

**READING BOROUGH COUNCIL
DIRECTOR OF FINANCE**

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	19 July 2022		
TITLE:	INTERNAL AUDIT QUARTERLY UPDATE REPORT		
LEAD COUNCILLOR:	COUNCILLOR TERRY	PORTFOLIO:	CORPORATE SERVICES & RESOURCES
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 the Internal Audit and Investigations Team for the period 1 April to the 30 June 2022.
- 1.2 The following document is appended:
Appendix 1 - Internal Audit & Investigations update report

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 three audit reviews were finalised in the period between April and June 2022 with all three completed reviews receiving a positive opinion.
- 3.3 **Substantial Assurance Opinion Reviews**
 - 3.3.1 A review of **Treasury Management** found borrowing and lending criteria to be clearly set out and accordingly followed. Appropriate audit trails were found to be maintained, with appropriate review and approval in place.

3.4 Reasonable Assurance Opinion Reviews

- 3.4.1 A review of **Accounts Receivable** recognised that there is now a clearer picture of outstanding debt and action is being taken to keep current debt under control. However, progress in ensuring Adult Social Care debt is promptly tackled was still only at the early stages. A decision needs to be taken on the likelihood of recovery of the most historical debt and write offs should be used where there is considered to be a negligible chance of recovery. The Oracle Fusion functionality in respect of reporting and general recovery processing (dunning) has been patchy and often very slow. The tracking of individual debt is satisfactory, although the presentation of information is not always as clear. The AR Team also manage most of its recovery process through spreadsheets outside of Oracle Fusion
- 3.4.2 A review of **Adult Social Care Client Contributions** found clear, documented processes in place with allocated roles and responsibilities for the annual uplift process. However, charge uplifts for 2021/22 were carried out manually via the Mosaic administration tool for circa 1,000 records, which was time-intensive and increased the likelihood of error. The review flagged concerns with the delay in updating service users' financial circumstances and clarity was needed to determine when the appeals procedure was being used, as opposed to the complaint's procedure. Sample tests of the billing process identified that where service users had been invoiced for their contributions, this had been backdated to the start of the service provision. However, from our sample there were a small number of instances where service users had yet to be invoiced for chargeable services or for a revised amount following an annual review. Although not significant in isolation, were this to be repeated on scale, this could have a material impact.

3.5 Limited Assurance Opinion Reviews

3.5.1 N/A

3.6 No Assurance Opinion Reviews

3.7.1 N/A

4. Resources

- 4.1 There is currently one long-term sickness in the Audit Team, which has been temporarily backfilled by an agency member of staff, but in addition to this, one member of staff will be retiring in the not-too-distant future due to ill health. This will no doubt impact on the ability of the Team to complete the audit plan in its entirety, with resources predicted to be considerably stretched in Quarter 3 of this financial year.
- 4.2 The Committee will be kept informed of developments and any future appointments going forward.

5.0 Investigations

- 5.1.1 Over a 3-day period in May, Investigation Officers worked alongside the Blue Badge Team and Parking Enforcement Officers to monitor and report on possible Blue Badge misuse across the town centre. The investigations identified the following:
- Two badges were found to be in use, where the badge holders were not present.
 - Five badges designated to a child, were found to be in use, when the child should have been in school.
 - One badge reported as stolen was found to be in use.
 - Four badges in use had expired, of which three were seized by officers and removed from circulation.
 - One badge belonging to a deceased person was found to be in use.
- 5.1.2 Including the vehicles which failed to display any badges, we reported fifteen issues linked to Blue Badge misuse over the period of inspection. This equates to approximately 5% of all vehicles inspected on the day.
- 5.1.3 In addition to the above, since April 2022, we have received a total of 5 misuse referrals, all of which were investigated. 1 case was successfully prosecuted in April 2022, and 4 cases have been sent a formal warning letter.
- 5.1.4 Officers have commenced investigation into several referrals of tenancy fraud, with 21 cases ongoing and since April 2022 3 properties having been returned.
- 5.1.5 There is one ongoing Direct Payment investigation (Adults) which is linked to potential money laundering offences.

6. CONTRIBUTION TO STRATEGIC AIMS

- 6.1 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.

7. COMMUNITY ENGAGEMENT AND INFORMATION

- 7.1 *N/A*

8. LEGAL IMPLICATIONS

- 8.1.1 Legislation dictates the objectives and purpose of Internal Audit the requirement for an Internal Audit function is either explicit or implied in the relevant local government legislation.

- 8.1.2 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.

- 8.1.3 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”.

9. FINANCIAL IMPLICATIONS

- 9.1 *N/A*

10. BACKGROUND PAPERS

- 10.1 *N/A*