

To: Councillors Stevens (Chairman),
Duveen, Lovelock, McElligott, McKenna,
Page, Rodda, Steele and Terry

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20 September 2017

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NOTICE OF MEETING - AUDIT AND GOVERNANCE COMMITTEE - 28 SEPTEMBER 2017

A meeting of the Audit & Governance Committee will be held on Thursday 28 September 2017 at **7.00pm** in the Council Chamber, Civic Offices, Reading. The Agenda for the meeting is set out below.

AGENDA

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1. DECLARATIONS OF INTEREST	-
2. MINUTES OF THE COMMITTEE'S MEETING OF 18 JULY 2017	1
3. QUESTIONS	
4. APPROVAL OF THE 2016/17 ACCOUNTS, EY AUDIT MEMORANDUM AND AUDIT OPINION (ISA 260)	To Follow
This report seeks, in accordance with the Accounts & Audit Regulations, the approval of the Council's accounts, in order to conclude the accounts and audit process for 2016/17.	
5. HOUSING BENEFIT SUBSIDY	7
This report provides an update on the actions that have been taken by the Housing Benefits Service to mitigate error and losses as a result of the complex subsidy regime.	

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| 6. | INTERNAL AUDIT QUARTERLY PROGRESS REPORT | 13 |
| | This report provides an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in July 2017. | |
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| | This report provides information on an external quality assessment of Internal Audit's Quality Assurance Framework, which was carried out in July 2017. | |
| 8. | BUDGET MONITORING 2017/18 | 45 |
| | This report regarding the Council's budget monitoring position at the end of August 2017 was prepared for the Policy Committee meeting on 25 September 2017 and is now presented to the Audit & Governance Committee for information. | |
| 9. | ANNUAL GOVERNANCE STATEMENT 2016/2017 - UPDATED ACTION PLAN | 55 |
| | This report updates the Committee on the progress made against the Annual Governance action plan. | |

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Present: Councillor Stevens (Chairman), Duveen, Lovelock, McElligott, McKenna, Page, Steele & Terry

Apologies: Councillor Rodda

Also in attendance:

Peter Lewis	Strategic Finance Director
Alan Cross	Head of Finance
Sanjay Desor	Chief Technical Accountant
Ray Guard	CIPFA
Maria Grindley	Director and Engagement Lead, EY LLP
Paul Harrington	Chief Auditor
Alex Jaques	Managing Director - Homes for Reading Ltd
Peter Sloman	Chief Executive
Jo Taylor	EY LLP

1. MINUTES

The Minutes of the meeting of 19 April 2017 were confirmed as a correct record and signed by the Chairman.

(Noted re: Minute 35, a report would be submitted to the meeting on 28 September 2017 on Housing Benefit issues, which would include an update on Housing Benefit subsidy claims)

2. INTERNAL AUDIT ANNUAL ASSURANCE REPORT

The Chief Auditor submitted a report presenting, at Appendix 1, the Internal Audit Annual Assurance Report, as required by the Accounts and Audit regulations and the Public Sector Internal Audit Standards. The report gave the Chief Auditor's opinion on the overall adequacy and effectiveness of the organisation's governance arrangements, risk management and internal control environment, drawing attention to any issues particularly relevant to the preparation of the Annual Governance Statement. It also drew out key themes arising from the work of the Audit Team during the 2016/2017 financial year, and compared them with the audit work undertaken with that planned, summarising the performance of the Internal Audit function against its performance measures and targets.

The report explained that detailed audit reports had been issued to the relevant Service Managers on the results of individual audits throughout the year, and to the relevant Directors and Heads of Service where unsatisfactory internal control had been identified. In addition, quarterly reports had been issued to, and discussed with, the Corporate Management Team (CMT) and the Audit & Governance Committee in order to report on standards of internal control, to provide appropriate focus on weaknesses and to progress remedial action where necessary.

The Annual Assurance Opinion for 2016/17 stated that the Chief Auditor Team had concluded that only limited assurance could be given that the arrangements to secure governance, risk management and internal control within those areas audited in 2016/17 were suitably designed and applied effectively. The Chief Auditor's

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opinion reflected the relatively high number of limited assurance opinions recorded during the year and took account of comments made by other inspection bodies, such as the External Auditor and Ofsted. It was particularly concerning that there were key weaknesses within some of the Council's financial systems. Examples of issues of concern were set out in the report and revealed that a key theme throughout was a lack of compliance with the policies and procedures that were in place. The fragile financial position of the Council, the focus on delivering a challenging package of savings and the frequent turnover of staff and reliance on interim managers in key areas was seen as contributing to the limited assurance opinion.

The report stated that the Corporate Management Team understood the challenges that had been drawn out through Internal Audit and was addressing them in its Annual Governance Statement and implementation plan (see Minute 3 below).

Members asked a number of probing questions about the contents of the report and sought assurance that rigorous action was being taken to resolve the concerns.

Resolved: That the 'limited assurance' opinion given by the Chief Auditor and the reasons for this opinion, as described in the report and explained at the meeting, be noted with grave concern.

3. ANNUAL GOVERNANCE STATEMENT 2016/17 AND IMPLEMENTATION PLAN

The Strategic Finance Director submitted a report introducing the 2016/17 Annual Governance Statement (AGS). The report explained that the Council was required to prepare and publish an AGS each year as an accompaniment to the authority's financial statements. The report had appended the Draft Annual Governance Statement 2016/2017 and the implementation plan. The report explained that the Council was responsible for ensuring that its financial management was adequate and effective and that it had a sound system of internal control, which facilitated the effective exercise of the Council's functions, including arrangements for the management of risk. The AGS was a record of the overall effectiveness of governance arrangements within the Authority; it reflected the latest guidance from CIPFA/SOLACE on a strategic approach to governance and demonstrated how the key governance requirements had been met. The report had appended the plan showing progress against the actions identified in the AGS. Overall, 10 headline actions had been identified, all of which had been or were in the process of being implemented.

The report commented on the Chief Auditor's opinion (see Minute 2 above), that only limited assurance could be given on the arrangements to secure governance, risk management and internal control were suitably designed and applied effectively in respect of audit work completed in 2016/17. Principally, the 'limited assurance' opinion was not derived from a lack of clear rules and procedures within the Council, but from a lack of compliance with them.

Additionally, the Council's External Auditor for the 2016/17 accounts, EY, had issued an adverse value for money conclusion on 17 November 2016. This meant that they had concerns over the Council's arrangements for securing financial resilience and for how it secured value for money in its use of resources. Although they had not identified any significant deficiencies in the design or operation of an internal control

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that might result in a material misstatement in the financial statements and which the Council was unaware, they had found that some of the basic financial controls were not working as expected. In particular, the regular completion of reconciliations was not being completed in a timely fashion. EY highlighted that the financial and performance information used by the Council was not always accurate and reliable and therefore did not help informed decision making.

EY had made statutory recommendations in February 2017 under Section 24 Schedule 7 (2) of the Local Audit and Accountability Act 2014. The Council had formally considered and approved an officer response to these recommendations at its February 2017 meeting and agreed progress towards addressing the recommendations would be monitored by the Audit & Governance Committee (see also Minute 9 below). EY had issued an unqualified opinion on the Council's 2015/16 financial statements on 17 November 2016. This meant that they believed the 2015/16 financial statements gave a true and fair view of the financial position of the Council and of its expenditure and income for that year. EY's audit of the financial statements had identified various adjustments to the draft accounts which the Council had agreed to make. The audit had raised recommendations to improve controls over bank and housing rent account year end reconciliation procedures and IT controls over applications and infrastructure, which the Council was addressing.

