

READING BOROUGH COUNCIL
DIRECTOR OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	28 September 2022		
TITLE:	INTERNAL AUDIT QUARTERLY UPDATE REPORT		
LEAD COUNCILLOR:	COUNCILLOR TERRY	PORTFOLIO:	CORPORATE SERVICES & RESOURCES
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 the Internal Audit and Investigations Team for the period 1 July to the 30 September 2022.
- 1.2 The following document is appended:
 - Appendix 1 - Internal Audit & Investigations update report
 - Appendix 2 - Deferred Payments Internal Audit 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 five audit reviews were finalised in the period between July and September 2022, with four receiving a positive opinion and one receiving a negative opinion. In addition, six grants were certified to confirm they had met the conditions of the grant determination.

3.3 Substantial Assurance Opinion Reviews

- 3.3.1 The general impression given following an audit of **Waste Management Operations** is a well-run service that was operating efficiently. The governance in place for use of agency staff, sickness absence monitoring, round allocations we found to be robust and operating well. Statistically the rate of complaints is below 1% and that around 0.4% of all bins are missed of an estimated 7.2 million bins emptied each year.

3.4 Reasonable Assurance Opinion Reviews

- 3.4.1 A review of **Rent Accounting** reported debt collection and recovery policies were in place, with debt monitoring and income collection regularly reported at management and committee level. However, debt recovery performance on former tenants could be improved. The administration of rent accounting for Homes for Reading (HfR) properties also requires some improvement, with a consistent approach to calculating rent increases required.
- 3.4.2 A follow up review benchmarking the council's compliance with the **Local Government Transparency Code 2015** noted that whilst good progress has been made since the last audit with regard to the 14 areas of information required by the Code, there is still work to be done to be fully compliant and ensure that it this remains the case.
- 3.4.3 A follow-up review, since our last audit of **Freedom of Information (FOI)** compliance, noted that whilst progress has been made, there remain some gaps in control. Processes are now more automated; guidance has been published and performance monitoring has improved. Notwithstanding these measures, performance across the council remains disappointingly low¹, despite some pockets of improved performance which have been reported to previous A&G Committee meetings. The council aspires to meet the 90% response rate expected by the Information Commissioner and this has been included as a Corporate Plan KPI.

¹ 66.9% and 67.3% met the 20-day timeline in the last two quarters of 2021-22

3.5 Limited Assurance Opinion Reviews

- 3.5.1 Whilst the volume of reported Deferred Payment Agreements is relatively small, we concluded that processes which underpin the administration of **Deferred Payments** require improvement. This is primarily due to most deferred payment applications being either progressed as a solicitor's undertaking or remaining as an unsecured interim funding arrangement. Inadequate internal processes, combined with poor communication, and coordination between Adult Social Care and Legal Services, has resulted in deferred payment applications not being processed on a timely basis.

3.6 No Assurance Opinion Reviews

- 3.6.1 N/A

4. Consultancy work

- 4.1.1 The definition of Internal Audit outlines the scope of the Internal Audit function which is not limited to assurance but includes a consultancy activity. Internal Audit's purpose is to be the 'critical' friend by questioning process and controls within the outturn of these groups. With this in mind the Internal Audit function is currently involved in a number of boards/groups across the Council, including:

- SharePoint Strategy and Data Migration Group. - To ensure that only required information is migrated to SharePoint sites by identifying owners of information to be migrated to SharePoint and the structures within it.
- Office 365 realisation Project - involved in the promotion of Office 365 and cascading key messages and functionality. Being the conduit between the end user and project team.
- Finance Transformation and Systems Board - attended by the Chief Auditor, with audit staff in the design and build stages.

- 4.1.2 In addition to these formal groups and forums, Internal Audit provides advice on an adhoc basis, most recently this has included:

- School Support - in the production of standard manuals and guidance documents in good governance and financial management of schools
- School Effectiveness Forum -coordinating cross-Council support to ensure Reading schools demonstrate effective leadership and management

5. Resources

- 5.1 There is currently two long-term sickness in the Audit Team, of which one post has been temporarily backfilled by an agency member of staff. The other post has been covered by internal promotion, creating a vacancy which we will look to fill on a permanent basis following a recruitment exercise. 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.
- 5.2 The Committee will be kept informed of developments and any future appointments going forward.

6.0 Investigations

- 6.1.1 Since April 2022, we have received a total of 8 blue badge misuse referrals, all of which were investigated. 1 case was successfully prosecuted in April 2022, and 5 cases have been sent a formal warning letter and the remaining cases under ongoing investigation.
- 6.1.2 Officers have commenced investigation into several referrals of tenancy fraud, with 26 cases ongoing and since April 2022 3 properties having been returned. The team has also assisted in the return to stock of 2 Registered Social housing landlords' properties.
- 6.1.3 There is one ongoing direct payment investigation (Adults) currently in progress, which is linked to potential money laundering offences and in a separate case are working with RBC legal services to recover £16k in misused monies linked to an ongoing investigation into direct payment fraud.
- 6.1.4 Officers have been working with Adult Social Care (ASC) in reviewing high-cost cases to ensure monies are being spent in accordance with the care plans. £51k had been recouped, out of a potential £97.5k.
- 6.1.5 The investigations team have recently achieved a successful prosecution, in respect of a fraudulent Covid Business Grant Claim, with the defendant admitted to fraud by false representation and made to pay compensation of £10,000 to RBC. The defendant was also handed a community order to undertake 100 hours of unpaid work.

7. CONTRIBUTION TO STRATEGIC AIMS

- 7.1 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.

8. COMMUNITY ENGAGEMENT AND INFORMATION

- 8.1 *N/A*

9. LEGAL IMPLICATIONS

- 9.1.1 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.
- 9.1.2 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.
- 9.1.3 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*