

**READING BOROUGH COUNCIL
DIRECTOR OF FINANCE**

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	12 April 2023		
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 The purpose of this report is to provide an update on the progress made against the delivery of the Internal Audit Plan. This report provides details of audits completed in quarter 4 of the 2022/2023 financial year.
- 1.2 The following document is appended:
Appendix 1 - Internal Audit & Investigations update report
Appendix 2 - Direct Payments 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 three audit reviews were finalised in the period between January and March 2023, with two receiving a positive opinion and one receiving a negative opinion. In addition, one grant was certified to confirm it had met the conditions of the grant determination.

3.3 Substantial Assurance Opinion Reviews

- 3.3.1 A follow-up review of the **Housing Revenue Account** recognised that substantial progress has been made since the last audit, that previous gaps in control are being more effectively managed, which means that relevant risks for the Council are now being mitigated more robustly.

3.4 Reasonable Assurance Opinion Reviews

- 3.4.1 A review of **Commercial Assets & Investments** confirmed that adequate systems are in place to identify, collect, record, and monitor rental income due on commercial properties and investments.

3.5 Limited Assurance Opinion Reviews

- 3.5.1 An audit of **Direct Payments** identified process weaknesses, such as payment account setups not being authorised and checked, along with delays in the monitoring of user accounts, with only 53% of accounts being reviewed on time.

3.6 No Assurance Opinion Reviews

- 3.6.1 N/A

3.7 Investigations

- 3.7.1 The Corporate Investigations Team (CIT) has referred several cases for financial reviews from 35 Council Tax Support investigations completed, where a discount was removed from the current account
- 3.7.2 Since April 2022 the team have received a total of five Blue Badge referrals of blue badge misuse. We've closed all five investigations or which three received warning letters, one blue badge was ceased and destroyed, and one case is with legal colleagues pending charges.
- 3.7.3 Since April 2022, officers have undertaken investigations into several referrals of tenancy fraud with currently 15 cases ongoing. There has been a total of 8 properties returned to stock to date. All these cases were tenancy-related investigations. The team has also assisted in the return to stock of 2 Registered Social housing landlords' (RSL) properties.
- 3.7.4 CIT have been working with the Finance and Assessment Team (FAB) and Adult Social Care (ASC) in reviewing direct payment cases to ensure monies are being spent in accordance with the care plans.
- 3.7.5 In December Central Government uplifted specific datasets from Reading as part of the National fraud incentive. Since February 2023, when the matches were released for review, a total of 524 matches have been investigated.

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