Resolved:

- (1) That the Annual Governance Statement for 2016/17, as appended to the report, be approved for publication with the Council's accounts;
- (2) That the Chief Executive, in consultation with the Leader of the Council and the Chairman of the Audit and Governance Committee, be authorised to make any necessary amendments to the Annual Governance Statement for 2016/17, prior to its publication in September 2017;
- (3) That the progress made to implement the actions reported in the 2016/17 Annual Governance Statement, as detailed in the implementation plan, which was appended to the report, be noted whilst at the same time expressing serious concern at the Chief Auditor's 'limited assurance' opinion (see also Minute 2 above) following the internal audits carried out in 2016/17, as well as the findings of the inspections by the External Auditors and Ofsted and as a result the Committee would require a further report to be submitted to its meeting on 28 September 2017 to provide confidence that adequate progress was being made to address the actions in the implementation plan and in particular to provide reassurance that the 'culture of non-compliance' with policies and procedures was being tackled.

4. INTERNAL AUDIT QUARTERLY PROGRESS REPORT

The Chief Auditor submitted a report providing the Committee with an update on key findings emanating from Internal Audit reports issued since the last quarterly progress

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report in April 2017. The report set out a summary of the audit reports in respect of General Ledger, Accounts Payable, Accounts Receivable, Bed & Breakfast Payments, E-tendering, Section 106 Follow-up Review and Governance Review. The report also contained a table showing the audit reviews currently in progress and those planned for the next quarter.

Resolved: That the report be noted.

5. CORPORATE STRATEGIC RISK REGISTER

The Strategic Finance Director presented a report with appended a schedule updating the Committee on the Q1 status of the Council's 2017/18 Strategic Risk Register, in line with the requirements of the Council's Risk Management Strategy. Entries within the Register reflected the risks identified by the Corporate Management Team thereby strengthening their strategic perspective, management response and controls. The inclusion of risks within any level of risk register did not necessarily mean there was a problem but reflected the fact that officers were aware of potential risks and had devised strategies for the implementation of mitigating controls. Each entry within the register was scored based on an assessment of their impact and likelihood, to provide an assessment of the residual level of risk. Plans were in place to mitigate the risks identified in the Strategic Risk Register.

Resolved: That the Q1 status of the Council's 2017/18 Strategic Risk Register be noted.

6. BUDGET MONITORING 2017/18

The Head of Finance submitted a report on Budget Monitoring that had been considered by the Policy Committee at its meeting on 17 July 2017 and was presented for information. The Committee noted that, based on the position at the end of May 2017, budget monitoring forecasted an overspend of around £1.216m, and that plans to address this position, if it persisted, would be presented to the Policy Committee in September 2017. Members also requested further information on the gross overspend and proposed mitigations in the next report.

Resolved: That the report be noted.

7. TREASURY OUTTURN REPORT FOR 2016/17 & RELATED UPDATE

The Head of Finance submitted a report presenting, at Appendix 1, the Annual Treasury Outturn Report 2016/17. The report explained that the Treasury Outturn report was intended to explain how the Council had tried to minimise net borrowing costs over the medium term, ensure it had enough money available to meet its commitments, ensure reasonable security of money lent and invested, maintain an element of flexibility to respond to changes in interest rates, and manage treasury risk overall. It also outlined some current treasury and related issues likely to impact the Council during 2017/18, in the context of the Council's revised financial plan and the measures considered by the Policy Committee at its meeting on 17 July 2017, which had been put forward to enable the Council to operate within the financial constraints of the current year's Budget.

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A Cross gave a presentation at the meeting summarising key treasury management issues.

Resolved: That the annual Treasury Outturn Report for 2016/17 be noted.

8. HOMES FOR READING LTD - ARRANGEMENTS

The Head of Finance submitted a report providing the Committee with information about the arrangements the Council had established in relation to Homes for Reading Ltd (HfR), and asking the Committee to identify any information it would need to fulfil its scrutiny function in relation to Homes for Reading Ltd, the Council's wholly owned company that has been set up to purchase and manage a portfolio of around 500 private sector rented properties over the next 5 years.

The report had appended for background information to the establishment of the Company:

- Council report - 22 March 2016;
- Policy Committee report - 13 March 2017;
- An Edited Extract from HfR Business Plan - Council Financial Implications.

The Committee noted that there would be an internal audit review of Homes for Reading Ltd later in the year (Quarter 4), which would be undertaken with the primary purpose of looking at measures in place to protect the interests of the Council. The scope of the review had not yet been finalised but would cover a wide remit from the procurement of properties to their ongoing maintenance. The Policy Committee had the responsibility for acting as the shareholder in respect of Homes for Reading Ltd but the Company's accounts could be shared with the Audit & Governance Committee to assist with its scrutiny role. The Committee would also be interested to receive the internal auditor's view on the how the performance of the Company could impact on the Council and the Council's exposure to any deficit that may occur if the Company did not break even.

Alex Jaques, Managing Director, Homes for Reading Ltd, was present at the meeting and addressed the Committee on this item.

Resolved:

- (1) That the set up arrangements associated with Homes for Reading Ltd be noted;
- (2) That the Audit & Governance Committee's duty to "provide oversight of governance arrangements and the overall financial position in relation to the company" be noted;
- (3) That the details be provided of the Company's financial position and performance, housing portfolio and any other relevant matters to assist members of the Audit & Governance Committee in their overview and scrutiny role in relation to Homes for Reading Ltd as

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well as receiving an assessment of any liabilities or benefits for the Council resulting from the performance of the Company.

(Councillor Lovelock declared an interest in this item. Nature of Interest: Councillor Lovelock was a Director of Homes for Reading Ltd).

9. PROGRESS IN IMPLEMENTING EXTERNAL AUDITOR'S (SECTION 24) RECOMMENDATIONS REPORTED AT BUDGET COUNCIL

The Strategic Finance Director introduced a report setting out the progress that had been made in responding to the actions identified in a letter issued by the Council's external auditor, EY, in accordance with Section 24 of the Local Audit and Accountability Act 2014. The letter and the Managing Director's response to the recommendations had been considered by the Council at its meeting on 21 February 2017. The report included a table setting out the external auditor's recommendations, the Council's initial response and details of the current position.

Resolved:

- (1) That the progress in implementing the External Auditor's recommendations, which had been reported to the Council on 21 February 2017, be noted;
- (2) That the External Auditor's opinion of the progress made to address their recommendations be sought for inclusion in the report to be considered at the next meeting on 28 September 2017.

10. ACCOUNTS 2016/17 & EXTERNAL AUDITOR UPDATE

The Head of Finance presented a report on the Accounts for 2016/17, which had appended the External Auditor's (EY) update on progress report. The report explained that the Council was required to publish its draft accounts by 30 June and that the External Auditors had just started their work to review them. The External Auditors would report their conclusions on the Accounts and their value for money opinion to the next meeting on 28 September 2017. EY's progress report identified some issues to be resolved in relation to bank reconciliation; control account reconciliation and journal control. These issues would have an impact on EY's testing processes and audit work and this would lead to an increase in the audit fee to reflect the extra systems testing that would be required. In addition, the issues would need to be addressed by taking on extra support to resolve them.

Resolved:

- (1) That the publication of the Council's Draft Accounts for 2016/17 be noted;
- (2) That the External Auditor's update on progress, as appended to the report, be noted.

