its partner organisations increases the risk of accounting anomalies and errors.					
1	Financial Procedures should be updated to reflect the standards and requirements for conducting intercompany accounting and the relationship with the financial coding structure. For example, there should there be common standards for substantiating and approving transfers whether these relate to intercompany transactions or not, a procedure detailing the use of the group account use etc.	Priority 1	Financial procedures will be reviewed and updated as part of the Finance Improvement Programme to reflect this.	Mike Hirst (Interim Chief Accountant) Andy Jehan (Financial Systems Accountant)	18 September 2020

			Management Action Plan			

Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
PAYMENT OF CONTRACT AND SERVICE LEVEL AGREEMENT FUNDING TO BFFC					
RISK: If the contract and service level agreements to BFFC are not paid correctly or on a timely basis, which could have serious financial and reputational consequences for the partnership.					
2	The routines and methodology for scheduling and paying the contract and SLA payments to BFFC should be standardised, processing actions confirmed and then reconciled on a monthly basis so that differences or any anomalies can be investigated in a timely way.	Priority 2	Payments have been scheduled. Monthly reconciliations will be picked up as part of budget monitoring going forward.	Kate Graefe (AD Procurement & Contracts) & Finance	31 August 2020
3	The reason for the payment anomalies and queries highlighted in the report should be investigated to help inform the review of the intercompany transfer procedure.	Priority 2	This will be reviewed as part of the Finance Improvement Programme to include separation of contract and non-contract payment processes.	Mike Hirst (Interim Chief Accountant) Andy Jehan (Financial Systems Accountant)	18 September 2020

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
RECOVERY OF SERVICE LEVEL AGREEMENT CHARGES FROM BFFC					
RISK: If income for the service level agreements are not charged, collected and accounted for on a timely basis, there is a risk of material financial loss.					
4	The charges in the SLA contract payment schedule should be indexed, so that the description for the charge on the intercompany transfer is made clearer and more specific.	Priority 3	All future changes will need to go via the agreed change variation process. Agreed changes will be identifiable going forwards as these will be processed via separate supplementary inter-company journals.	Kate Graefe (AD Procurement & Contracts) Stuart Donnelly (Financial Planning & Strategy Manager)	30 September 2020
5	The procedures for making and retaining the approvals for intercompany transfers for 2020/21 should be reviewed, and the email authorisations for 2019/20 should be placed on the Finance service drive, as advised by the Senior Accounts Payable Officer.	Priority 2	The approval process will be reviewed and updated as part of the Finance Improvement Programme to reflect this.	Mike Hirst (Interim Chief Accountant) Andy Jehan (Financial Systems Accountant)	18 September 2020
6	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.	Priority 1	The Inter-company payment process has now been fully documented as part of the Finance Improvement/Transformation Programme. Contract payments are now routinely paid by BACS. Chaps/Swiftpay are only used in an emergency to avoid missing the deadline. The contract process already requires that any contract variations must go through the agreed change variation process. Any issues arising from the reconciliation process will be routinely raised and actioned appropriately e.g. follow the contract variation process or correct with a timely journal.	Mike Hirst (Interim Chief Accountant) Andy Jehan (Financial Systems Accountant) Kate Graefe (AD Procurement & Contracts)/Stuart Donnelly (Financial Planning & Strategy Manager)	Complete Complete /Ongoing

4.   FINDINGS

4.1   PROCEDURES

4.1.1   The operating procedures for creating and requesting intercompany transfers were created on 22/3/2019 and made available to staff on Sharepoint. They do however exclude reference to the necessary Corporate Financial Procedures standards and requirements for conducting intercompany transfers, albeit the payment principle complies with paragraph 8.2.4 which stipulates payment should only be made upon receipt of a proper original, certified copy or valid electronic VAT invoices that have been checked, coded and certified by the Service (**See Rec 1**).

4.1.2   On reviewing the financial procedures, it was noted that:

a)   The ability to create an intercompany invoice via Fusion is limited to an approved group of users with access permissions to both accounting ledgers. Permissions are administered by the Fusion System Team.

b)   The procedures for 'Creating an Intercompany Invoice for BFfC' set out the steps and perquisites for automating the charge to BFfC via the Intercompany Icon in Fusion. The process involves the completion of an electronic spreadsheet with basic and compulsory information. Although the procedures document how the audit trails should be recorded for transfer submissions, they exclude reference to the same approval routine required for journals. [1] For charging purposes, RBC and BFFC are nominated on Oracle Fusion as the 'Provider' and 'Receiver' respectively, and the Submitter is required to check that the compilation including the entity segment and coding is correct prior to submission. Unlike the email 'Request' procedure to Accounts Payable, we note the direct Fusion method procedure excludes the need to attach any supporting documentation to support the transactions (**See Rec 1**).

c)   The procedures for 'Requesting an Intercompany Invoice for BFfC' for 2019/20 requires the Submitter to forward the 'Intercompany template ('RBC to BFfC') to the Accounts Receivable mailbox with supporting documentation for checking and processing (**See Rec 1**).

d)   The Fusion Intercompany Invoicing facility can also be used to create multiple invoices, with several financial dates throughout the year.

4.2   CONTRACTURAL OVERVIEW

4.2.1   Although the scope of this review was concerned with income, an overview of the payments is important to understand the mechanics of the intercompany arrangement. The contract sum includes payments to BFfC to fund the SLA services with the Council. I was advised the 'contract sum' as drafted, is made up of 3 cost elements for the provision of Children Services by providing a sum of money to cover property rent and facility management costs and finally a sum to cover SLA services provided by RBC to BFfC as follows:

- The payment to BFfC for Children's services element was £41,062,297.

---

[1] The intercompany transfer uses a similar template format to that of the journal entry which is used to instruct an adjustment to the ledger.

- The payment to BFfC for property and facilities management should have been £2,262,892 and the payment FROM BFfC should be the same plus £43k for additional facilities management costs.

- The payment to BFfC for SLA costs was £4,496,928. The payment FROM BFfC should be in line with the SLA invoicing by service area spreadsheet.

4.3 PAYMENT OF BFFC CONTRACT

4.3.1   The Assistant Director for Procurement and Contracts advised that the Council pays BFfC an annual sum of £41,062,297.00 in 12 monthly instalments[2] commencing 1/4/2019.

4.3.2   An examination of the expenditure transactions posted to cost centre R-5430 (BFfC), subjective code 5401 (TPP Contract) as at 15/4/20, identified a number of payment values and descriptor issues that require investigation as part of the year-end reconciliation to ensure the contract payments are complete and correct: -

- Two contract instalments of £3,425,791.25 were made for April and May 2019 and nine instalments of £3,421,858.00 up until March 2020 are recorded, totalling £37,648,304.50.

- No payment for June 2019 was recorded (Audit has not had sight of the payment schedule to confirm the correct value for June), which suggests that RBC still owes BFfC the monthly instalment of £3.4m. (See Recs 2 & 3).

- July's payment was 'reissued' on the 23/3/2020 (Ref 100000583). The reason for this have not been explained so requires further examination. (See Recs 2 & 3).

- No payment is recorded for December 2019, albeit November 2019 is described as paid twice. See Recs (2 & 3).

4.3.3   Although the intercompany transfer template describes the reason for the transaction, there are no audit trails back to the supporting documentation. A copy of the intercompany transfer template is held on the Finance shared drive[3] but the supporting documentation is held by Contract and Procurement. Ideally, supporting documentation should be attached to every transfer template although we appreciate that these would form part of the contract between the Council and BFfC (See Rec 4).

