

Appendix 1

Internal Audit & Investigations

Quarterly Update Report Q2

1.0 OVERVIEW

1.1 Purpose & Scope of Report

1.1.1 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.

1.2 Assurance Framework

1.2.1 Each Internal Audit report provides a clear audit assurance opinion. The opinion provides an objective assessment of the current and expected level of control over the subject audited. It is a statement of the audit view based on the work undertaken in relation to the terms of reference agreed at the start of the audit; it is not a statement of fact. The audit assurance opinion framework is as follows:

Opinion	Explanation
No Assurance	“Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.”
Limited	“Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.”
Reasonable	“There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.”
Substantial	“A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.”

1.2.2 The assurance opinion is based upon the initial risk factor allocated to the subject under review and the number and type of recommendations we make. It is management’s responsibility to ensure that effective controls operate within their service areas. Follow up work is undertaken on audits providing **limited** or **‘no’** assurance to ensure that agreed recommendations have been implemented in a timely manner.

2.0 HIGH LEVEL SUMMARY OF AUDIT FINDINGS

		Recs			Assurance
2.1	C-TAX	0	0	1	Substantial

2.1.1 The purpose of the audit was to ensure council tax is correctly calculated, paid on time and that all system parameters for property bands and discounts to calculate council tax were correctly applied.

2.1.2 Our audit concluded that there are suitable 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. The council tax billing system is set up correctly in accordance with the charges approved by the Council for the year 2023/24.

2.1.3 There are sufficient checks and adequate separation of duties in place for ensuring the property valuation changes approved by the Valuation Office Agency (VOA) are updated on the Council Tax system and the system totals reconcile with the VOA.

2.1.4 The cash receipting system is reconciled daily against the council tax system and for investigating any variations. Sufficient audit trails are in place to validate the reconciliation totals against supporting system reports.

2.1.5 The council tax system is reconciled each month against the main accounting system and which is generally certified and dated by the officers completing and carrying out the review. Our testing found there are good audit trails in place to substantiate the reconciliation totals against supporting system reports.

2.1.6 There are good controls in place for monitoring council tax collection performance, and arrears, and for substantiating the reason and proper authorisations for writing off the debts which cannot be recovered.

		Recs			Assurance
2.2	Leavers & Movers Process	0	5	2	Reasonable

2.2.1 It is important that when staff leave employment of the Council, equipment is returned, access to buildings and information systems is cancelled and payroll are notified promptly.

2.2.2 The objective of the audit was to ensure leaver processes encourage the prompt return of council equipment, the closure of system and building access, the return of Council identification and that payroll suitable notified to prevent salary overpayment.

2.2.3 Whilst the leaver process has been simplified to coordinate the timely closure of an employee's pay, we were unable to substantiate if salary overpayments had occurred and if so, the financial value. The recovery of overpayments is administered through the Oracle Fusion Debtor system; however, overpayments are not flagged, thus exception reports cannot be run to report the value of such debt. Payroll (iTrent) no longer holds a register to monitor salary overpayments, as the responsibility for recovering this debt is assigned to the budget holder.

- 2.2.4 Managers are failing to notify corporate ICT of leavers, by completing the ICT leaver form, with reliance being placed upon the Digital Technology and Change Team (DTAC) to monitor and close ICT system access identified through system usage data.
- 2.2.5 The closure procedures for closing system access and recovering equipment from agency leavers requires confirmation and communication to ensure this is better managed, due to the difficulty in identifying unused accounts because of the unusual work patterns and contracted terms of agency workers, this is resource intensive for DTAC.
- 2.2.6 There is no overall responsibility for monitoring and reporting the risk of non-returned equipment and access because multiple registers are used. There are serious potential risks where ID/building access cards and clothing containing the Council's logo are not returned.