(The meeting started at 6.30pm and closed at 8.15pm).

**READING BOROUGH COUNCIL
REPORT BY HEAD OF CUSTOMER SERVICES**

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	28 SEPTEMBER 2017	AGENDA ITEM:	5
TITLE:	HOUSING BENEFIT SUBSIDY		
LEAD COUNCILLOR:	CLLR J LOVELOCK	PORTFOLIO:	LEADERSHIP
SERVICE:	HOUSING BENEFITS / CUSTOMER SERVICES	WARDS:	BOROUGHWIDE
LEAD OFFICER:	KIRSTY ANDERSON	TEL:	0118 9372144
JOB TITLE:	INCOME & ASSESSMENT MANAGER	E-MAIL:	kirsty.anderson@ reading.gov.uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 At the July's Audit and Government Committee Meeting, concerns were raised by councillors about the complex process to claim housing benefit subsidy from the DWP. Officers, in consultation with the Leader of the Council and the Chairman of the Committee were asked to consider any further action that could be taken to address the concerns raised.
- 1.2 This report provides a further update on the actions that have been taken by the Housing Benefits Service to mitigate error and losses as a result of the complex subsidy regime.
- 1.3 The report also provides an update on the further actions and activity carried out within the service to increase monitoring of thresholds.

2. RECOMMENDED ACTION

- 2.1 That the content of this report is noted and the increased monitoring activities are recognised as reasonable actions to take in the circumstances.

3. BACKGROUND

- 3.1 Reading Borough Council has lost a percentage of the annual Housing Benefit Subsidy that could be due in recent years following the final audit of the HB subsidy claim. It has been argued that the subsidy regime and related audit methodology is over complex and tends to be unfairly punitive to local authorities.
- 3.2 These losses were £659,793 in 2014/15; and £525,062 in 2015/16. These losses need to be set in the context of the total value of our Housing Benefit Claim. In 2015/16 our claim value was circa £77m and our loss was £525,062 which equates to 0.67% of our overall spend on Housing Benefit, in that year we processed 3151 new claims and 48,602 changes in circumstances.

- 3.3 Loss of subsidy is a result of a penalty linked to the level of overpayments we make; overpayments are classified on the HB subsidy claim form in different ways, Local Authority Error, Administrative delay, DWP error or Claimant error.
- 3.4 A "Local Authority Error Overpayment" is caused by a mistake of fact or law (whether an act or an omission) by the Council.
- 3.5 "Administrative Delay" overpayments are caused by a delay when the Council is notified of a change in circumstances, has the information it needs to make a decision to adjust a claimant's HB but fails to do so in time for the next housing benefit payment date.
- 3.6 All of these overpayment classifications are combined to form a total amount and it is this amount that in theory the Local Authority can then reclaim from the DWP. However where there is Local Authority Error or Administrative Delay, we are penalised and cannot claim back the whole amount.
- 3.7 The DWP do recognise that some level of error is unavoidable so have set thresholds, so that if our error rate is less than 0.48% of the total amount of our claim we can receive 100% subsidy back. However If the error rate is between 0.48% and 0.54%, only 40% of the total amount is paid back to us. If the error rate is rate is 0.54% or above, no subsidy is paid on any of the overpayments. In effect these thresholds operate as "cliff edges", such that when the error rate moves above 0.48% the minimum cost is around £250k, and when it moves from 0.53% to 0.54% the cost to the Council is a minimum of £400k.
- 3.8 Putting Reading in to context, we are an area of high employment with around 33% of our caseload in work at some point throughout the year. A high proportion of these customers have numerous changes throughout the year including tax credits, childcare and changes in wages and hours of work. Often these changes are lined to each other. There is a high number of customers claiming due to being on zero hours contracts as well as large numbers of self-employed customers. These changes make our caseload complicated to administer and the sheer volume means that unlike some other areas of the country with low in - work cases, Reading is at greater risk of incurring subsidy delays and errors in assessment.
- 3.9 We currently receive over 100 new claims and over 1,400 change in circumstances notifications every week. Volumes have increased significantly as the DWP / HMRC introduce further automated notifications to us of people's changes to their circumstances (whereas the thresholds above were set in an earlier era where claims were normally only reviewed on an annual basis in accordance with the regulations and where much less information was provided to the local authority, and notifications were sent manually). We expect this high level to continue to increase with the roll out of the full digitised Universal Credit Service due to go live in Reading in December 2017.
- 3.10 A significant number of other local authorities are also being penalised for making a relatively small percentage of errors in an area of work which is largely driven by applying legislation which can be unclear in its practical application, and which itself has not been kept up to date with changes in working patterns and changes to pension arrangements.
- 3.11 The audit of our subsidy claim in 2015/16 highlighted that we needed to introduce a more robust approach to quality checking of work and provide additional training and support to officers who are administering an extremely complicated Welfare Scheme to try to reduce the error so as to mitigate the risk of loss of subsidy.

4. THE PROPOSAL

4.1 Current Position:

As a result of our continuing risk of subsidy loss, we have put in place a significant programme of activities; however this will not guarantee or necessarily safeguard us against continuing losses, as that is almost impossible to achieve given the complex regime.

Subsidy Actions / Mitigations:

To try to mitigate future risks the Benefits Team has carried out the following actions:

- 1) In September 2016 we engaged with an external provider to carry out 10% quality checking process of all assessments (more than twice the national guidance of 4%). Additionally we have undertaken a proportion of full case checks in a similar way to the way we understand testing for the initial external audit samples is carried out. This includes 100% checking in place on all new staff starters to the team. Quality is also discussed in 1-1s with benefit assessment staff, with the aim of achieving continuous improvement.
- 2) We brought in a subsidy expert to provide monthly targeted and focused intensive training to support a new earned income policy
- 3) We provided retraining on self-employment to ensure a consistent approach by all our staff to calculating net profit
- 4) We have provided targeted retraining in areas where errors have been identified in previous years or where there is a high risk of error occurring in future
- 5) Staff have been re-trained on overpayment classifications, and booked more training days on classification so a correct approach becomes embedded in our working practices
- 6) General training session on subsidy highlights errors found in previous audit and areas of subsidy loss to staff
- 7) The processes for occupational pensions increases has been reviewed, using Real Time Information Files (HMRC) files where available
- 8) We have reviewed processes to try to minimise the possibility of errors being made
- 9) We have changed parameters to ensure when cancelling Council Tenant HB claims, liability is ended properly, by correctly ticking the change of address indicator to avoid confusion with the claim from the new address
- 10) We have created additional reports from within our database for passported non-under 25 to check for main phase ESA and have amended these cases accordingly to pick up the correct non-dependent deduction
- 11) We have created additional reports for claims involving an Assessed Income Figure
- 12) On-going subsidy checks are being carried out monthly for high value overpayments across all categories of claim
- 13) Monthly highlight reports are being provided to senior management measuring thresholds so we know can try to asses if we are close to our thresholds for potential Subsidy Loss (see below for current position)
- 14) We strengthened and embedded our risk base verification policy incorporating our e-claim process when it was re-launched in April earlier this year
- 15) We have provided training to front line Customer Service Staff to ensure correct, consistent advice that helps alert us to errors sooner.

We are exploring further options to mitigate risk including increasing the level of checks we carry out across the Assessment Team. Benchmarking our approach with other neighbouring authorities and will consider the business case to fund additional resources to carry out further internal checking and training.