4.4 PAYMENT OF SERVICE LEVEL AGREEMENT FUNDING

4.4.1   Corporate Support Services

a)   The Assistant Director for Procurement & Contracts advised BFfC is provided with £4,496,928.00 per annum to fund its SLA costs for the purchase of corporate support services from the Council, paid to the BFfC in monthly instalments of £374,744.00, which are then recuperated by the Council for the exact sum.   The SLA payment

---

[2] The monthly contract charge is a straight 12th division of the contract sum (£41,062,296.00 / 12 months = £3,421,858.00).

[3] A separate 'intercompany' folder has been created to hold copies of the journal like that of 'journals'.

and income should all reconcile to the contract sum, however the following differences were noted: -

Fusion -Payment to BFC contractual SLA payment	£4,496,928.00
Contract -Contractual cost build	£4,068,185.81
Finance -'DOR Support Service Income from BFFC'	£4,417,893.32

b) An examination of the expenditure transactions posted to cost centre R-5430 (BFfC), subjective code 5401 (TPP Contract) as at 15/4/20, found two contract instalments of £374,500.00 made for April and May 2019 and nine instalments of £374,744.00 up until March 2020. We note: -

- No payment could be found in respect of the SLA for June 2019, which could be either £374,744 or £374,500.

- The Strategic Business Partner provided confirmation of her analysis that the payments had been processed in an untimely and intermittent basis (**See Recs 2 & 3**).

- July 2019's payment was 'reissued' on 23/3/2020 (Ref 100000583). The reason for this is unclear from the audit trail and requires further investigation (**See Recs 2 & 3**).

- The Strategic Business Partner highlighted that some payments were made using CHAPS/SwiftPay which is used for making online bank transfers, has led to payment reconciling problems and the risk of making duplicate payments. The Interim Accounts Payable/Receivable Supervisor has advised that the use of CHAPS/SwiftPay to make contract payments to BFfC will be stopped in future.

- Her analysis also highlighted that payment of the SLA to BFfC had not been made on a regular basis. (**See Rec 2**).

4.4.2 Property SLA

a) We note there is a variance between the sum in the supporting contract documentation and the BFFC Support Service Income from BFfC as follows (**See Rec 2**): -

Contract – 'Property Rent FM Final Summary to Charge BFFC'	£2,167,033.00
Finance – 'BFFC Support Service Income to BFFC'	£2,314,890.96
Variance	(£ 147,857.96)

The reason(s) for this are being investigated by the Strategic Business Partner as part of the year end reconciliation process.

4.5   RECOVERY OF SLA CHARGES

4.5.1   The intercompany transfer template raised for SLA income was submitted to the Accounts Payable Team each month by email[4] by the Strategic Business Partner, who reported there were significant processing delays during 2019/20 within Accounts Payable. This issue had been reported to the Interim Chief Accountant previously and the extent and financial context can be highlighted in the year-end reconciliation for 2019/20. The following findings and risks are highlighted:

- The Strategic Business Partner supplied Audit with a copy of the 'BFfC support services plan' for October as an example, which was circulated to key parties within the Council and BFfC finance teams for information together with images of required supporting invoice documentation. The plan also records the scheduled payment and recuperation plan for the year, the outstanding payment position together with the respective monthly profile of income for each service, incorporating support services and property and facilities management.

- Although the Accounts Payable Team confirmed that an Oracle Fusion Remittance is produced by the system, the Strategic Business Partner confirmed no notifications of this are received as confirmation. We note the 'BFFC support service plan' does not record any reconciliation against actual cash received or the respective cost centre income codes (See Rec 6).

- The Acting Accounts Payable/Receivable Supervisor has advised the emails and supporting documentation for all intercompany transfers are held in email folders and that these need to be placed on file to substantiate the transfer. These emails should support the circulation of the intercompany transfer documentation and subsequent queries, challenges and approvals. He stated that all intercompany transfers are agreed with BFfC Finance before processing.

- We have not been able to examine these emails, but we were able to review the principle of the charge back against the contract sum schedule. The Assistant Director of Contracts & Procurement highlighted there is a need to record contract variations on the 'Change Control Template for Major/Minor' as a future action (See Rec 5).

- Income received from BFfC is credited to one of 30 cost centres across Corporate Services for services to note as part of their budgetary control and planning purposes.

- We note the BFFC support service plan 'reconciliation' excludes reconciliation against the cash file and actual Fusion transaction/budget position (See Rec 6).

---

[4] The Strategic Business Partner commented that the emails were forwarded to the Accounts Payable / Receivable Manager.

4.5.2   The BFFC support service plan records the income recovery schedule for 30 services totalling £6,810,473.00, and which incorporates both support services and property and facilities management of £4,417,893.32 and £2,392,579.68 respectively. An examination of the annual transaction reports for 14 services totalling £6,146,833.96 revealed that: -

- 12 out 14 services had received more income than scheduled for, due to the multiple processing of transfers during quarters 3 and 4, as the regular monthly payment(s) had not been processed. Our reconciliation against the BFFC support service plan and Fusion highlighted an overpayment of £1,143,798.58.

- We noted there are number of differences between balances recorded paid on the budget reports and their supporting transaction report. The Strategic Business Partner has reviewed this and has agreed to investigate these discrepancies with the Fusion Systems Manager. Interestingly we note the payments for the Insurance and Joint Legal Services between the plan and Fusion were correct (**See Rec 6**).

- We also found several discrepancies between the contract payment schedule and their corresponding payment plan records on the BFfC support service plan; 5 matched, 7 did not match and 2 were not listed on the contract (rent and facilities management[5]). The Assistant Director for Procurement and Contracts requested the Contracts Manager raise the necessary contract authorisations for these variations (**See Recs 5 & 6**).

---

[5] These should be listed to the property and facilities schedule – which is separate to support services.

Final Internal Audit Report
GREY FLEET

To: Kevin Green – Transport and Fleet Manager
Cris Butler – Strategic Transportation Manager
Giorgio Framalicco – Deputy Director of Planning, Transport and Regulatory Services
Shella Smith – Assistant Director of HR and Organisational Development
Jackie Yates – Executive Director of Resources
Frances Martin – Executive Director for Economic Growth & Neighbourhood Services

From: Kirsty Hancock, Senior Auditor

Date: 2nd October 2020

Limited Assurance

EXECUTIVE SUMMARY

1. BACKGROUND

1.1 Under health and safety law, employers have a duty for on-the-road work activities. The Health and Safety at Work Act 1974 details that, as far as reasonably practicable, employers must ensure the health and safety of employees whilst they are at work and that others are not put at risk by work-related driving activities.

1.2 The Management of Health and Safety at Work Regulations 1999 also detail that health and safety should be managed effectively, including carrying out a risk assessment of employees' health and safety whilst at work, including driving. There are also duties under road traffic laws.

1.3 If an employee is injured or killed whilst driving on Council business, and there is evidence of management failures resulting in a gross breach of a relevant duty of care, then the Council could be at risk of being prosecuted under the Corporate Manslaughter and Corporate Homicide Act 2007.