	Recs			Assurance	
2.3	Adult Social Care Debt	1	5	0	Reasonable

- 2.3.1 Regular audit reviews are carried out of Accounts Receivable and debt management, however Adult Social Care (ASC) debt has not been reviewed as a specific area in recent years, although reference has been included in corporate reviews of Accounts Receivable. This area is considered high risk given the rising service demands, cost pressures, and increasing levels of debt experienced in recent years.
- 2.3.2 The area has been under Transformation for the past 2 to 3 years, overseen by the ASC Debt Monitoring Group. The key aims have been to collate an up to date and comprehensive ASC Debt Policy for RBC, linking with the corporate Debt Policy, plus the revision of procedures for working with Legal Services in advanced debt recovery cases. This audit review identified and evidenced significant progress during the project period to July 2023, 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.
- 2.3.3 Detailed reports and statistics are presented to and reviewed by the Debt Management Group on a monthly basis. The overall outstanding debt balance (ASC) stood at £5,809,555 as of 30th June 2023, however there are some high aged debt values in the system relating to overdue commercial payments, e.g., from Health organisations, service providers and other Local Authorities. These are considered lower risk debts compared with personal customer debts as they are expected to be realised/recoverable. It is anticipated that future reports will highlight commercial debts as a specific category; these are currently discussed at the Debt Monitoring Group with explanations provided as to their status.
- 2.3.4 The audit trails supporting ASC debtor accounts are quite complex, requiring interfaces and cross-reference between a number of system applications. In addition, a new corporate document management system (NEC EDMS) went live in February 2023 and the new financial system Advanced e5 is due to be implemented in November 2023, which will incorporate Accounts Receivable (AR).

- 2.3.5 At the time of our audit, consideration was being given to the most appropriate structure in terms of ownership and management of the ASC debt recovery processes; these are currently led and practically applied by the AR Team in liaison with ASC managers, the Personal Budget Support Team (PBST) and Financial Assessments and Benefits (FAB) Team, plus the Deputy's Office and Legal Services. ASC may become responsible for owning and carrying out recovery procedures for these accounts.
- 2.3.6 The focus is expected to be upon early identification of debts arising to improve the likelihood of successful recovery compared with aged/historic debts. In addition, customer account statements are expected to be issued after the new e5 system is implemented which are not issued currently (we understand that this facility is not currently available in Oracle Fusion). The statements will identify all debts applying to each customer, so this should serve to clarify details of outstanding debts with clients and hopefully improve payment and recovery rates.
- 2.3.7 Another positive development during early 2023 has been the appointment of two experienced managers within Legal Services, specialising in ASC case management. The Legal Services Manager was new to RBC having had extensive experience in this area at other Local Authorities. An experienced Solicitor who was already with the team at RBC also moved into ASC case management. This enabled close working with the Project Team and the Debt Management Group to revise the processes for case referral to Legal Services and the advanced recovery stages, in line with the sensitive case management required in this service area.
- 2.3.8 A proactive approach has also been taken to focus upon "debt avoidance" at the early stages of the client service arrangements. Two new posts were approved with this key objective/aim; at the time this audit concluded the recruitment process had commenced.
- 2.3.9 The raising of accurate client accounts/invoices is a complex process in this service area; issuing invoices for correct debts due is something of a moving target given the level of changes to services required by clients. A programme of client account Reconciliations has been carried out and is ongoing, led by the PBST (Personal Budget Support Team) managers. This process is currently very time consuming and resource intensive for the team. We were advised that external consultants, PWC have been commissioned to help enable a more automated, streamlined solution to managing Reconciliations, plus a review of the Mosaic system facilities. A portal should be developed which enables customers or their representatives to check and verify service charges which should result in greater invoice accuracy. The timescale for the consultancy project had not been confirmed at the time of our audit; this may take approximately a year to cover the full scope.

	Recs			Assurance
2.4	2	3	0	Limited

- 2.4.1 An audit of Adult Social Care Provider Payments (Mosaic) was carried out as part of the 2021/22 internal audit plan; the final report issued in January 2022 gave a No Assurance opinion with a total of 18 recommendations, with 7 of these being high priority.