We are currently recruiting two additional Housing Benefit Officers to provide additional resource to administer the scheme.

4.2 LGA Lobby

As requested in the last Audit & Government Committee, we have written to the LGA to lobby to raise the very serious concerns the Council has about the current arrangements for the Housing Benefit Subsidy scheme (and its audit). We have advised the LGA that the Council's view is that the current Housing Benefit subsidy scheme audit as it is now run is both unreasonable and likely to be unfairly punitive to local authorities as well as being outdated particularly given the significant changes to working arrangements in recent years which has changed the nature of the Housing Benefit caseload including frequency of changes in customers' circumstances.

4.3 Our Assessment of the Current Position

As at the end of August, our monitoring of the 2017/18 Subsidy claim suggests we are on target and we currently expect to be under the threshold for significant losses. We believe the error rate is running at 0.32%, so if that is maintained we are on course for 100% subsidy

However, the position is very fluid, and could change very quickly if there were a single bad month. The table shows our assessment of the end of August position.

1. LA error

Gross expenditure	LA error	Percentage
£30,528,908	£98,623	0.32

Category	Amount		
LA error	£50,902		
Admin delay	£47,721	LA + Admin =	£98,623
Lower threshold (0.48%)	£146,539		
Upper threshold (0.54%)	£164,856	HB paid to August	£30.528m

Based on our reports, we are below the tolerance level for the lower thresholds.

4.4 2016/17 Audit

The External Audit of the 2016/17 Housing Benefit Claim is in progress; EY on site carrying out their assessments. In the view of the Subsidy Officer the audit has been progressing well; although it has identified some error levels that will impact our subsidy loss. Given the volumes being checked, we expect that errors will be identified that arise due to the complex nature of our claims. Therefore, we anticipate an improvement on last year but still anticipate there may be a significant loss to the authority.

On a positive note our Internal Audit team has reviewed the service, and Internal Audit have been able to validate and evidence that we have made an overall improvement in the service in both quality and training, as well as business processes with the team.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 The Housing Benefit Service is an important regulatory service we have to provide that ensures those families and individuals within the borough receive the financial support they are entitled to, to ensure they can sustain their tenancy's and meet their Council Tax Liability.

This supports the following aims:

- Safeguarding and protecting those that are most vulnerable;
- Providing homes for those in most need;

6. COMMUNITY ENGAGEMENT AND INFORMATION

- 6.1 *N/A*

7. EQUALITY IMPACT ASSESSMENT

- 7.1 *N/A*

8. LEGAL IMPLICATIONS

- 8.1 *None this report is for information only*

9. FINANCIAL IMPLICATIONS

- 9.1 Subsidy Loss remains an ongoing risk for the Local Authority and All Local Authorities. The sections above set out the potential magnitude of HB costs, financial risks and the financial operating context

10. BACKGROUND PAPERS

- 10.1 HB Subsidy Legislation & Guidance on completing HB claims

**READING BOROUGH COUNCIL
INTERIM STRATEGIC DIRECTOR OF FINANCE**

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	28 September 2017	AGENDA ITEM:	6
TITLE:	INTERNAL AUDIT QUARTERLY PROGRESS REPORT		
LEAD COUNCILLOR:	COUNCILLOR STEVENS	PORTFOLIO:	FINANCE
SERVICE:	FINANCE	WARDS:	N/A
LEAD OFFICER:	PAUL HARRINGTON	TEL:	9372695
JOB TITLE:	CHIEF AUDITOR	E-MAIL:	Paul.Harrington@reading.gov.uk

1. EXECUTIVE SUMMARY

1.1 This report provides the Audit & Governance Committee with an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in July 2017.

1.2 The report aims to:

- Provide a high level of assurance, or otherwise, on internal controls operated across the Council that have been subject to audit.
- Advise of significant issues where controls need to improve to effectively manage risks.
- Track progress on the response to audit reports and the implementation of agreed audit recommendations

2. RECOMMENDED ACTION

2.1 The Audit & Governance Committee are requested to consider the report.

3. ASSURANCE FRAMEWORK

3.1 Where appropriate each report we issue during the year is given an overall assurance opinion. The opinion stated in the audit report provides a brief 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 terms of reference agreed at the start of the audit; it is not a statement of fact. The opinion should be independent of local circumstances but should draw attention to any such problems to present a rounded picture. The audit assurance opinion framework is as follows:

Substantial	 A semi-circular gauge with a color gradient from red on the left to green on the right. A needle points to the green section.	<p>Substantial assurance can be taken that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with low impact on residual risk exposure.</p>
Reasonable	 A semi-circular gauge with a color gradient from red on the left to green on the right. A needle points to the yellow section.	<p>We can give reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until resolved.</p>
Limited	 A semi-circular gauge with a color gradient from red on the left to green on the right. A needle points to the amber section.	<p>Limited assurance can be taken that arrangements to secure governance, risk management and internal control within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with moderate impact on residual risk exposure until resolved.</p>
No assurance	 A semi-circular gauge with a color gradient from red on the left to green on the right. A needle points to the red section.	<p>There is no assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Action is required to address the whole control framework in this area with high impact on residual risk exposure until resolved.</p>

3.2 Grading of recommendations

3.2.1 In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Priority	Current Risk
High	Poor key control design or widespread non-compliance with key controls. Plus a significant risk to achievement of a system objective or evidence present of material loss, error or misstatement.
Medium	Minor weakness in control design or limited non-compliance with established controls. Plus some risk to achievement of a system objective
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. These are generally issues of good practice for management consideration

3.2.2 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.

3.2.3 It is management's responsibility to ensure that effective controls operate within their service areas. However, we undertake follow up work to provide independent assurance that agreed recommendations arising from audit reviews are implemented in a timely manner. We intend to follow up those audits where we have given limited or 'no' assurance.

4. HIGH LEVEL SUMMARY OF AUDIT FINDINGS

4.1 Child sexual exploitation (CSE)



- 4.1.1 Strategic partnerships in relation to children and young people who go missing and are at risk of sexual exploitation have been developed and the LSCB has been instrumental in establishing a comprehensive child sexual exploitation strategy and regular reports are received by the board. However, operational processes need to be improved to oversee and track these children and to (be able to) verify the completeness and accuracy of information gathered between different record sets, held by both the council and external agencies. Also more emphasis is needed to promote the MASH¹ Team as the single point contact for referrals with the community, especially with schools.
- 4.1.2 Social care cases are administered through the Mosaic² application which provides an integrated workflow for tracking and reporting each key stage of the process (pathway). Data is sourced through the collection of electronic and manual records; however, there remain concerns about the completeness and accuracy of records recorded on Mosaic. Due to Mosaic's limitations in identifying CSE cases, the team has established supplementary records outside of Mosaic to record and monitor cases. This gives cause for concern, especially if records are missed and not collated from one source. In addition, because these records are maintained from information processed through the Missing Risk Assessment Conference (SEMRAC), instead of the initial contact records, there is a risk the CSE register could be incomplete i.e. only contains 'known' cases processed through SEMRAC.
- 4.1.3 The service recognises that the child sexual exploitation screening tool is not consistently used, and information does not always reliably inform planning and assessments. We note there is a drive to encourage all staff to use the online Mosaic form, rather than a hard copy, which is scanned and uploaded to Mosaic. This will enable improved reporting directly from Mosaic and the number of risk indicator tools completed. In addition a condensed CSE risk assessment tool has been agreed in draft form and all social care practitioners are to be reminded that the screening tool needs to be completed in electronic form. This aspect will be feature in future case audits run by the directorate to ensure compliance.