1.4 The Department for Transport has a work-related road safety checklist which includes checking the validity of staff's licences on recruitment and at regular intervals afterwards and ensuring that staff are sufficiently fit and healthy to drive safely. In addition, employers have a duty of care to ensure vehicle safety, which can include checking a vehicle has a valid MOT certificate and appropriate motor insurance that covers business usage for the amount and type of mileage undertaken.

2. OBJECTIVES & SCOPE OF THE AUDIT

2.1 The purpose of the audit was to provide assurance that there were appropriate controls in place to manage key risks relating to checks made on staff using their own vehicles for Council business (this is known as the grey fleet). The main objectives were to review key controls relating to the process for documentation checking for staff using their own vehicles on Council business and assess whether grey fleet usage was appropriate.

2.2 The review encompassed the following areas:

a) Ensuring that there were appropriate policies and procedures in place relating to usage of own vehicles for Council business and that roles and responsibilities were clearly defined and understood.
b) Ensuring that management were carrying out appropriate checks on documents in a timely manner and on an annual basis and that checks were consistent.
c) Ensuring that appropriate documentation was retained to evidence that checks had been undertaken and stored in a central location.
d) Ensuring that appropriate internal controls were in place so that mileage could not be claimed (and ideally journeys undertaken) without appropriate checks being in place and checks were made on claims to ensure they were legitimate.
e) Ensuring that appropriate use was being made of systems for licence checking and expense claiming, they were efficient and that records kept were consistent between different service areas and avoided duplication.
f) Ensuring that grey fleet was used when appropriate, with consideration given as to whether travel represented value for money and which method of travel was preferable.
g) Ensuring that there was regular review of the process to ensure that the policy was being followed and that any lessons learnt were fed back and implemented going forward.

3. CONCLUSIONS

3.1 The audit has flagged a number of areas of concern that need appropriate consideration, decisions and implementation, to ensure that the Council is adequately responding to and addressing the various potential and significant risks in this area. Failure to address these could have significant legal implications for senior officers and the Council corporately, if it cannot demonstrate that it has paid due regard to its statutory responsibilities and taken appropriate action to ensure the safety of grey fleet vehicles, and consequently protection of its own staff, as well as others.

3.2   Currently RBC has no formal, up to date and agreed Grey Fleet policy in place and consequently it was found that there is a lack of a common understanding managers and HR in relation to roles and responsibilities all levels of management and staff alike have in respect of the use of a grey fleet. The last draft policy was communicated to staff via Team Talk in 2015 (see Appendix A).

3.3   Currently information on grey fleet use and individual driving licences is stored on two different systems: iTrent, the Council's HR and Payroll system and Fleetwave, the proprietary system used by the Fleet and Transport Team to help support the issues around storage in iTrent. It is apparent that there was currently confusion about what information should be stored on which system, as well as duplication in cases of information being held on both systems. This issue was particularly demonstrated by the fact that that FleetWave indicated that 8 driver licence checks were outstanding, whereas iTrent indicated 396 checks were outstanding.

3.4   The existing checking and monitoring process(es) are also time consuming for managers and could be considered unnecessarily bureaucratic, particularly where managers have a number of direct reports. It is a recommendation therefore that management should investigate the potential cost benefits and advantages of an alternative IT solution provided by a third party, potentially linked to the Council's HR system, to ensure staffing information is valid and up to date.

3.5   Another issue highlighted was the use and retention of documentation involved in grey fleet checks. Currently this could be located and stored on either or both system (s) as well as possibly also on personal devices or shared drives.

3.6   Reports on grey fleet information held in the iTrent system cannot currently be easily produced in a timely and accurate manner and to ensure accuracy of information held within the system. In addition, grey fleet information is currently held in two different systems (iTrent and Fleetwave) and is not consistent.

3.7   The lack of management information also makes it difficult to provide any assurance that current operations and systems provide value for money, as well as demonstrating compliance with statutory requirements

3.8   The review has also identified a service area where details of individual trips made are not being recorded on mileage claims, which means that it is difficult to ensure that they are appropriately reviewed.

3.9   A total of 11 recommendations have been made in respect of this review, of which 4 are considered high priority. The recommendations and corresponding management action plan are attached below.

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
APPROPRIATE POLICIES AND PROCEDURES ARE IN PLACE FOR GREY FLEET TRAVEL					
RISK: Inconsistent understanding of roles and responsibilities and lack of consistency of approach across the organisation leaving the Council potentially exposed to legal and reputational challenge and / or censure					
1	The existing draft grey fleet policy needs to be reviewed and updated if necessary and then formally and appropriately approved, launched and then made widely available across the Council. It also needs to be included within the new starters' induction process. The policy should clearly detail the roles and responsibilities of managers, the Transport and Fleet Manager and HR, as well as be explicit as to what should be recorded, by whom and where, with consideration given to taking a more risk-based approach. In light of any changes to how, what and where checks are recorded, roles and responsibilities may need to be reviewed and updated, as appropriate. There also needs to be a documented and agreed process for all relevant staff, up to and including the Chief Executive if appropriate, to undergo grey fleet checks and to ensure all grey fleet mileage claims are reviewed and authorised.	Priority 1	The validity checks for Driving Licences as a part of the draft Grey Fleet Policy were approved at CMT and by the Unions in 2015. In light of the points raised as a part of this Audit, managers will review the whole policy, and will report back to CMT with any suggested changes.	Cris Butler, Strategic Transportation Programme Manager Kevin Green, Transport and Fleet Manager Teresa Kaine, HR Services Manager	31st December 2020

			Management Action Plan		
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
APPROPRIATE CHECKS ON STAFF ARE IN PLACE					
RISK: Staff are not fit to drive on Council business, are not covered and leave the Council liable in the case of an accident etc.					
2	Agreement should be reached as to which related documents (licence, MOT etc) should be checked and then these should be checked on a consistent and at a minimum of an annual basis. Evidence of those checks conducted on documentation should be clearly and consistently recorded in accordance with the agreed policy. System controls in place should not be overridden where errors are encountered.	Priority 1	The current Fleet Management software (Fleetwave), and the HR software (i-Trent) are not compatible and the sharing of data is difficult. For RBC Fleet/Pool drivers, the process of checking if appropriate driving licences are held is completed by the service managers, and that data is then stored on the Fleetwave system. For grey fleet users, in order to comply with HSE recommendations for driving licence checking and vehicle checking, it remains appropriate for all staff to provide a copy of their Driving Licence, MOT and Vehicle Insurance showing business use cover on an annual basis or when the vehicle is changed. Training for managers in order to complete self-service through i-Trent for their staff members is key.	Cris Butler, Strategic Transportation Programme Manager Kevin Green, Transport and Fleet Manager Teresa Kaine, HR Services Manager	31st December 2020
3	In terms of the time intensive nature of the grey fleet checks, particularly in cases where managers may have a number of direct staff reports, consideration should be given to alternative options available - for example outsourcing/automating checks - and an appropriate cost benefit analysis being conducted of these options. If it is then decided to maintain the existing system(s) in house, ideally automatic reminders should be sent by the system to managers when checks are due, if appropriate, or alternatively a report produced, identifying checks shortly due, which can then be bulk checked.	Priority 1	Investigate whether ITrent can generate automatic reminders for both managers and employees to ensure documents are shared on an annual basis to improve compliance. If this is not possible, we will have to find a system that does make it possible. We will need to research the market to find a suitable grey fleet system that will enable the necessary checks to be made. Initial benchmarking with other authorities has established that they have purchased other systems to ensure that this can be done. Any new system will come with capital and revenue cost.	Cris Butler, Strategic Transportation Programme Manager Kevin Green, Transport and Fleet Manager Teresa Kaine, HR Services Manager Bradley Pym, Data Systems Officer	31st December 2020

