

READING BOROUGH COUNCIL

DIRECTOR OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	12 April 2022		
TITLE:	INTERNAL AUDIT QUARTERLY UPDATE REPORT		
LEAD COUNCILLOR:	COUNCILLOR RUTH MCEWAN	PORTFOLIO:	CORPORATE AND CONSUMER SERVICES
SERVICE:	AUDIT & INVESTIGATIONS	WARDS:	N/A
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**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 2022.
- 1.2 The following documents are appended:
  - Appendix 1 - Internal Audit & Investigations Update Report
  - Appendix 2 - Intercompany Accounting

**2. RECOMMENDATIONS**

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

**3. SUMMARY**

- 3.1 The primary objective of each audit is to arrive at an assurance opinion regarding the robustness of the internal controls within the financial or operational system under review. Where weaknesses are found Internal Audit will propose solutions to improve controls, thus reducing opportunities for error or fraud. In this respect, an audit is only effective if management agree audit recommendations and implement changes in a timely manner.
- 3.2 A total of five audit reviews were completed in the period between January and March 2022.
- 3.3 Four audit reviews received a positive opinion, and one has received a negative assurance opinion. In addition to the audit reviews, grant certifications were provided to the relevant government departments for the Culture Recovery Fund Grant and the Travel Demand Management Grant.

### 3.4 Substantial Assurance Opinion Reviews

- 3.4.1 A follow up review of the **Parks Service** has seen an improvement in performance data and resource allocation to support overtime payments, providing a clear indication of how resources are being used. All internal audit recommendations have now been actioned.

### 3.5 Reasonable Assurance Opinion Reviews

- 3.5.1 **Climate change** was incorporated into the Council's internal audit plan by virtue of its entry in the Strategic Risk Register and this was the first audit examination of the subject as a discrete assignment. Our audit concluded that whilst controls for ensuring a systematic approach for delivering and monitoring responsibilities contained in the Reading Climate Emergency Strategy are still in the stages of early development, we are satisfied that the Council recognises the wider complexities of reporting.

- 3.5.2 The principal finding arising from our review of the **Bank and Feeder System Reconciliations** was that the main bank reconciliation is now up to date, clear and well supported. Given the well documented issues, weaknesses and problems associated with not regularly and routinely achieving this fundamental control in the recent past, this should now give a tentative indication of a welcome improvement in financial control.

- 3.5.3 It is our opinion that the governance structure overseeing the transition from **Children to Adults** social care is one of collaboration and should provide a well-informed transition process involving both Children and Adult Social Care, with little risk of unknown costs at transition.

### 3.6 Limited Assurance Opinion Reviews

- 3.6.1 In July 2020 we reported that the intercompany billing process was not operating as intended and there was confusion over roles and responsibilities between Reading Borough Council (RBC) and Brighter Futures for Children (BFfC). There were delays in payment and poor reconciliation controls to understand what had been paid, leading to a number of duplicate payments being processed. Our follow up review has concluded that little progress has been made since our last review.

### 3.7 No Assurance Opinion Reviews

- 3.7.1 N/A

### **3.8 Grant Sign offs**

3.8.1 Two grants were signed off **Culture Recovery Fund Grant and Travel Demand Management Grant**. Following appropriate checks and investigations we were able to confirm that the conditions attached to the grant determination(s) had been complied with.

### **3.9 Investigations**

3.9.1 The Investigations team have been continuing to conduct sample checks to provide post-payment assurance on risk of error and/or fraud and over payment. Since April 2021, the Investigations team have verified 539 applications, based on risk, with no suspicion(s) of fraud identified.

3.9.2 Officers have commenced investigation into several referrals of tenancy fraud, with 15 cases ongoing and since April 2021 11 properties having been returned to stock to date.

3.9.3 There is one ongoing direct payment investigation (Adults) currently in progress, which is linked to potential money laundering offences.

## **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**

6.1.1 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