¹ Multi Agency Safeguarding Hub

² social care case management system

4.2 Mosaic/Fusion end of year reconciliation



- 4.2.1 In light of the findings from last year’s audit and the limited assurance opinion given, this was follow up audit to review the processes around identifying and accounting for accruals within Adults and Children’s social care and the year-end reconciliation process between the two systems.
- 4.2.2 The year-end reconciliation and accrual process is still not clearly documented which is of concern, particularly in light of turnover of key staff within the finance department. There is evidence of progress being made in finance in relation to Children’s Services, with reconciliation, accruals and prepayment processes reviewed and amended since last year’s audit. However, there is still no clear year end reconciliation between Mosaic and Oracle Fusion for adult social care. In a number of instances, Mosaic is not used to obtain year end accrual figures. A priority risk was that key individuals in Adults Services are not involved in the year end accruals process to ensure all relevant costs are identified and included and that there should also be a finance representative on the Funding Panel (Adults) and/or finance should have access to decisions taken at this forum.
- 4.2.3 No evidence was obtained that 2016/17 invoices received post year-end are matched to the year-end accruals for either Children’s or Adult Services. Despite significant differences between accruals and invoices received post year end relating to Adult Services financial year 2015/16 (£0.5m under-accrual), a thorough review of reasons behind this has not been conducted and therefore there is a significant risk that this could reoccur.
- 4.2.4 The review of the year end accruals and prepayments calculated identified a number of differences, many of which had arisen due to poor quality data within Mosaic. As a priority increased emphasis needs to be placed on the importance of ensuring that data held within Mosaic is of an appropriate quality. This includes ensuring that placements are reflected in a timely manner (purchase orders created, amended and closed), so that commitments are accurately reflected and discrepancies and missing invoices can be identified and addressed.

4.3 HB Subsidy



4.3.1 The purpose of this audit was not to audit the subsidy claim, but to review measures being taken to ensure the accuracy and timely return of subsidy claims and assessments.

4.3.2 A number of positive measures have been put in place by the service, including training on specific areas such as overpayment, earned and self-employment income and Data Protection, in addition to quality checking and team meetings, where common issues are raised. This has led to an improvement in the accuracy of claims sampled as part of the quality reviewing process and is welcomed as positive by Internal Audit. However, at the time of our audit there was no indication from External Audit as to their initial findings on the 2016/17 subsidy claim audit.

4.3.3 Whilst action has been taken to try to reduce the reliance on contractors, they do still play a significant role in some areas such as quality checking and training. Whilst the initial process to appoint a resilience contractor followed the council's procurement process at the time, the subsequent extensions would now not reflect the new procurement process.

4.3.4 In order to deliver service delivery and resilience in the future the Council has recently agreed a strategy to advertise for and recruit an external partner to work alongside the in-house service to deliver the Benefits service using an alternative delivery model. This system change will be used as an opportunity to address some of the system weaknesses highlighted in this audit review.

4.4 Council Wide Savings - Governance



4.4.1 Pressure to find new savings has been a continual feature of the council's budget build programme for a number years (total savings of over £70m having been agreed since the beginning of the decade) and given the fragile financial position of the Council, a structured programme of change to ensure sustainable budget proposals can be developed was required.

4.4.2 The purpose of our review was to ensure there is a robust governance framework going forward, for developing and monitoring the savings programme.

4.4.3 Directorates are responsible for developing and implementing the savings programme, which is now overseen by the Corporate Programme Delivery Group. A Delivery Unit has been established to coordinate the corporate monitoring of the savings programme and an Interim Programme Manager (IPM) has been appointed to help provide professional oversight of the project.

- 4.4.4 There is a structured monitoring and reporting process underpinning the governance arrangements, together with a reporting guide clarifying the 'reporting contacts' for each directorate together with the necessary compliance verification checks and feedback actions required each month.
- 4.4.5 It is recognised corporately that this work has been critical to ensuring the financial sustainability of the Council. The progress of this change programme has been and will continue to be reported to Policy Committee and Audit and Governance, so that progress can be monitored effectively, including oversight by the External Auditor.
- 4.4.6 Given this, we are satisfied that the procedures for developing and monitoring the implementation of the savings programme have been strengthened to both promote greater transparency and stronger scrutiny of the financial viability of savings and that there are arrangements in place to continually appraise this.

4.4	Bus Subsidy Grant	0	0	1	
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- 4.4.1 This audit focused on providing assurance that the conditions of the grant determination had been complied with. Expenditure was reviewed against the relevant conditions set down for the grant and was certified to the Department for Transport as having been spent appropriately.
- 4.4.2 The council was paid £74,192 by the Department for Transport under the grant determination notice (31/2783), under a determination to be used only for the purposes of supporting bus services (including community transport services run under a section 19 permit), or for the provision of infrastructure supporting such services in that authority's, or a neighbouring authority's area.
- 4.4.3 We can confirm 82% (£60,700) off the grant totalling £74,192 for 2016/17 was spent in accordance with the determination notice for the purposes of supporting the bus service and the balance has been carried forward to support the 'Greenwave bus route' in 2017/18 as there are no conditions to restrict this

4.5 Local Transport Capital Grant 2016/17



4.5.1 This audit focused on providing assurance that the conditions of the grant determination had been complied with. Expenditure was reviewed against the relevant conditions set down for the grant and was certified to the Department for Transport as having been spent appropriately.

4.5.2 The Local Transport Capital Block Funding (integrated Transport and Highways Maintenance) Specific Grant was settled in 2015/16 to be paid over a 5 year period under Determination Notice 31/2530. In 2016/17 as part of this arrangement, the council received £1,350,000 by formula allocation and an incentive grant of £74,000.

4.5.3 Having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance) Specific Grant Determination 2015/16 No 31/2530 have been complied with.

4.6 Pot Hole Action Fund Grant 16/17



4.6.1 This audit focused on providing assurance that the conditions of the grant determination had been complied with. Expenditure was reviewed against the relevant conditions set down for the grant and was certified to the Department for Transport as having been spent appropriately.

4.6.2 The Pothole Action Fund grant paid to local authorities under determination can only be used for the purposes that a capital receipt may be used for in accordance with regulations made under section 11 of the Local Government Act 2003. In 2016/17 as part of this arrangement, the council received a grant of £60,000.

4.6.3 There are satisfactory controls in place to account for the use of the Pothole Action Fund grant and to substantiate the number of repairs completed. Controls are being introduced to improve the audit trails between the payments records on Fusion for materials and those required as recorded on the repair works register which is used to monitor the completion of works.

5. AUDIT REVIEWS 2017/2018

5.1 The table below details those audit reviews in progress and the reviews planned for the next quarter. Any amendments to the plan to reflect new and emerging issues or changes in timing have been highlighted.