	Management Action Plan				
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
THERE IS SUPPORTING EVIDENCE FOR STAFF GREY FLEET CHECKS					
RISK: Checks undertaken are unable to be evidenced, leaving Council open to financial and reputational damage					
4	It is recommended that a review is undertaken of supporting information used as part of the checking procedure, and in particular to review how and where this should be held - preferably to ensure all information is held in a consistent format and stored in one location. There should also be clarity as to whose responsibility it is to keep information and checks up to date and then to chase outstanding checks.	Priority 2	See response to risk 3	Cris Butler, Strategic Transportation Programme Manager Kevin Green, Transport and Fleet Manager Teresa Kaine, HR Services Manager	31st December 2020
CHECKS ARE CARRIED OUT BEFORE MILEAGE IS CLAIMED					
RISK: Claims are submitted and payment is made for journeys undertaken that were not adequately covered for example by insurance					
5	Controls should ensure that it is not possible to make mileage claims without the appropriate up to date checks having first been in place. Where feasible, the iTrent system should not allow payments to be made without these checks being undertaken and recorded.	Priority 2	This is linked to the ability of cross-checking data to ensure it is up to date, and then linking to Payroll systems to ensure payment is not made if the data is out of date. This links to policy, system and having the ability to carry out regular spot check to ensure payment is only made when the data is up-to-date. Corporately there needs to be much more focus on the legal requirements around employees using their own vehicles. This will be strengthened within the revised policy and its launch.	Cris Butler, Strategic Transportation Programme Manager Kevin Green, Transport and Fleet Manager Teresa Kaine, HR Services Manager	31st December 2020

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
SYSTEM USAGE					
RISK: Not all relevant information is recorded and in a consistent manner, with journeys made and payments made for mileage without appropriate checks undertaken					
6	There needs to be clarity as to whose responsibility it is to update various systems, including consideration of how and where information should be held to avoid duplication and reduce the opportunities for mistakes to arise. Consideration should also be given to adding a reminder to managers on iTrent when approving mileage claims that they have confirmed that appropriate document checks are in place for the staff member in question.	Priority 1	See risk 3	Cris Butler, Strategic Transportation Programme Manager Kevin Green, Transport and Fleet Manager Teresa Kaine, HR Services Manager	31st December 2020
GREY FLEET IS USED WHEN APPROPRIATE					
RISK: The most appropriate means of having visits/meetings is not adopted (for example remote) leading to Council not obtaining best value.					
7	Consideration to be given to undertaking a review of making significant distance journeys using a grey fleet vehicle, as to whether use of a fleet vehicle would instead be more beneficial.	Priority 2	This will be included as a part of the Grey Fleet Policy review, and future management training. There will be a requirement to share consistently high mileage claims with relevant managers who can then apply the adopted policy - such as using alternatives (Pool Car, Bus, Train etc)	Cris Butler, Strategic Transportation Programme Manager Kevin Green, Transport and Fleet Manager Teresa Kaine, HR Services Manager	31st December 2020

8	The management issue detailed in para 4.6.3 needs to be addressed to ensure there is consistency of practice and that this doesn't become a wider issue across staff.	Priority 3	Noted, this will be included as a part of the grey fleet policy review.	Cris Butler, Strategic Transportation Programme Manager Kevin Green, Transport and Fleet Manager Teresa Kaine, HR Services Manager	31st December 2020

	Management Action Plan				
Ref	**Recommendation**	**Rec**	**Management Response**	**Responsible Officer(s)**	**Target Date**
APPROPRIATE MONITORING AND REVIEW					
RISK: Grey fleet is not appropriately monitored and reviewed, leading to ongoing issues not being identified and addressed.					
9	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.	Priority 2	See Risk 3	Cris Butler, Strategic Transportation Programme Manager/ Kevin Green, Transport and Fleet Manager /Teresa Kaine, HR Services Manager	31st December 2020
10	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.	Priority 2	HR and recruitment process and management training on new Grey Fleet Policy. Investigate how licence checks can be initiated before the offer is made as driving duties are outlined on the JD.	Teresa Kaine, HR Services Manager	31st October 2020
11	Consideration should be given to establishing appropriate KPIs around this area and performance monitored and reported against these.	Priority 2	As a part of developing the new policy we will look to see if KPIs are appropriate because technically there should be zero tolerance.	Cris Butler, Strategic Transportation Programme Manager/ Kevin Green, Transport and Fleet Manager /Teresa Kaine, HR Services Manager	31st December 2020

4.   FINDINGS

4.1   POLICIES AND PROCEDURES

4.1.1   RBC had a draft grey fleet policy which detailed responsibilities for employees and managers, however this document had yet to be formally approved and made available to staff on the intranet (Rec 1). However, there were details of the need for business use insurance and fitness to drive declaration under the Fleet section on the intranet and details of checks required were also included in a document provided by the Transport and Fleet Management Team to managers when checks are due.

4.1.2   In addition, there were details relating to staff using their own vehicles and associated checks using iTrent on the intranet. These detailed that a check on insurance cover needed to be carried out once a new car was input by employees onto iTrent. However, there did not appear to be details on iTrent about checking that staff had a valid driving licence (or not).

4.1.3   There was a lack of clarity within existing documents as to whose role/responsibility it was to record various checks undertaken and where and what should be recorded, with any changes made to processes reflected in the agreed policy. (In addition, discussion identified that there was no formal, agreed process for the Chief Executive to undergo grey fleet checks or have mileage claims reviewed and approved (Rec 1)).

4.2   APPROPRIATE CHECKS ARE IN PLACE FOR STAFF

4.2.1   The review identified that there was a lack of consistent understanding and practice between, HR and managers as to how checks were triggered, what checks should be conducted, where they were to be recorded and by whom (Rec 1). This was best demonstrated by a significant discrepancy between the number of checks that were identified as outstanding on and between FleetWave and HR (iTrent) systems, as well as a number of staff members who were only on one system rather than both (Rec 2).

4.2.2   A sample of 10 vehicles recorded on FleetWave identified that checks had been conducted in all cases, although in 1 case it was unclear if the latest check was within one year of the previous one being carried out. However, for a sample from iTrent, there was no evidence of checks being carried out in 9 out of 10 cases and for the remaining one, it was unclear whether the last check was conducted within a year of the previous one (Rec 2).

4.2.3   Although procedures required managers to undertake vehicle and licence checks for their staff, it was also identified or established by survey that:

- They did not address how grey fleet mileage claims should be checked by managers to ensure appropriate scrutiny and sign off; Rec 1)
- some managers were not always aware of their role in checking new starters and existing staff on an ongoing basis;
- there was no documented process in place to address who should carry out the necessary checks, if applicable, in respect of the Chief Executive.

4.2.4   The new starter workplace induction checklist detailed that managers should explain the policy on car use, if relevant, on the starter's first day and the managers section on the intranet included details of Codes of Practice, which included details relating to fleet and

licences checks. However, the Transport and Fleet Manager did not automatically receive notification of new starters from iTrent or HR.

4.2.5   It was also acknowledged that for managers, particularly those who have a large number of direct reports, the document checking process can be time consuming (Rec 3).

