

Audit and Governance Committee

23 January 2024



Reading
Borough Council
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Title	Internal Audit & Investigations Quarterly Update Report (Q3)
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 three 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 The areas selected for audit review are informed by risk assessment, audit knowledge and/or management concern, allowing Internal Audit resources to be focused on areas of perceived or known risk. This however can increase the likelihood of a negative assurance opinion, especially if controls have not yet been developed to mitigate risks.
- 2.3 A total of five audit reviews were finalised in the period between Sept 2023 and Dec 2023, with two receiving a positive opinion and three receiving a negative opinion¹. In addition, two grants were certified to confirm they had met the conditions of the grant determination.
- 2.4 **Substantial Assurance Opinion Reviews**
- 2.4.1 N/A

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

2.5 Reasonable Assurance Opinion Reviews

- 2.5.1 Our audit of **Commercial Investments (Oracle Agreement)** concluded that a reasonable governance structure and financial management processes are in place. We have given a Reasonable Assurance level at this stage, given the overall governance framework applied in this area, however there is scope for improvement within the financial reconciliation and budget reporting process which is currently work in progress by the Finance Team. We made 5 medium priority recommendations with regard to administering the Agreement more effectively and improving the financial reporting structure.
- 2.5.2 Our audit of **iTrent (Payroll) Expenses**, we found satisfactory controls in place to allow managers to approve and monitor claims made, however guidance requires updating and controls need to be improved to ensure all expenses are supported by receipts, and mileage is claimed appropriately.

2.6 Limited Assurance Opinion Reviews

- 2.6.1 At the request of the Assistant Director, of an audit of **Reading Foundation for Art** reported a lack of clarity of roles and responsibilities carried out by RBC on behalf of the RFFA, with tacit knowledge of these held by a few individuals. There is a risk of tasks being overlooked, over-reliance on the Museum Curator, and loss of knowledge with the departure of key individuals. The lack of clearly understood and documented policies and procedures has led to issues with various finance processes.
- 2.6.2 Our audit of **Continuing Healthcare (CHC)** found systems used to identify and monitor contributions owed by the NHS were ineffective and allowed systems to be bypassed. Processes need to be standardised, documented, and evidenced to prevent disputed contributions and maximise the collection of NHS contributions.

2.7 No Assurance Opinion Reviews

- 2.8.1 Our audit of **Gifts, Hospitalitys and Declarations of Interests** found that although the Council has documented its expectations of staff including roles and responsibilities within these areas, there has been a failure to ensure that it has taken the opportunity to ensure staff are aware of these expectations, to provide a robust process which staff are proactively encouraged to use, and to manage, monitor and report outcomes.

2.8 Consultancy work

- 2.8.1 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 processes 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:
- Attendance on the Intend procurement project which is to assess the updates and changes to intend to establish if they will be able to deliver improvements in the way contracts are managed, data analysed, forecasting and monitor compliance.
 - 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.
 - Information Governance Board – reviewing and providing advice on IT policies and information governance policies and procedures.

- Finance Systems Board – attended by the Chief Auditor.
- Iken – Providing assistance to the Assistant Director of Legal & Democratic Services in response to the identification of incomplete financial reporting to partners and to provide assurance how it occurred.

2.10 Corporate Investigations

- 2.10.1 Since April 2023 the Corporate Investigations Team (CIT) has referred 58 Council Tax Support investigations.
- 2.10.2 As a result of forty-two Housing Tenancy investigations, a total of five properties have been returned to stock, and CIT has assisted in the return to stock of one property let through a registered social landlord (RSL). There are another fourteen ongoing investigations.
- 2.10.3 The Team has also verified sixteen Right to Buy applications of which nine have been referred back to the applicants and three applications have been refused.
- 2.10.4 From the thirty-eight Blue Badge referrals, three cases were successfully prosecuted, two have been seized, five warning letters issued, and three cases are ongoing.
- 2.10.5 The Corporate Investigations Team, supported by Internal Auditors, has been involved in several internal investigations, two of which are still ongoing, and one of which is a joint agency complex investigation that has been underway since July. Four cases have been concluded.
- 2.10.6 As the key contact for the National Fraud Initiative (NFI), Internal Audit has been coordinating and monitoring the upload of data submissions, ensuring that the data formats guidance and data specifications are followed. All data was provided within the statutory timeframes.
- 2.10.7 In December 2022 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.

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 Reading Foundation for Art Internal Audit Report.

3 Continuing Health Care Internal Audit Report

4 Employee Gifts Hospitality and Declarations of Interest Internal Audit Report