Audit Title	Timing	Start Date	Draft Report	Final Report
eTendering system (C/Forward)	Q1	Mar-17	May-17	Jun-17
MOSAIC / Oracle Fusion end of year reconciliation (follow up)	Q1	May-17	Sep-17	Sep 17
Child Exploitation & Missing Children	Q1	Apr-17	Jun 17	Sep 17
Financial Assessments for Adult Care	Q1	Apr-17		
Public Health Grant	Q1	May 17	Sep 17	
Corporate Buildings H&S Statutory Compliance Regimes (c/forward)	Q1	Apr 17*		
Sec 106 Agreements (follow up)	Q1	May 17	Jun 17	Jun 17
Corporate Governance Overview	Q1	Apr-17	Jun-17	Jun 17
Safeguarding (Adults)	Q1	Jul 17	Aug-17	Sep-17
Direct Payments/Personal Budgets**	Q1	Jun-17	Sep 17	
Information Governance & Data Protection (follow up)	Q2			
Payroll	Q2	Sep 17		
Local Transport Plan Capital Settlement (Grant Certification)	Q2	Jul 17	Jul 17	Jul 17
Bank & Cash Rec	Q2	Sep 17		
MASH (Multi-Agency Safeguarding Hub)	Q2	Sep-17		
Pothole action fund	Q2	Jun-17	Jul 17	Jul 17
NHS CHC	Q2			
EDRM (follow up)	Q2	Sep 17		
Deputyship and Appointeeship	Q2	Oct-17		
Children's Services Improvement Plan	Q2	Sep 17		
Emmer Green Primary School	Q2			
Council Wide Savings	Q2	Jul 17	Sep 17	Sep 17
Bus Subsidy Grant	Q2	Jun 17	Jul 17	Jul 17
Business Rates	Q2	Sep 17		

* Currently delayed until the summer.

** added following a request by the Interim Director of Finance and external auditor.

Audit Title	Timing	Start Date	Draft Report	Final Report
Redlands Primary School	Q3			
St Michaels Primary School	Q3			
Commercial property acquisitions and management	Q3			
The Ridgeway Primary School	Q3			
Blagdon Nursery School	Q3	Dec 17		
Homes for Reading	Q3	Oct 17		
Whitley Park Primary School	Q3	Nov-17		
The Hill Primary School	Q3			
Corporate Governance Overview	Q3			
General Ledger	Q3			
Geoffrey Field Junior School	Q3	Nov 17		
Oxford Road Community School	Q3			
Arts & Theatres income collection	Q3			
Sundry Debtors	Q3			
Foster care (inc follow up)	Q4	Jul 17		
Creditors (Accounts Payable)	Q4			
Network Infrastructure Security	Q4			
Right to Buy (follow up)	Q4			
Troubled Families Grant Sign Off	Q4			
Entitlement & Assessment	Q4			
Access to records (follow up)	Q4			

6. INVESTIGATIONS (April 2017 - September 2017)

6.1 Benefit Investigations

6.1.1 Whilst the Council no longer investigates Housing Benefit fraud one case for a (now) former employee was referred back to investigations team by the DWP. The total overpaid benefit for this case was £12,000. The defendant was found guilty of two fraud Act charges and received a suspended sentence and was also ordered to complete 200 hours of unpaid work within 12 months.

6.2 Council Tax Support

6.2.1 Due mainly resources and other priorities, over the past 6 months we have not undertaken any new work on Council Tax Support. However, we are engaged with the service on a project to data match Person Discounts (SPD) data sets with credit agencies. There are currently 22,035 households claiming single person discounts and a cost of approximately £8.2m

6.3 Housing tenancy investigations

6.3.1 Since 1 April 2017 Investigation officers have investigated 24 referrals of alleged housing tenancy fraud, and have assisted in the return to stock of 7 Council properties.

6.3.2 It is difficult to quantify the financial implications of these types of investigations, however the RBC agreed figure of £15,000 is considered to be the average cost for retaining a family in temporary accommodation. Using this figure (7 x £15,000) in the region of £105,000 could have been saved as a result of tenancy investigation.

6.3.3 Ongoing criminal investigations are taking place in 4 of the 7 investigations and Legal Services are drafting charges under The Prevention of Social Housing Fraud Act 2013 and Fraud Act 2006.

6.3.4 We are working alongside a Financial Investigator in connection to a previous Housing Tenancy fraud case in which the defendant was found guilty at trial in 2015. An application under the Proceeds of Crime Act (POCA) has progressed through initial stages and there is an application on file for hearing in September 2017 at Reading Crown Court. The application is in respect of the defendant had benefitted to the sum of £122,500. In addition to this, compensation amounts to £90,000. However this is a very complex case, the decisions on amounts and payments (if any) we will not know until the Court has considered all arguments.

6.4 Right to buy (RTB)

6.4.1 In April 2012 the Government introduced new measures to reinvigorate the right to buy scheme. Tenants are now entitled to significantly higher discounts when purchasing their socially rented property, now at a maximum of £78,800 which has resulted in a recent increase in the number of RTB applications. Unfortunately the new measures have also led to a rise, nationally, in the number of fraudulent applications and the Council has to be ever more vigilant against this potentially criminal practice. Right to buy fraud happens when the tenant applies for a discount to purchase their council home and they:

- Give us false information
- Have unlawfully applied for the discount where the property has been subject to tenancy fraud such as sub-letting
- Have entered into an agreement with a third party to buy the property on their behalf for a cash incentive

6.4.2 We are working with Housing Officers to check all applications against Council tax and other records and will investigate any applications that look suspicious. Improper applications can result in eviction and criminal prosecution. Since 1 April 2017 we have checked 17 RTB applications for Housing. Following these checks one application was refused.

6.4.3 The notional savings have been calculated as **£84,800** - £78,800 (full RTB discount) plus a 12 month rental income of £6,000 for this property.

6.4 Social Care Fraud & Investigations

6.4.1 We have one ongoing case with respect to direct payments³, whereby monies paid by RBC have not been used in accordance with the care plan. Following months of complex investigation we have gathered evidence which indicates that over **£60,000** has been misappropriated and not been used for which the monies were intended. As a result a full file has been sent to RBC legal for consideration of Fraud Act Charges.

6.4.2 The second case involved allegations that care workers employed by a care agency, which provides domiciliary care and support to service users, had been falsifying time sheets, and subsequently claimed for work which was not undertaken.

6.4.3 Following investigation two employees of the agency were arrested for suspected offences under the Fraud Act 2006. It was then found that both individuals had obtained employment using false identification, to allow them to work in the UK. The overcharge amounted to just over **£1,500**.

³ Direct payments are payments for people who have been assessed as needing help from social services, and who would like to arrange and pay for their own care and support services instead of receiving them directly from the Local Authority.

6.5 Internal Investigations

- 6.5.1 A Social Worker was found to have been falsifying medical returns to enable extended leave of absence. On completion of the investigation the individual tendered their resignation.
- 6.5.2 Two other investigations involving Council staff are in progress and will be reported back to the committee in due course.

7. CONTRIBUTION TO STRATEGIC AIMS

- 7.1 Audit Services aims to assist in the achievement of the strategic aims of the authority by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes contributing to the strategic aim of remaining financially sustainable.

8. COMMUNITY ENGAGEMENT AND INFORMATION

- 8.1 N/A

9. LEGAL IMPLICATIONS

- 9.1 Legislation dictates the objectives and purpose of the Internal Audit service the requirement for an internal audit function is either explicit or implied in the relevant local government legislation.
- 9.2 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.
- 9.3 In England, more specific requirements are detailed in the Accounts and Audit Regulations 2011, 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”.
- 8.1 The Internal Audit Service works to best practice as set out in Public Sector Internal Audit Standards Issued by the Relevant Internal Audit Standard Setters. This includes the requirement to prepare and present regular reports to the Committee on the performance of the Internal Audit service.