4.2.6   Managers should receive an automatic reminder from iTrent when their staff member's car insurance were about to expire, and hence new checks were due. However, this was reliant on managers having entered relevant details on iTrent, which was not always the case. Whilst not an automated process, managers also received reminders from the Transport and Fleet Manager that checks were due. However, if managers had completed the checks and inputted them directly onto iTrent without informing the Transport and Fleet Management team, this resulted in staff being incorrectly identified as having checks due (Recs 2 and 3).

4.3   SUPPORTING EVIDENCE FOR GREY FLEET CHECKS

4.3.1   In discussion with a range of managers, it was identified that in the majority of cases, copies of documents checked and reviewed as part of the process were not then retained. In the cases where copies were retained, they were stored locally (Rec 4).

4.3.2   It was also identified that there was not a common and consistent understanding between managers as to where information should be held. In some cases, information was directly inputted onto iTrent, whilst others completed the proforma sent by the Transport and Fleet Manager and returned it to the HR driving email address and the Transport and Fleet Management team, assuming the respective services would then update the system(s). Whilst this was the case for FleetWave, responsibility for updating iTrent fell to managers not HR. It was also noted that FleetWave was accessible by the Transport and Fleet Manager and iTrent by HR/Payroll personnel, which could lead to managers receiving requests to carry out checks that had already been completed and recorded elsewhere. In summary there was an apparent confusion of roles and responsibilities around this.

4.4   CHECKS CARRIED OUT BEFORE MILEAGE IS CLAIMED

4.4.1   Prior to submitting a claim for grey fleet mileage, staff were provided with a link to access the Council's travel and expenses policy and confirm that they had appropriate business insurance in place to cover the journey. This was then 'workflowed' to their manager to review and authorise, as appropriate; the manager did not receive a reminder that appropriate checks should be in place. In one case sampled, the manager on iTrent was not authorising claims and instead forwarded them on to another manager for review and sign off.

4.4.2   Once authorised, payment would be made by Payroll without any further checks being conducted, unless the claim was for a significant amount (Rec 5). This meant that in some cases claims seemed to be paid without appropriate checks being in place.

4.4.3   As detailed previously above, there was a significant discrepancy between the number of outstanding checks recorded on FleetWave and iTrent. The former indicated at the time of audit that 8 checks were outstanding, whereas the latter indicated 396 checks were

outstanding. At least part of this was probably due to a lack of consistent understanding of managers' roles and responsibilities in relation to recording of checks being completed.

4.4.4   Managers reviewed claims for reasonableness. In some cases, this was an overall review/ check if claims were deemed abnormally high, trips when not expected etc, and in a few cases, a sample check of trips was reviewed. It was identified that for one team sampled, full details of individual trips made were not being input into iTrent (only details of the first and last visit in period claimed). More recently, supporting documentation detailing these trips had no longer been required to be submitted to payroll or retained. Any checks were carried out using the roster system which scheduled all care and other related work calls to staff (Rec 6).

4.4.5   In addition, an issue with iTrent had also been identified in one case where claims authorised by their manager were producing an error. The controls were overridden by HR in order to arrange payment (Rec 2).

4.5   SYSTEM USAGE

4.5.1   As detailed previously, grey fleet information was split between two different systems. FleetWave held details of licence, MOT and insurance checks, whereas iTrent did *not* hold MOT details. Testing of a sample of checks of 10 selected from FleetWave identified that in the majority of cases, information was held detailing that checks had been undertaken. However, for sample of 10 cases from iTrent, 4 had no evidence that checks had been conducted, albeit in of these 2 cases no mileage had been claimed.

4.5.2   Discussions with the Transport and Fleet Manager identified that systems existed that could potentially allow licence details to be automatically uploaded to FleetWave from the DVLA for 3 years, providing a mandate was in place (Rec 3).

4.5.3   A walkthrough test was carried out by Internal Audit whereby a dummy grey fleet expenses claim was submitted on iTrent for a staff member without the appropriate checks having been carried out and being in place. There were no system controls in place to stop these claims from being authorised and paid (Rec 5). This was despite claimants being asked to confirm that they had valid business use insurance in place. It was also noted that managers did not receive a similar notification prompt or message when authorising claims (Rec 6).

4.5.4   It was noted that as far as is known, there was no functionality within iTrent to automatically stop claims being paid if checks on staff's grey fleet details were out of date. However, iTrent would trigger a workflow to the manager if an employee's insurance was *about* to expire (providing details of insurance including expiry of policy were detailed on iTrent). The onus was on the manager to ensure that necessary checks were in place, but managers were not helped in this as reports were not run in iTrent to check whether insurance etc had actually run out and issue managers with a reminder (Rec 3).

4.5.5   Discussions with managers identified that there was a lack of common understanding as to what was required from them in terms of checking. Some were guided by automatic reminders in iTrent and updated accordingly with checks undertaken, whereas others were prompted by the Transport and Fleet Manager to undertake checks and these were sent via a proforma for

him to update FleetWave. However not all managers were aware of their responsibility to update iTrent (rec 6).

4.6 APPROPRIATE GREY FLEET USAGE

4.6.1 As a result of the current unprecedented times, (Covid19/Lockdown), it was identified during discussions with a selection of managers that a number of working practices had changed, with decreased usage of grey fleet. Service areas were now conducting an increased number of meetings remotely, although it was noted that this was not feasible in all teams or cases. However, where increased remote working had been experienced, desire was expressed to ensure that this continued beyond the current situation.

4.6.2 Discussion with managers however also identified that often using a car was the only feasible option as staff needed to make a number of visits in different locations, as well as respond to emergency calls. There was an indication that when several people were going to the same location, they would usually car share (although currently this was not possible) and staff would try to arrange visits in the same area on the same day, where feasible. Several managers indicated that consideration could be given as to whether staff using a fleet vehicle would be more beneficial in future due to the significant amount of travel conducted (Rec 7).

4.6.3 Generally, and where appropriate, staff were either going straight from home out on visits or straight home at the end of the day. However, this often depended on timings of meetings/visits and also currently if based from home rather than the office. There was one instance identified where a staff member's role involved being permanently based out of the office. However, due to various performance management issues, they were being required to come into the office on a daily basis to clock in before commencing work (Rec 8). It was noted that this could lead to mileage being claimed for travel to and from the office in addition to for site visits.

4.7 APPROPRIATE MONITORING AND REVIEW

4.7.1 As discussed elsewhere in this report, a grey fleet policy had yet to be formally agreed and implemented across the Council, which meant that it was currently difficult to monitor compliance against something specific (Rec 9).

4.7.2 However, whilst it was relatively easy to obtain relevant reports from FleetWave, the same was not true for iTrent. Reports containing key information that would be useful for managers were unable to be produced in a timely and accurate manner and could only be generated (for audit purposes) by a limited number of personnel in HR/payroll. This highlighted that management reports were not being run routinely and reviewed on a regular basis and so reliance could not be placed on their content and accuracy (Rec 9). In addition, a comparison of iTrent reports to FleetWave reports identified a number of discrepancies in the recording of checks between the two systems (Recs 6, 9).

4.7.3 Again, as discussed earlier, the number of outstanding grey fleet driving license checks according to FleetWave was low (8 in total), although it was understood that it was higher

than this until recently. Discussion with a selection of managers identified that a number received reminders from the Transport and Fleet Manager regarding checks that were due (although this was dependent on the Transport and Fleet Management team being aware that person was a grey fleet driver). However, iTrent identified a more significant number of grey fleet checks being outstanding (396 in total). Some of these were apparently as a result of iTrent not being updated to reflect changes as managers were unaware that it was their responsibility to do this (Recs 9, 10).

