

Internal Audit & Investigations Annual Assurance report

For the year ended 31 March 2021

1.0 OVERVIEW

1.1 Introduction

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

1.2 Purpose & Scope of Report

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

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

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

1.3 Control Environment

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

1.4 Internal Audit Effectiveness

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

2.0 ANNUAL ASSURANCE STATEMENT

2.1 Basis of Assurance Opinion

2.1.1 This opinion is based on an assessment of:

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

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

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

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

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

2.3 Annual Assurance Opinion for 2020/2021

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

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

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

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

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

^[2] Audit report currently at draft stage

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

2.4 Inherent qualifications to the opinion

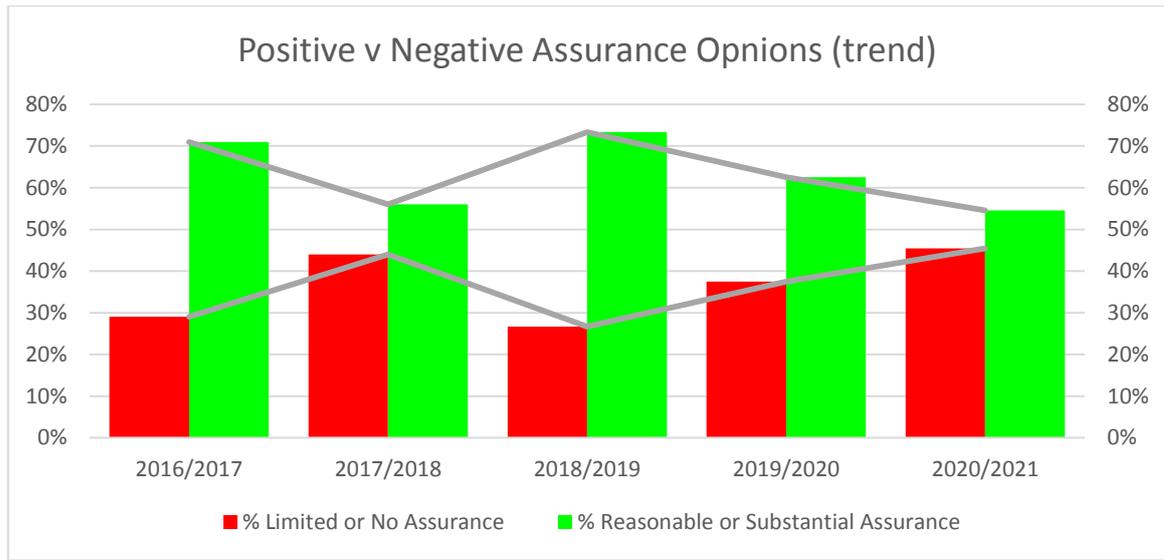
- 2.3.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives and therefore can only provide reasonable, not absolute, assurances of effectiveness.
- 2.3.2 The assurance opinion provided by the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

3 SUMMARY OF THE AUDIT WORK

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

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

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



3.5 Priority of Recommendations

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

4 NEGATIVE ASSURANCE REVIEWS

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

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

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

5.0 CORPORATE GOVERNANCE & RISK MANAGEMENT

5.1 Corporate Governance

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

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

5.2 Risk Management

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

6.0 Resource availability, allocation & jobs completed

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

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

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

6.2 Performance of the Internal audit Service

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

Table B: Key performance Indicators for internal audit

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

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

6.3 Annual Quality Review

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

Table C: Annual Quality Review

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

Response rate 20% (18 of 89)

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

7.0 Counter Fraud Activity

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

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

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

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

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

Notes:

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

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

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

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

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

NO ASSURANCE REVIEWS				Recs		
Title	Start	Draft	Final	H	M	L
N/A	N/A					

GRANTS				Recs		
Title	Start	Draft	Final	H	M	L

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

PLANNED AUDITS CARRIED OVER TO 2020/2021

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

ANNEX 2: Detailed analysis of Annual survey

Audit services

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

Audit staff

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

Conduct of audits

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

Audit reporting

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

Customer service

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

Overall rating of Internal Audit

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

Authority specific topics

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