

READING BOROUGH COUNCIL

DIRECTOR OF FINANCE

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| TO: | AUDIT & GOVERNANCE COMMITTEE | | |
| DATE: | 19 July 2021 | AGENDA ITEM: | |
| TITLE: | INTERNAL AUDIT QUARTERLY UPDATE REPORT | | |
| LEAD COUNCILLOR: | COUNCILLOR MCEWAN | PORTFOLIO: | CORPORATE AND CONSUMER SERVICES |
| SERVICE: | AUDIT & INVESTIGATIONS | WARDS: | N/A |
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| JOB TITLE: | CHIEF AUDITOR | E-MAIL: | Paul.Harrington@reading.gov.uk |

1. PURPOSE OF REPORT

- 1.1 This report summarises internal audit activity in respect of internal audit and investigations for the period 1 April to the 30 June 2021.
- 1.2 The following document is appended:

Appendix 1 - Internal Audit & Investigations Update Report

Appendix 2 - MOSAIC payment controls (Finance Module)

2. RECOMMENDATIONS

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

3. SUMMARY

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

3.4 Substantial Assurance Opinion Reviews

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

3.5 Reasonable Assurance Opinion Reviews

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

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

3.6 Limited Assurance Opinion Reviews

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

3.7 Grants

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

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

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

4. CONTRIBUTION TO STRATEGIC AIMS

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

5. COMMUNITY ENGAGEMENT AND INFORMATION

- 5.1 N/A

6. LEGAL IMPLICATIONS

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

7. FINANCIAL IMPLICATIONS

- 7.1 N/A

8. BACKGROUND PAPERS

- 8.1 N/A