4.7.4   There did not appear to be any KPIs in place for grey fleet to measure performance against (Rec 11), which could then be used to form the basis of regular (performance) reporting to management (Rec 9, 11).

APPENDIX A - Documents discussed and provided to Managers at 2015 Team Talk

Validity Checks – The "Grey Fleet"

I wrote to you recently regarding the Council's Duty of Care under the Health & Safety Act to ensure that staff who drive Council vehicles have the necessary documentation e.g. a valid driving licence.

We now need to turn our attention to the "Grey Fleet" i.e. any vehicle that is used by an employee for making a work-related journey. In the majority of cases this will be a privately-owned vehicle that is used on Council business, however, it could also include a vehicle that an employee has hired and used on Council business.

The 'Driving at work-managing work related road safety' guidelines, published by the Health & Safety Executive (HSE) in 2014, makes it clear that the Council has the same Duty of Care towards all its employees making work-related journeys regardless of vehicle ownership, so the "grey fleet" needs to be managed in exactly the same way as the Council's owned or leased fleet. <u>You are reminded that it is an offence for the Council to allow staff to drive their own vehicle on Council business without the appropriate entitlement</u>.

Driving Licence / Roadworthiness Validity Checks

You as manager, or a relevant supervisor, will be required to undertake a validity check once every 12 months to meet the standards of the Council's vehicle insurance policy terms and conditions.

The validity check is made up of three checks: 1) the driving licence check, 2) the MOT check and 3) insurance check. These checks are required regardless if a copy of driving licence, MOT and insurance documents has previously been provided or not.

1) The driving licence check allows access to information held by the DVLA which will be classed as an independent verification for the licence validity. This check will provide us with the following information:
   - Driving status, i.e. a full driving licence or not
   - Licence valid from/to dates
   - Vehicles staff can drive, i.e. vehicle categories
   - Penalties and disqualifications
2) The MOT check will provide us with the following information:
   - whether the vehicle has an MOT certificate
   - when the certificate runs out
3) The vehicle insurance check will provide us with the following information:
   - whether the insurance is current
   - whether insurance cover is appropriate for business use

All information gathered will be held securely by the Council's Human Resources Section and Fleet Management.

What do you need to do?

1. You are required by 31ˢᵗ March 2016 to have undertaken all checks for staff who drive their own vehicle for Council business and returned the required information to HR, HRDRIVING@reading.gov.uk.
2. Thereafter, you are required to undertake this check on an annual basis.
3. If you have already completed the licence check for staff who drive Council owned or hired vehicles you will not need to complete this check again by 31ˢᵗ March 2016 but you will need to complete this check as part of your annual review.

To undertake the three validity checks

Please note all checks must be carried out in the presence of the employee concerned.

Please complete the Driving Licence / Roadworthiness Validity Check using the Proforma <link>.

Please complete Section A only for employees who drive Council vehicles.

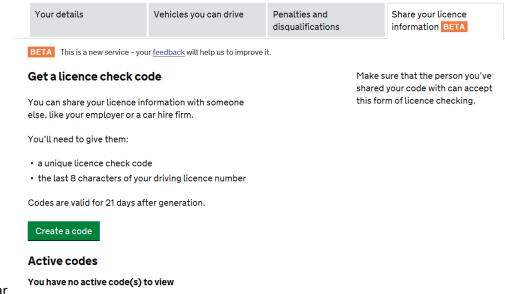Please complete Section A, B & C for employees who drive their own vehicles on Council business.

1) The driving licence check

You will need an 8-digit code and the last 8 letters of the driving licence from you staff. Staff will need to generate an 8-digit code themselves. Please provide the 5-step instructions below to your staff for generating an 8-digit code.

Instructions: Generating an 8-digit code

To generate the 8-digit code,

1. visit https://www.gov.uk/view-driving-licence
2. After clicking "Start Now" on the page, enter driving licence number, National Insurance number and post code.
3. After submitting the information by clicking "View Now", a page displaying different information under

four tabs will appear

4. Click the "Share your licence information" tab and click "Create a code"
5. An 8-digit code will be generated – which the member of staff will need to provide to the manager with the last 8 digits of their driving licence.

The code will only last for 21 days and can only be used once. To undertake the check, visit https://www.gov.uk/check-driving-information.

➔ Complete *Section A* of the Driving Licence / Roadworthiness Validity Check Proforma.

2) The MOT check

You will need the vehicle registration number and vehicle make for this check.

To undertake the check, visit https://www.gov.uk/check-mot-status.

An MOT is not required if the vehicle is less than 3 years old. However, an MOT test must take place by the third anniversary of its registration.

➔ Complete *Section B* of the Driving Licence / Roadworthiness Validity Check Proforma.

3) The vehicle insurance check

Employee must provide you with the original of the insurance certificate/documents. You will need to check if the insurance covers for work-related journeys, i.e. business use.

Please make a scanned copy of the insurance certificate/documents and submit it with the completed Check Result Proforma.

➔ Complete *Section C* of the Driving Licence / Roadworthiness Validity Check Proforma .

FREQUENTLY ASKED QUESTIONS

What should I do if a check result shows the driving licence, MOT or insurance documentation to be invalid?

Staff without a valid driving licence, MOT or appropriate insurance cover must not be allowed to drive on behalf of the Council and HR must be consulted immediately.

When do I need to complete the validity check, including driving licence check, MOT check and insurance check?

By 31/03/2016. Please complete a Driving Licence / Roadworthiness Validity Check Proforma for each employee who requires the checks and return it with relevant documents to HR HRDRIVING@reading.gov.uk.

What do I do if there are discrepancies or restrictions to the licence?

Any discrepancies or restrictions to the licence must be recorded and HR informed.

What happens to this information?

All information will be kept confidentially and filed on the Human Resources database.

Who can see this information?

Do not share individuals licence details with any other member of staff.

When should I undertake the validity check again?

Managers are expected to under the validity check, as a minimum, annually. (Appraisals, one to ones or team meetings are recommended opportunities) Please make sure it is pointed out to the employee, that any changes with regards to their own licence, MOT or insurance of their vehicle must be reported straight away and not to wait until the next check.

Does the staff member need to be present when I undertake the check?

All checks must be carried out in the presence of the employee concerned.

If an employee changes their car mid-year, or gets a hire car/replacement vehicle does this trigger the need to see the MOT and insurance for that new vehicle?

Yes.

Can I share this information?

Information gathered from these checks must be kept confidential and can only be seen by the "checker", Fleet Management and HR.

What happens if the staff member doesn't have access to a computer or has difficulty obtaining an 8-digit code?

For staff who don't have access to a computer Managers should make the necessary arrangements to ensure that staff can have access to a computer to obtain the code. If staff have difficulty obtaining an 8-digit code they should contact the DVLA in the first instance (0300 083 0013) and then discuss this with the "checker".

What happens if the staff member has a non-GB driving licence?

You can check their eligibility to drive by visiting https://www.gov.uk/driving-nongb-licence.

Do I need to keep a copy of the information as well?

No. All information will be kept centrally and can be referred to by contacting *HRDRIVING@reading.gov.uk*. You are reminded of the principles of the Data Protection Act and once the documents have been scanned the original document should be returned to the employee and any copies destroyed in the confidential waste. You should not give any other service or organisations access to this personal data.