9. FINANCIAL IMPLICATIONS

- 9.1 N/A

10. BACKGROUND PAPERS

- 10.1 N/A

**READING BOROUGH COUNCIL
INTERIM STRATEGIC DIRECTOR OF FINANCE**

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	28 September 2017	AGENDA ITEM:	7
TITLE:	INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT (EQA)		
LEAD COUNCILLOR:	COUNCILLOR STEVENS	PORTFOLIO:	FINANCE
SERVICE:	FINANCE	WARDS:	N/A
LEAD OFFICER:	PAUL HARRINGTON	TEL:	9372695
JOB TITLE:	CHIEF AUDITOR	E-MAIL:	Paul.Harrington@reading.gov.uk

1. EXECUTIVE SUMMARY

- 1.1 Internal Audit within the Public Sector in the UK is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since April 2013 (updated April 2016).
- 1.2 The Professional Standards require an external quality assessment at least once every 5 years as part of Internal Audit's Quality Assurance Framework. This report provides the Committee with information on the result of the external quality assessment undertaken in July 2017.
- 1.3 The assessment report shows that the Council's Internal Audit function 'generally conforms' to the requirements of the Public Sector Internal Audit Standards and the associated Chartered Institute of Public Finance and Accountancy (CIPFA) advisory note. The Assessor concluded that, *"Reading Borough Council has a professional and well-respected internal audit service that is effective and not only follows best practice, but is itself a good example of best practice in local government internal audit"*. From the evidence reviewed as part of the external quality assessment, no areas of non-compliance with the standards were identified, nor were any significant areas of partial non-compliance identified, that would affect the overall scope or operation of the internal audit activity. One minor area of partial compliance and some issues relating to the Audit and Governance committee were identified, and some recommendations (R) have made to address these issues.

2. RECOMMENDED ACTION

- 2.1 The Audit & Governance Committee note the outcome of the External Quality Assessment for RBC internal audit as attached and are assured over the quality and effectiveness of the Council's Internal Audit Service.

3. BACKGROUND

- 3.1 The Council's Internal Audit function is delivered by an in-house team and currently only provides internal audit services to Reading Borough Council, although there is a section 113 agreement in place that allows them to provide internal audit services to Bracknell Forest and Wokingham Councils. The Internal Audit team comprises six full time equivalent experienced and qualified staff (including the Chief Auditor), and three experienced and qualified counter-fraud specialists (to be increased to four in 2018/19).
- 3.2 The Public Sector Internal Audit Standards (PSIAS), which have been in place since April 2013 (updated April 2016) consist of the following elements:
- Mission Statement
 - Definition of Internal Auditing
 - Code of Ethics, and
 - Attribute and Performance Standards for the Professional Practice of Internal Auditing
- 3.3 They aim to promote further improvement in the professionalism, quality and effectiveness of internal audit across both the public and private sectors. They reaffirm the importance of robust, independent and objective internal audit assurance
- 3.4 In local government the PSIAS are mandatory, as required by the Accounts and Audit Regulations 2015. The Internal Audit function must also comply with the CIPFA Advisory Note associated with the Standards.
- 3.5 The Standards require an external assessment at least once every 5 years as part of an Internal Audit's Quality Assurance Framework. They must be conducted by a qualified, independent assessor or assessment team from outside the organisation. Our assessment was conducted by CIPFA.
- 3.6 CIPFA is ideally placed to carry out the quality review. They are one of the professional bodies who set internal audit standards for public bodies and provide professional guidance on the Standards as well as other aspects of internal audit. CIPFA is therefore very familiar with internal audit standards in policy and in practice. They have undertaken a number of External Quality Assessments.
- 3.7 The review was carried out between the 17th and 21st July 2017 through a process of interviews with employees of RBC's Internal Audit Service, key officers within the Council, and members of the Audit and Governance Committee, together with a review of the key documents used. Our practice was assessed against 56 fundamental principles and over 150 points of recommended practice and was compared with other Internal Audit Functions, who have been externally assessed by CIPFA.

3.8 The Assessor concluded that:

There were no areas of non-compliance with the standards have been identified, nor have any significant areas of partial non-compliance been identified, that would affect the overall scope or operation of the internal audit activity.

3.9 It was also added that:

Reading Borough Council has a professional and well-respected internal audit service that is effective and not only follows best practice, but is itself a good example of best practice in local government internal audit

3.10 The Internal Audit function are very pleased with the outcome of the External Quality Assessment, it is a very rigorous and challenging assessment. They pride themselves on being an experienced, competent internal audit team, who strive to maintain and develop its service by embedding quality in all elements of internal audit activity. This assessment helps provide confidence to the Council over the quality of the service and the excellent people who deliver its internal audit work and plan.

3.11 A copy of the External Quality Assessment report for is attached at Appendix A.

3.12 All recommendation and suggested actions have been agreed, with some already implemented.

4. CONTRIBUTION TO STRATEGIC AIMS

7.1 Audit Services aims to assist in the achievement of the strategic aims of the authority by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes contributing to the strategic aim of remaining financially sustainable.

5. COMMUNITY ENGAGEMENT AND INFORMATION

8.1 N/A

6. LEGAL IMPLICATIONS

6.1 Legislation dictates the objectives and purpose of the Internal Audit service the requirement for an internal audit function is either explicit or implied in the relevant local government legislation.

6.2 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.

6.3 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”.

8.1 The Internal Audit Service works to best practice as set out in Public Sector Internal Audit Standards issued by the Relevant Internal Audit Standard Setters. This includes the requirement to prepare and present regular reports to the Committee on the performance of the Internal Audit service.

9. FINANCIAL IMPLICATIONS

9.1 N/A

10. BACKGROUND PAPERS

10.1 Public Sector Internal Audit Standards - Applying the IIA International Standards to the UK Public Sector 2016.

10.2 CIPFA Local Government Application Note - For the UK Public Sector Internal Audit Standards

External Quality Assessment of Reading Borough Council's Internal Audit Service to the Public Sector Internal Audit Standards

Final Report

Lead Associate: Ray Gard, CPFA, FCCA, CFIIA, DMS

**Internal QA: Technical Manager, CIPFA, Professional Standards &
Guidance**

16 September 2017

Review of Reading Borough Council's Internal Audit Service – 18 to 21 July 2017

Introduction

Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). The standards require periodic self-assessments and an assessment by an external person every five years.

Background

Reading Borough Council's (RBC) Internal Audit Service is based at the Civic Centre and currently only provides internal audit services to Reading Borough Council, although there is a section 113 agreement in place that allows them to provide internal audit services to Bracknell Forest and Wokingham Councils. The Internal Audit team comprises six full time equivalent experienced and qualified staff (including the Chief Auditor), and three experienced and qualified counter-fraud specialists.

The Service has been operating under PSIAS for over four years, so this was deemed a good time for their first external review against the standards and the local government application note (LAGN) produced by CIPFA.

Review Process

The review was carried out between the 17th and 21st July 2017 through a process of interviews with employees of RBC's Internal Audit Service, key officers within the Council, and members of the Audit and Governance Committee, together with a review of the key documents used. With regard to the latter, RBC provided a comprehensive range of documents that were available for examination prior to and during this review. These included the Services self-assessment against the PSIAS; quality assurance and improvement plan (QAIP); the audit manual; the audit plan; individual audit reports and supporting records; and a range of reports and communications that demonstrate the flow of information between Internal Audit and the Audit and Governance Committee.

Whilst all of these documents contributed to the review process, the following documents are regarded as fundamental and a major contributor to the external quality assessment:

- the audit charter and Audit and Governance committee terms of reference;
- progress reports to the Audit and Governance committee for the Council;
- Chief Auditor's annual report and opinion to the Audit and Governance committee;
- audit plan and covering report to the Audit and Governance committee;
- audit manual;
- individual audit reports and working papers;
- staff declarations of interest; and
- staff training and development records.

