

READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	20 April 2021		
TITLE:	INTERNAL AUDIT QUARTERLY UPDATE REPORT		
LEAD COUNCILLOR:	COUNCILLOR EMBERSON	PORTFOLIO:	CORPORATE AND CONSUMER SERVICES
SERVICE:	AUDIT & INVESTIGATIONS	WARDS:	N/A
LEAD OFFICER:	PAUL HARRINGTON	TEL:	9372695
JOB TITLE:	CHIEF AUDITOR	E-MAIL:	Paul.Harrington@reading.gov.uk

1. PURPOSE OF REPORT

1.1 This report summarises internal audit activity in respect of internal audit and investigations for the period 1 January to the 31 March 2021.

1.2 The following document is appended:

Appendix 1 - Internal Audit & Investigations Update Report

Appendix 2 - Internal Audit Report - Housing Revenue Account

Appendix 3 - Internal Audit Report - Accounts Receivable

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 six audit reviews have been finalised in the period between January and March 2021.

3.3 Three audit reviews received a positive assurance opinion and three received a negative assurance opinion.

3.4 Substantial Assurance Opinion Reviews

3.4.1 In general, we concluded that the **Payroll System** is well run and is functioning effectively, despite the strain that has been placed on Payroll staff to process furlough payments

3.5 Reasonable Assurance Opinion Reviews

3.5.1 Whilst our follow up audit of **Additional Payments** (acting up allowances, honoraria, overtime and market supplements etc), found good progress has been made in implementing audit recommendations, some remain work in progress.

2.7.1 An audit of the **Accounts Payable** concluded that significant progress has been made on implementing outstanding audit recommendations, which have been highlighted in previous audits. Although there are still some matters that require attention, these are, in most cases, relatively minor actions to achieve rather than a lack of action.

3.6 Limited Assurance Opinion Reviews

3.6.1 Our audit of **Penalty Charge Notice's (PCN's)** identified significant levels of longstanding PCN charges (debt) that has not been written off, as all outstanding charges are removed from the system, so by-passing any potential write-off procedure.

3.6.2 A review of governance arrangements in place for monitoring the Council's **Housing Revenue Account (HRA)** flagged several areas for improvement, with one of the key areas being the lack of specialist HRA expertise within the finance function, to ensure that service teams are fully supported in their roles in relation to the HRA.

3.6.3 Whilst there has been some progress in implementing audit recommendations with respect to **Accounts Receivable** and work is being progressed through the Finance Transformation workstream, much is still work in progress.

3.7 No Assurance Opinion Reviews

3.7.1 N/A

4. CONTRIBUTION TO STRATEGIC AIMS

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

5. COMMUNITY ENGAGEMENT AND INFORMATION

- 5.1 *N/A*

6. LEGAL IMPLICATIONS

- 6.1 Legislation dictates the objectives and purpose of the internal audit service the requirement for an internal audit function is either explicit or implied in the relevant local government legislation.
- 6.2 Section 151 of the Local Government act 1972 requires every local authority to “make arrangements for the proper administration of its financial affairs” and to ensure that one of the officers has responsibility for the administration of those affairs.
- 6.3 In England, more specific requirements are detailed in the Accounts and Audit Regulations in that authorities must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices”.

7. FINANCIAL IMPLICATIONS

- 7.1 *N/A*

8. BACKGROUND PAPERS

- 8.1 *N/A*