Further information on this vehicle licence check can be obtained

By contacting HRDRIVING@reading.gov.uk

Driving Licence Roadworthiness Validity Check Proforma

Please complete one form for each employee.

➔ For employees who drive Council vehicles, complete Employee's details and Section A only.
➔ For employees who drive their own vehicles on Council business, complete Employee's details and ALL sections.

Employee's details

Employees Name		Employee's No	

Section A: The Driving Licence Check

Driving Licence Status (Full only)   Yes / No

Driving Licence validation dates from: to:

Entitlement to drive

- The designated Council vehicle(s)   Yes / No

- the vehicle detailed below   Yes / No

Penalties

Section B: The MOT check

Car Registration No.:

MOT Expiry Date:
(If vehicle is less than 3 years old, please state "MOT not required")

Section C: Insurance check

Original insurance documents seen   Yes / No

Car insured for business use   Yes / No

If yes, please submit the completed proforma with a scanned copy of the car insurance certificate.

If no, employee should be informed that they cannot make any work-related journey until appropriate cover is acquired and mileage claims may be withheld

Checks undertaken by: on
                                (PRINT NAME)   (DATE)

Employee's signature: on
                                (SIGNATURE)   (DATE)

Please submit the completed proforma to HRDRIVING@reading.gov.uk

Classification: UNCLASSIFIED

Internal Audit Report
TRANSPARENCY CODE

To:	Jackie Yates – Executive Director of Resources Isabel Edgar Briancon – Assistant Director Corporate Improvement & Customer Services Michael Graham – Assistant Director of Legal & Democratic Services Nayana George – Customer Relations & Information Governance Manager	
From:	Robert Dunford, Senior Auditor	**Limited Assurance**
Date:	1/10/2020	

EXECUTIVE SUMMARY

1. **BACKGROUND**

1.1   As part of the Government's drive on improving transparency and accountability, the Department for Communities and Local Government published the 'Local Government Transparency Code 2015' to allow greater and easier access to data. The purpose was to make it easier for local people to contribute to the local decision-making process and help shape public services. This Code requires local authorities to publish certain sets of data in specific timeframes.

1.2   The Code sets of the compliance standards, requirements and confirmations for 14 areas of information that must be published within specific timeframes. Annex A of the Code sets out the various data and summary requirements for each area of information.   There are Regulations - the Local Government (Transparency Requirements) (England) Regulations 2015.   The LGA publishes Guidance on publishing the data in a meaningful and consistent way on their website.

2. **OBJECTIVES & SCOPE OF THE AUDIT**

2.1   The purpose of the audit will be to benchmark the Council's compliance with the Code and to highlight those areas where attention is required. It The audit will not seek to ascertain if the data is factual. The objectives of the audit are to ensure: -

- Information has been published on a timely basis in accordance with the timeframes specified by the Code.
- Information published under the Code can be easily found.
- Information requirements specified by the Code have been published.

2.2   It was not the purpose of the audit to confirm the accuracy of the supporting data provided.

2.2   The scope of the audit was limited to a review of Reading Borough Council's systems and main website.

3.   CONCLUSIONS

3.1   Due to a lack of Budget Holder oversight of their responsibilities and corporate oversight, the Council has 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.

3.2   Although the Code requires the summarisation of 14 areas of information, we found that only 2 of these areas was fully compliant, 5 were partially compliant and 7 areas failed to comply. The reasons for this are due to a culmination of issues: -

- We noted that although 43% of information had been published on a timely basis in accordance with the Code, 57% of information had either not been published or was out of date.
- Information has not been consistently labelled, cross-referenced with the Code or located under a common directory on the Council's website to helpfully aide the public to find the information required.
- Where information had been provided, the data requirements were generally found to be in accordance with the Code, albeit we noted there were several data omissions that could later instigate complaints or freedom of information requests.

3.3   A total of 3 recommendations have been made in respect of this review, of which one is considered high priority. The recommendations and corresponding management action plan are attached at Appendix 1.

Classification: UNCLASSIFIED

**Management Action Plan**
Ref	**Recommendation**	**Rec**	**Management Response**	**Responsible Officer(s)**	**Target Date**
DISCOLOSURE & ACCESSIBAILITY TO INFORMATION THAT MUST BE DISCLOSED UNDER THE TRANSPARENCY CODE.
*RISK: If there is any ambiguity over the completeness, accuracy or availability of information that must be disclosed under the Code, there is a risk that the public may believe the Council is deliberately withholding information, which could lead to a breakdown of trust and reputational risks.*
1	Procedures for ensuring full compliance with the Transparency Code need to be reviewed and brought up to date. Where any gaps are identified these should be established. Procedures should include and address: • Management ownership and responsibility for coordinating the collation, checking and monitoring of information and for responding to queries resulting from information published under the terms of the Code. • Information should be appropriately labelled, be able to be easily located and accessible under a common section or directory of the Council's website. • Posted information should be monitored and kept up to date to ensure the data requirements are met and that publication of information is in accordance with the Code's timeframe requirements. • The protocol for publishing historical information from previous years needs to be agreed so that this is appropriately applied on a consistent basis.	Priority 1	Agreed. A procedure will be put in place to deal with the publication of the all the data types, taking into account most up to date guidance. If we cannot comply with any aspect of the best practice guidance, then we will make it clear in a policy and on the website where the public can get information as they require it. The publication of data will be kept under review by the Information Governance Board.	Assistant Director of Legal and Democratic Services	March 2021
2	The Council needs to be more proactive and visible in its commitment to being open and transparent. For example, although a copy of the Transparency Code 2015 is available via government website, the Council should confirm its policy and approach for complying with the code.	Priority 2	Agreed. A policy will be put in place. This will be agreed by the Information Governance Board and published on the website with links to the relevant data.	Assistant Director of Legal and Democratic Services	March 2021

4.   FINDINGS

4.1   INFORMATION THAT MUST BE PUBLISHED QUARTERLY

Data covered by this section includes:

<u>Expenditure exceeding £500 (partial compliance)</u>

4.1.1   We can confirm this information is easily found and has been regularly published on a quarterly basis both in PDF and Excel format, the last being for quarter 3, 2019/20. However, contrary to Annex A of the Code we were unable to find the data requirements for the following as required by the Code.

a) types of expenditure[1]
b) summary of the purpose of expenditure
c) VAT cannot be recovered
d) merchant category.

(See Rec 1) This information is owned by Finance with Procurement & Contracts.

<u>Government procurement card transactions (non-compliance)</u>

4.1.2   Although we can confirm the Council uses Lloyds procurement cards, we were unable to find any information about this category on the website. Details of all expenditure irrespective of value must be published in accordance with the Code[2] (**See Recs 1 & 2**). This information is owned by Finance with Procurement & Contracts.

<u>Procurement information (non-compliance)</u>

4.1.3   Although we can confirm this information is easily found, it has not been published on an quarterly basis in accordance with Part 2.1 paragraph 26 of the Code. Contractual information for 2020 was last published in July 2020 in both PDF and Excel format, and we are satisfied data provided complies with the Code[3] (**See Rec 1)**. This information is owned by Procurement & Contracts.

