

Audit and Governance Committee

27 September 2023



Reading
Borough Council
Working better with you

Title	Internal Audit & Investigations Quarterly Update Report (Q2)
Purpose of the report	To note the report for information
Report status	Public report
Report author	Paul Harrington, Chief Auditor
Lead Councillor	Cllr Liz Terry
Corporate priority	Our Foundations
Recommendations	The Audit & Governance Committee is requested to consider the report.

This report has an appendix containing exempt information, in relation to the audit of the purchase, storage, and issue of unleaded petrol, white and red diesel fuels, within the meaning of the following paragraph of Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to information) (Variation) Order 2006:

7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime

And in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information because: if further disclosure of weaknesses in systems and procedures for securing and accounting for fuel were revealed it could undermine the Council's ability to safeguard against the loss of fuel and lead to a financial loss to the Council.

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 two 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 five audit reviews were finalised in the period between June and September 2023, with three receiving a positive opinion and two receiving a negative opinion¹.

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

2.3 **Substantial Assurance Opinion Reviews**

- 2.3.1 Our audit of **Council Tax** concluded that controls in place to ensure council tax bills are correctly calculated, appropriately set up on the council tax system, payments are collected, accounted for, and monitored.

2.4 **Reasonable Assurance Opinion Reviews**

- 2.4.1 Our audit of the **staff leaver process** concluded that the leaver process has been automated to facilitate the timely closure of an employee's pay, the same approach is not used to help service managers ensure the complete return of corporate equipment and closure of system accesses on the leaver's last working day. There is no coordinated approach.
- 2.4.2 Whilst the audit trail and notification processes for leavers on the payroll system have been improved to make the leaving of employment more efficient, it is not possible to ascertain the level of overpayments that may have occurred, as there are no monitoring controls or way to identify this type of debt.
- 2.4.3 Although the overall level of **Adult Social Care Debt** was standing at £5.8 million as of 30 June 2023, our audit identified and evidenced significant progress, particularly in terms of a) comprehensive and well-presented documented procedures covering a range of system areas and b) enhanced governance processes, including detailed reporting and analysis to support ASC debt monitoring and recovery.

2.5 **Limited Assurance Opinion Reviews**

- 2.5.1 A follow up audit review of **Payments to Adult Social Care Providers** has identified considerable work completed and in progress/ongoing since the original audit report was agreed with a No Assurance opinion in January 2022. There still, however, remain significant issues to address, including high levels and balances of invoices outstanding, in spite of considerable reconciliation work completed with a good volume of payments cleared/paid or with resolutions progressing.
- 2.5.2 We, therefore, consider that a Limited Assurance opinion currently and fairly reflects the improvements and progress made since January 2022 whilst taking the work still to be completed or maintained as ongoing into account.

2.6 **No Assurance Opinion Reviews**

- 2.6.1 Our audit of the **Fuel System** concluded that systems and procedures for securing and accounting for fuel were found to be weak and no assurance can be provided that the control environment is sufficient, to safeguard the Council against loss, theft, or running out of fuel. Further details are contained in Appendix 1 in section 2.5 and in the exempt Appendix 3, which is not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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

Appendices

1. Internal Audit & Investigations update report.
2. Payments to Adult Social Care Providers - Internal Audit Report
3. Internal Audit Report – Fuel System – Not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.