

Audit and Governance Committee

20 July 2023



Reading
Borough Council
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Title	Internal Audit & Investigations Quarterly Update Report (Q1)
Purpose of the report	To note the report for information
Report status	Public report
Report author (name & job title)	Paul Harrington, Chief Auditor
Lead Councillor (name & title)	Cllr Liz Terry
Corporate priority	Our Foundations
Recommendations	The Audit & Governance Committee is requested to consider the report.

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 finalised in quarter one of the 2023/2024 financial year.

2. SUMMARY

- 2.1 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.
- 2.2 A total of seven audit reviews were finalised in the period between April and June 2023, with five receiving a positive opinion and two receiving a negative opinion¹. In addition, three grants were certified to confirm they had met the conditions of the grant determination.
- 2.3 The following documents are appended:
- Appendix 1 – Internal Audit & Investigations update report
 - Appendix 2 - Internal Audit Report - Housing Repairs
 - Appendix 3 – Internal Audit Report - Cyber Security – Not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. In the circumstances of this case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information because a key risk faced by the Council is minimising cyber-attacks and to publish this report would not be in accordance with the objectives of the Council’s Strategic Risk Register to minimise the likelihood of such attacks.

¹ positive = substantial or reasonable assurance, negative = limited or no assurance.

2.4 **Substantial Assurance Opinion Reviews**

- 2.4.1 Whilst the audit found that the **Accounts Payable** system was working satisfactorily, there are pressures particularly around how suppliers are set up and the time taken. The audit noted that statistics are kept on performance but that these are not widely circulated within the organisation. It may help demonstrate how issues like delays in receipting of invoices impact processing of payments if figures were more widely available to processing departments.
- 2.4.2 An audit of **Budget Setting and Monitoring** concluded that budget setting and monitoring is robust.

2.5 **Reasonable Assurance Opinion Reviews**

- 2.5.1 An audit of the **General Ledger** reported that there have been considerable improvements to journal processing in terms of i) clear segregation of duties and appropriate approval/authorisation of journals; ii) the provision of clear descriptions and supporting documentation to journals which had been a weak area previously; iii) timely processing of journals during 2022/23; and iv) a continuing reduction in the number of journals processed compared with previous years. Two key control documents have been maintained throughout the year and were up to date at the time of audit, these being: a) the Trial Balance Checker which lists all codes currently in the system in their respective categories (this has been in place for around four years) and b) the Finance Dashboard which is a new initiative commencing April 2022; this identifies all required reconciliations and tracks their progress through RAG status for each monthly accounting period across the year.
- 2.5.2 Our follow-up review of **Adult Social Care Client Contributions** recognised that good progress has been made in implementing the audit recommendations. Likewise, there has been positive progress in implementing audit recommendations to strengthen the **Inflationary Uplift** process which led to a considerable overpayment of one care provider in the 2021/2022 financial year.

2.6 **Limited Assurance Opinion Reviews**

- 2.6.1 Our review of **Housing Repairs** identified several areas with scope for improvement, with a lack of compliance and inconsistencies with various processes followed. Contracts had expired, performance review meetings were not being held with all sub-contractors and jobs were not being completed or closed on the relevant system. Data quality was poor, with over eight thousand open jobs open as at mid-February 2023, more than half of which were overdue.
- 2.6.2 Our audit of **Cyber Security** identified that there are weaknesses in respect of the internal configuration of the ICT estate. The audit found that the external perimeter defence for RBC was satisfactory, but that there were several internal weaknesses due to the use of legacy systems and work is needed to be undertaken and completed to reach the government cyber security benchmark. In response to the audit report a strategy has been put together to tackle the risks going forward.

2.7 **No Assurance Opinion Reviews**

- 2.7.1 N/A

3. Contribution to Strategic Aims

3.1 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 the Council's priorities. The Council's new Corporate Plan has established three themes for the years 2022/25. These themes are:

- Healthy Environment
- Thriving Communities
- Inclusive Economy

3.2 These themes are underpinned by "Our Foundations" explaining the ways we work at the Council:

- People first
- Digital transformation
- Building self-reliance
- Getting the best value
- Collaborating with others

3.3 Full details of the Council's Corporate Plan and the projects which will deliver these priorities are published on the [Council's website](#). These priorities and the Corporate Plan demonstrate how the Council meets its legal obligation to be efficient, effective and economical.

4. Environmental and Climate Implications

4.1 There are no environmental or climate implications arising from the report.

5. Community Engagement

5.1 N/A

6. Equality Implications

6.1 No equalities impact implications have been identified as arising from this report.

7. Other Relevant Considerations

7.1 None

8. Legal Implications

8.1 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.

8.2 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.

8.3 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 Timetable for Implementation

10.1 n/a

11 Background Papers

11.1 n/a