---

[1] Paras 28 & 29. Local authorities must publish details of each individual item of expenditure that exceeds £500. This includes items of expenditure, consistent with Local Government Association guidance, individual invoices, grant payments, expense payments, payments for goods and services, grants, grant in aid, rent, credit notes over £500, and transactions with other public bodies.

[2] Para 30. Local authorities must publish details of every transaction on a Government Procurement Card. For each transaction, the following details must be published, date of the transaction, local authority department which incurred the expenditure, beneficiary, amount, Value Added Tax that cannot be recovered, summary of the purpose of the expenditure, and merchant category (e.g. computers, software etc).

[3] Para 32. Local authorities must also publish details of any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000. For each contract, the following details must be published: reference number, title of agreement, local authority department responsible, description of the goods and/or services being provided, supplier name and details, sum to be paid over the length of the contract or the estimated annual spending or budget for the contract, Value Added Tax that cannot be recovered, start, end and review dates, whether or not the contract was the result of an invitation to quote or a published invitation to tender, and whether or not the supplier is a small or medium sized enterprise and/or a voluntary or community sector organisation and where it is, provide the relevant registration number .

4.2 INFORMATION THAT MUST BE PUBLISHED ANNUALLY

4.2.1 Data covered by this section includes:

- local authority land (partial compliance)
- social housing assets (non-compliance)
- grants to voluntary, community and social enterprise organisations (non-compliance)
- organisation chart (partial-compliance)
- trade union facility time (non-compliance)
- parking account (non-compliance)
- parking spaces (partial-compliance)
- senior salaries (partial-compliance)
- constitution (full compliance)
- pay multiple (full compliance)
- fraud (non-compliance)

Local Authority Land (partial compliance)

4.2.2 Although the information for the land and property register was published on the 19/11/2019, the garage data requirement was last published in 4/1/2016. Information is held in the 'public register' sub directory of the website under the 'policies, finance and legal information' area, labelled 'data held on land and property assets' and 'register of our garages' (**See Rec 2**). This information is owned by the Valuers.

Social service assets (non-compliance)

4.2.3 This information was last published in November 2016 and is held in the 'public register' sub directory of the website under the 'policies, finance and legal information' section, labelled 'housing asset data' (**See Recs 1, 2**). This information is owned by the Valuers.

Grants to voluntary, community and social enterprise organisations (non-compliance)

Although records from previous years remain available, no information has been published since 2015/16. This information is held under the 'policies, finance and legal information' sub directory of the website, labelled 'local government transparency code VCS grant database' (**See Recs 1, 2**). This information is owned by Customer Care and Transformation.

Organisation chart (partial compliance)

4.2.4 Although the senior management structure has been provided under the 'staff structure and salaries' sub directory of the website in the 'policies, finance and legal

information' section, it was noted that the data requirements to confirm the 'paygrade', and 'positions are permanent or temporary' for senior management could not be found in accordance with the Code[4] (**See Recs 1 & 2**). This information is owned by Human Resources.

Trade union facility time (non-compliance)

4.2.5   Although information is easily located under the 'policies, finance and legal information' website directory, labelled 'trade union facility 2017/18', this information is out of date. It was also noted that although the data presented broadly complies with the Code, we were unable to find the data for the following requirement 'names of all trade unions represented in the local authority' (**See Recs 1 & 2**). This information is owned by Human Resources.

Parking account (non-compliance)

4.2.5   No information could be found on the website, either under the 'policies, finance and legal information' section of the website, its sub-directories, the draft statement of accounts for 2018/19[5], or through a general search of the Council's website. The Code requires[6] a breakdown of the parking account to be published (**See Recs 1 & 2**). This information is owned by Finance.

Parking spaces (partial compliance)

4.2.8   Unlike the other areas of information, this information is provided under Transport Services Parking section of the website and called 'Parking is Reading'. Although the information provided for carparks and park and ride parking (off-street) is compliant with the Code, we were unable to find the data requirement for 'on-street parking' as also required by the Code. Also, information (from neither the Council's or other contributary websites) is not are date stamped to demonstrate and confirm that the information being provided was up to date (**See Rec 1**). This information owned by Parking.

Senior Salaries (partial-compliance)

4.2.9   Although a list of senior manager structure and pay scales has been published, we were unable to find evidence to support the data requirements for 'quantifying the number of staff whose remuneration exceed £50,000', and for naming those where this exceeds £150,000 in accordance with the Code[7]. In the event there are no cases,

---

[4] [para 44] Local authorities must publish an organisation chart covering staff in the top three levels of the organisation. The following information must be included for each member of staff included in the chart. a) grade, b) job title, c) local authority department and team, whether permanent staff, contact details, salary in £5,000 brackets, consistent with the details published under paragraph 8, salary ceiling.
[5]https://www.reading.gov.uk/media/10527/Draft-Statement-of-Accounts-2018-19/pdf/Statement_of_Accounts_2018-19.pdf

[6] [para 46] Local authorities must publish on their website or place a link on their website to this data if published elsewhere. A breakdown of income and expenditure on the authority's parking account. The breakdown of income must include details of revenue collected from on-street parking, off-street parking and Penalty Charge Notices, and a breakdown of how the authority has spent a surplus on its parking account

[7] [para 48] Local authorities are already required to publish, under the Accounts and Audit Regulations 2015 (Statutory Instrument 2015/234, a) the number of employees whose remuneration in that year was at least £50,000 in brackets of £5,000, b) details of remuneration and job title of certain senior employees whose salary is at least £50,000, and, c) employees whose salaries are £150,000 or more must also be identified by name.

the Council should confirm this. (**See Recs 1 & 2**). In accordance with the Code, this information however is published in the Statement of Accounts for 2018/19 (Note 34 Officer Remuneration), albeit we note that with the exception of the Chief Executive the names of officers who exceed £150,000 were not published. This information is owned by Finance.

Constitution (full compliance)

4.2.10 The Council's Constitution is easily found and appropriately highlighted under the 'policies, finance and legal' directory of the website. This information is owned by Legal and Democratic Services.

Pay multiple (full compliance)

4.2.11 The Council's pay policy for 2020/21 is appropriately labelled on the website and can be found under the 'staff structure and salaries' sub directory of the website in the 'policies, finance and legal' section. Although a position statement has been provided showing the ratios between the highest and lowest salaries, there is no supporting evidence to support how the calculations have been made as required by the Code[8]. This information is owned by Human Resources.

Fraud (non-compliance)

4.2.12 Although an overview of the Corporate Investigation Team (CIT) is provided under the 'policies, finance and legal information' section of the website, we were unable to find details of the data requirements as specified in the Code[9]. The CIT Manager explained that its findings are however published on a quarterly and annual basis in reports presented to the Audit & Governance Committee (**See Recs 1 & 2**). This information is owned by the Chief Internal Auditor.

---

[8] para 52] Local authorities must, under this Code, publish the pay multiple on their website, defined as the ratio between the highest paid taxable earnings for the given year (including base salary, variable pay, bonuses, allowances and the cash value of any benefits-in-kind) and the median earnings figure of the whole of the authority's. a/ cover all elements of remuneration that can be valued (e.g. all taxable earnings for the given year, including base salary, variable pay, bonuses, allowances and the cash value of any benefits-in-kind), b/ use the median earnings figure as the denominator, which should be that of all employees of the local authority on a fixed date each year, coinciding with reporting at the end of the financial year, and, c/ exclude changes in pension benefits, which due to their variety and complexity cannot be accurately included in a pay multiple disclosure.

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