- 2.4.2 A separate investigation was completed at the request of the Chief Executive concerning significant delays with payments due to Mencap, a provider of voluntary grant aided services, to the value of £37k; a Limited Assurance report relating to this investigation was issued in January 2022, with two medium priority recommendations relating to the management of invoices in this service area.
- 2.4.3 In addition, a significant overpayment to the value of approximately £1 million had been made to a supplier, although these monies were subsequently recovered (this was caused by inflationary uplifts being incorrectly calculated and applied). Several weaknesses in controls were identified in relation to the overpayment which were captured in the original audit recommendations, agreed in January 2022.
- 2.4.4 Although this follow up audit review identified that considerable work has been completed and is in progress/ongoing, there still remains 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. A total of 1484 invoices with a total value of £1,871,938 remained outstanding as at end April 2023. The management of payments is acknowledged as a constantly moving target in this service area, with constant changes and new invoices subject to queries and amendments affecting the workflows and data sets.
- 2.4.5 Good progress was identified between December 2022 and end of March 2023 concerning the recovery of outstanding pre-payments, whereby £127,597 had been recovered with a further £666,247 agreed for settlement, plus a further £79,553 subject to payment arrangements, representing a total of £873,397 from an outstanding total of £1,177,996 (i.e., around 74%).
- 2.4.6 Reconciliation work had started in May 2023 concerning outstanding credit notes; at the time the audit concluded, an indicative total of £889.3k represented outstanding credit notes, of which £188.5k was expected to be written off due to being more than 6 years old.
- 2.4.7 The ASC Performance Board have met regularly during 2022 and 2023 to date (to end April 2023) with standing agenda items including specified performance reports; minutes have included links to the specified reports, comments and actions, etc. However, this aspect is still subject to enhancement, particularly in terms of reviewing the data quality in Mosaic as improved reporting facilities continue to be explored with the system suppliers, Servelec.
- 2.4.8 Progress has also been made in developing the training offer for users of the Mosaic system. We noted with evidence demonstrated, that detailed updates for specific functions had been uploaded to the intranet by the Care Systems Team, in person tuition is available and training videos are being developed with the expectation of full roll out by the end of 2023.
- 2.4.9 The full report is attached at Appendix 2.

		Recs			Assurance
2.5	Fuel System	4	5	0	No Assurance

- 2.5.1 The purchase, storage, and issue of unleaded petrol, white and red diesel fuels which costs approximately £500k per year are administered by Facilities Management on behalf of the services under the Directorate of Environment & Neighbourhood Services (DENS).
- 2.5.2 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 of fuel.
- 2.5.3 There is no proper control to ensure the correct quantities of fuel are delivered or proactive monitoring of fuel usage against consumption for individual vehicles and/or plant and machinery. CCTV is inadequate, poor in quality and is not being used effectively.
- 2.5.4 Although weekly stock readings are undertaken, fuel deliveries are not recorded on the fuel management system to substantiate the integrity of the monthly stock reconciliation carried out independently by Finance. To make improvements, weekly stock readings should be checked against fuel management stock readings so that variances and stock levels can be monitored on a timely basis.
- 2.5.5 Improvements are required to ensure the issue and circulation of fuel cards are administered and operated securely. We recommended that the business case for every vehicle, plant and supervisor override card on the fuel management system is reviewed immediately.
- 2.5.6 Concerns need to be addressed regarding CCTV and its poor quality, not only in terms of visibility, but in terms of accuracy regarding the date and time. Times and dates recorded on CCTV do not correspond with times and dates of fuel drawings on the fuel management system and cameras are positioned in places which can be blocked by vehicles, in addition, the image quality of the CCTV recordings is extremely poor.
- 2.5.7 Improved processes are required for approving, substantiating, and monitoring fuel purchased at petrol stations, which should only be used for fuelling a hire vehicle, or in an emergency when fuel is unavailable at the Bennet Road depot.
- 2.5.8 Although there are good separations of duties in place for administering the purchase of fuel and the recharge of this to Fleet Management, the centralisation of the fuel budgets has undermined individual service's own responsibilities for controlling and ensuring fuel expenditure is properly accounted for.
- 2.5.9 Please refer to part 2 report on the agenda for further information.

Key: No Assurance: ■ Limited Assurance: ■ Reasonable Assurance: ■ Substantial Assurance: ■

Audit reviews carried over from 2022/2023

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Housing Repairs	●				Nov-22	Mar-23	Apr-23	2	8	4	Reasonable Assurance
Cyber Security	●				Aug-22	Dec-22	May-23	2	3	2	Reasonable Assurance
Accounts Payable	●				Mar-23	May-23	Jun-23	0	1	2	Substantial Assurance
General Ledger	●				Jan-23	Mar-23	Apr-23	0	6	1	Reasonable Assurance
Client Contributions Follow up	●				Feb-23	Apr-23	Jun-23	0	0	0	Reasonable Assurance
Inflationary Uplifts (Follow up)	●				Jan-23	May-23	May-23	0	0	0	Reasonable Assurance
Leavers and movers' processes	●				Jan-23	Apr-23	July-23	0	5	2	Reasonable Assurance
Adult Social Care Debt	●				Feb-23	Jun-23	Sep-23	1	5	0	Reasonable Assurance
Provider Payments (Adults)	●				Jan-23	May-23	July-23	2	3	0	Reasonable Assurance

