

Audit and Governance Committee

10 April 2024



Reading
Borough Council
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Title	Internal Audit & Investigations Quarterly Update Report (Q4)
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 four 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 4 audit reviews were finalised in the period between Jan 2024 and Mar 2024, with 2 receiving a positive opinion, 2 receiving a negative opinion¹, and 2 advisory reports that do not provide an assurance opinion. In addition, one grant was certified to confirm it 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 **Bank and Cash Reconciliations** found significant improvements had been made, with reconciliations being monitored and regularly completed in a timely manner. Centrally held evidence to support the feeder system reconciliations continues to be an issue, as does having complete and up to date documented processes for many key feeder system reconciliations.
- 2.5.2 Progress since the last financial year was found in our audit review of the **Public Health Grant**. However, we concluded that whilst systems and processes have improved recently, there are still areas for development regarding the overall governance and monitoring of Public Health Grant expenditure.

2.6 Limited Assurance Opinion Reviews

- 2.6.1 At the request of the Assistant Director, an audit of the **Coroners Service** reported significant weaknesses within the governance and decision-making processes. An aging SLA between the six Berkshire Authorities lacks clarity and equity, particularly around the apportionment of costs, with a greater liability allocated to Reading Council. Contracts were not always in place and therefore no contract management or performance monitoring. With no contract in place for Pathology Services, the service is exposed to short-notice price increases and increased budget pressures.
- 2.6.2 A limited assurance opinion was issued for the audit of the **Community Infrastructure Levy** as it was found to be administered without any documented process to clarify the requirements and processes for administering the 15%² element of CIL, both on Exacom³, or on a day-to-day basis. There is also an over reliance on key individuals, and lack of separation of duties to ensure the collection, allocation, and monitoring of CIL monies are effective and efficient.

2.7 No Assurance Opinion Reviews

- 2.9.1 N/A

2.8 Advisory Reviews

- 2.10.1 A high-level advisory position statement for **S117 of the Mental Health Act** found good progress had been made within the S117 processes, but there is still more to be done. Recommendations were made to further improve updating and maintaining documented processes and procedures, and in the accuracy, retention, and security of records.

² CIL Regulations require that 15% of CIL receipts be used to assist the delivery of infrastructure to support neighbourhood priorities.

³ Exacom is a "multi-user CIL Administrator product is aimed at Community Infrastructure Levy charging and collection authorities and is designed to take the sting out of CIL administration, providing a work-flow interface to enable an administrator to capture information, calculate charges, levies, surcharges etc, generate notices and manage finance. It also provides alerting when due dates are reached."

2.10.2 An implementation status review of the **Procurement Service's** action plans found there were many complex and detailed project streams, but progress had been made in some areas including a review of policies, the use of waivers, the supplier set-up procedure, and the e-sourcing portal. At the time of the review work had not yet commenced on embedding the hub and spoke procurement model or up-dating and maintaining a contracts register.

2.9 **Grant Certification**

2.11.1 The Council was successful in bidding for £62,000 of **Libraries Improvement Fund Grant** which was appropriately spent on capital spend improving door controls and digital device lending at Tilehurst Library.

2.10 **Consultancy work**

2.10.1 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.

2.11 **Corporate Investigations**

2.11.1 In total for the period April 2023 to March 2024, the Corporate Investigations Team has investigated a total of one hundred and eighty-six referrals. Currently there are twenty-six ongoing investigations, including three internal investigations.

2.11.2 Since April 2023 the Corporate Investigations Team (CIT) has conducted seventy-seven Council Tax Support investigations, with the discount removed in sixteen cases resulting in estimated savings of £21,514.

2.11.3 Since 1st April 2023, officers have completed investigations into fifty-five referrals of alleged tenancy fraud. A total of six properties have been returned to stock to date. All these cases were tenancy-related investigations. There are another eleven ongoing investigations. The notional saving achieved on the properties returned to RBC stock is £651,000 adopting the notional savings multiplier used by the Cabinet Office in its National Fraud Initiative report.

2.11.4 The team has also looked at and verified twenty-one Right to Buy applications of which, six applications have been refused resulting in a rental savings figure of £38,903 and a notional saving of £576,000 in discounts.

- 2.11.5 Since April 2023 the team has received a total of forty-five blue badge referrals. To date two badges have been seized, seven warning letters issued, three cases required no further action, and five cases are ongoing.
- 2.11.6 Three blue badge cases were successfully prosecuted. All the defendants pleaded Guilty to the Blue Badge frauds and were fined a total of £12,762 including costs.
- 2.11.7 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 which have resulted in an estimated saving of £41,211.68.
- 2.11.8 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.
- 2.11.9 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.

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 Coroners Service Internal Audit Report

3 Community Infrastructure Levy Internal Audit Report