Audit reviews for 2023/2024

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Fuel system	●				May-23	Jun-23	Jul-23	4	5	0	Limited Assurance
Commercial Assets & Investments	●				Jul-23						
Intercompany accounting (Follow Up Review)	●				Jul-23						
S117 of the Mental Health Act	●				Jun-23						
Rough Sleeping Accommodation Program Grant Determination RSAP 1 &2	●				Apr-23	Apr-23	Apr-23	0	0	0	n/a
Homelessness Prevent Grant including top up	●				Apr-23	Apr-23	Apr-23	0	0	0	n/a
Rough Sleeping Initiative Grant additional pressures cert	●				Apr-23	Apr-23	Apr-23	0	0	0	n/a
Iken billing process	●				Jun-23						

Key: No Assurance: ■ Limited Assurance: ■ Reasonable Assurance: ■ Substantial Assurance: ■

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Local Transport Plan Capital Settlement (Grant Certification)		●			Sep-23						
Local Authority Bus Subsidy Grant (BSOG)		●			Sep-23						
Bank & Cash Rec inc control account reconciliations		●			Aug-23						
CTAX		●			Apr-23	Jun-23	Jul-23	0	0	2	
Procurement end-to-end process		●			Aug-23						
Payroll (inc HR/Itrent processes)		●			Aug-23						
Public Health Grant		●									
Continuing Health Care (CHC)		●			Jun-23	Aug-23					
Employee gifts and hospitality & declarations of interests		●			Jun-23	Sep-23					
Reading Museums - Reading Foundation of Art		●			Jun-23	Aug-23					
Coroners Service			●								
Sec 106 Agreements			●								
Data Security/Information Governance			●								
New Finance System migration			●								
Accounts Payable			●								
Digital Technology and Change - Project Management			●								
Caseload management (inc ASC Front Door)			●		Aug-23						
Community Infrastructure Levy				●							
Homelessness				●							
Accounts Receivable				●							
Deputyship and Appointeeship (Follow up Review)				●							
Scheme of Delegation				●							

3.0 INVESTIGATIONS (APRIL 2023 – SEPTEMBER 2023)

3.1 Council Tax Support Investigations

3.1.1 Forty Council Tax Support investigations have commenced to date, with the discount removed in six cases resulting in estimated savings of **£5,059**. The team has been supporting Council Tax by investigating forty-four cases of suspected SPD fraud with **£9,271** recovered to date.

3.2 Housing Tenancy Investigations

3.2.1 Since 1st April 2023, officers have completed investigations into thirteen referrals of alleged tenancy fraud. A total of three properties have been returned to stock to date. All these cases were tenancy-related investigations. There are another nine ongoing investigations.

3.2.2 The notional saving achieved on the properties returned to RBC stock is **£279,000** adopting the notional savings multiplier used by the Cabinet Office in its National Fraud Initiative report. CIT has also assisted in the return to stock of one property let through a Registered social landlord (RSL)

3.2.3 The team has also looked at and verified twelve Right to Buy applications of which seven have been referred to the applicant for further information to be supplied by the applicants. Two Right to Buy applications have been refused resulting in a rental savings figure of **£13,712** And a notional saving of **£174,400** in discounts.

3.2.4 The team also undertakes assurance verification on new homeless applications. During the first quarter of the 2023/2024 financial year, the team reviewed one hundred and forty cases. To date, a total of **£966** has been recorded as direct SPD savings.

3.3 Disabled Persons Parking (Blue) Badges

3.3.1 Since April 2023 the team has received a total of eleven Blue Badge referrals of blue badge misuse. To date two badges have been seized, five warning letters issued, three cases required no further action, and one case is ongoing. We've also been working with officers from Bracknell Forest Council (BFC) on twelve cases of blue badge fraud.

3.3.2 One RBC case was successfully prosecuted in July 2023 the defendant pleaded Guilty to the Blue badge fraud and was fined a total of **£7,029.36** including costs.

3.4 National Fraud Initiative

3.4.1 In December Central Government uplifted specific datasets from Reading as part of the National fraud initiative. Since February 2023, when the matches were released for review, a total of 668 cases have been investigated which have resulted in an estimated saving of **£41,211.68**.

3.5 Internal Investigations

3.5.1 The team have been involved in three internal investigations, one of which has been closed with no case to answer and the other two are ongoing.