Conclusion and Opinion

Reading Borough Council has a professional and well-respected internal audit service that is effective and not only follows best practice, but is itself a good example of best practice in local government internal audit. From the evidence reviewed as part of the external quality assessment, no areas of non-compliance with the standards have been identified, nor have any significant areas of partial non-compliance been identified, that would affect the overall scope or operation of the internal audit activity. One minor area of partial

compliance and some issues relating to the Audit and Governance committee have been identified, and some recommendations (R) have made to address these issues.

On this basis it is our opinion that Reading Borough Council's Internal Audit Service GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards. It is also our opinion that Internal Audit GENERALLY CONFORMS to the requirements of the Local Government Application Note.

Whilst Internal Audit is a professional and well run Service, they are keen to continually enhance and improve their operations. With this in mind, we have also made some recommendations (R) and suggestions (S) to enhance documentation and procedures. These have been set out in the body of the report that follows, and have also been included in the action plan at appendix 1 to this report.

A list of the individuals interviewed during the review is included as appendix 2.

The Chief Auditor has been provided with details of the areas where there is scope to enhance conformity with the standards and incorporate good practice into their operations.

Ray Gard, CPFA, FCCA, FCIIA, DMS

Summary findings, recommendations and suggestions

Standard	Compliance	Findings	Recommendations and Suggestions	No
Mission	Partially Conforms	Whilst Internal Audit are delivering a service that conforms to the mission statement in the PSIAS, and it is included in the audit manual, it is not currently included in the 2017/18 audit charter.	Add the mission statement to the audit charter at the next revision	R1
Core principles of internal audit	Generally Conforms	The Internal Audit Service at Reading Borough Council is a well-respected professional team that fully conforms to the core principles of internal audit.		
Code of Ethics	Generally Conforms	The Service and all members of the team are conforming to the Code of Ethics for Internal Audit.		
Attribute Standards				
1000 Purpose, authority and responsibility	Generally Conforms	<p>The Internal Audit Service conforms to all aspects of standard 1000 and the Local Government Application Note (LGAN), with just two minor departures.</p> <p>The Service has a comprehensive audit charter that is clear, concise, and sets out the purpose, authority, and responsibility of the Service, senior managers, and the Audit and Governance committee.</p> <p>The first minor departure from standard 1000 is that it requires the audit charter to contain definitions for two key roles in the organisation, namely the 'Board', and 'Senior Management'.</p>	<p>Add footnotes to the Audit Charter at the next revision to define the terms 'Board' and 'Senior Management' referenced to the actual roles within the Council.</p> <p>The Audit and Governance Committee should undertake an annual review of its remit, effectiveness, and its composition.</p>	<p>R2</p> <p>R3</p>

Standard	Compliance	Findings	Recommendations and Suggestions	No
		<p>These definitions are not included in the current audit charter, although it is apparent that the Audit and Governance Committee (the Board), and the Corporate Management Team (Senior Management) are fulfilling these roles and are all mentioned in the audit charter. This omission can be rectified by simply adding footnotes to the audit charter to cross-reference these roles to the definitions required by the standard.</p> <p>The definitions for the 'board' is included in the narrative that accompanies the Chief Auditor's annual report.</p> <p>The second minor departure relates to the Chief Auditor participating in the review of the Audit and Governance Committee's remit and effectiveness; however, the committee does not carry out an annual review of its remit and effectiveness.</p>		
<p>1100 Independence and objectivity</p>	<p>Generally Conforms</p>	<p>The Service provides and independent and objective internal audit service that conforms to all aspects of standard 1100, and the LGAN, with one minor departures.</p> <p>The minor departure relates to the audit charter and the terms of reference for the Audit and Governance Committee; neither document specifically mention that the Chief Auditor has direct and unfettered access to the Chair of the Audit and Governance Committee, although in practice this does happen.</p> <p>Whilst the Internal Audit Service is able to demonstrate that it is independent and</p>	<p>Add a paragraph to the audit charter and the terms of reference for the Audit and Governance Committee to make specific reference to the Chief Auditor having direct access to the chair of the Audit and Governance Committee</p> <p>Recommendation R3 above also applies to this standard.</p>	<p>S1</p>

Standard	Compliance	Findings	Recommendations and Suggestions	No
		<p>objective, the Council’s Audit and Governance Committee may struggle to demonstrate their independence and objectivity to the wider public, due to its current composition.</p> <p>The Audit and Governance Committee currently includes the Council Leader, Deputy Leader, and another lead member, although none of them chair the committee. The CIPFA guidance on audit committees recommends that elected members who form part of a Council’s decision-making process, which is the case with these three members, should not sit on a Council’s audit committee.</p>		
<p>1200 Proficiency and due professional care</p>	<p>Generally Conforms</p>	<p>The Service conforms to all aspects of standard 1200 and the LGAN.</p> <p>The Internal Audit staff are well qualified and highly proficient, and deliver internal audit services to the Council with due professional care.</p>		
<p>1300 Quality assurance and improvement programme</p>	<p>Generally Conforms</p>	<p>The Service conforms to all aspects of standard 1300 and the LGAN, with one minor departure.</p> <p>Internal Audit focuses on delivering a quality service to the Council. The Chief Auditor carries out an annual self-assessment against the PSIAS and the LGAN, which underpins their quality assurance and improvement programme. As required by PSIAS, these self-assessments are being supplemented by this external quality assessment and it is recommended that this is reported to the Audit and Governance Committee.</p>	<p>Supplement the annual performance and effectiveness data by providing data for key indicators over a longer period. Include explanations for the causes of significant variances and the effects these have had on the Services ability to deliver the planned assurance audits.</p>	<p>R4</p>

Standard	Compliance	Findings	Recommendations and Suggestions	No
		<p>The one minor departure relates to the performance data published by the Services. Although the Service publishes relevant and meaningful information regarding their performance and effectiveness, the data only covers a period of one year; whereas the LGAN suggests that internal audit services should also report comparative data over a period of time, say three years.</p> <p>Providing performance data over a period of time would provide a clearer picture on the sustained performance of the Service, particularly if the data is supported by explanations for the causes of any significant variances, and the effect these have had on the Services ability to deliver the planned assurance audits.</p>		
Performance Standards				
<p>2000 Managing the internal audit activity</p>	<p>Generally Conforms</p>	<p>The Service conforms to all aspects of standard 2000 and the LGAN, with one minor departure from the latter.</p> <p>Senior managers are involved in the audit planning process and the audit plan is linked to the corporate risk register and the Council's objectives.</p> <p>The Chief Auditor believes he has sufficient resources to deliver the high risk assurance audits in the annual plan, but resources are limited and already operating at capacity.</p> <p>However, both internal audit and the external auditor have raised serious concerns regarding</p>	<p>Increase Internal Audit's resources on a temporary basis whilst the Council works towards addressing the serious control issues that have been raised.</p> <p>Provide guidance in the audit manual as to when an auditor should raise serious concerns or risks with managers</p>	<p>S2</p> <p>S3</p>

Standard	Compliance	Findings	Recommendations and Suggestions	No
		<p>the Council's budget deficit, the weak controls in the financial systems, and the systemic non-compliance with policies and procedures throughout the authority. The Council are aware that these issues need to be addressed as a matter of urgency.</p> <p>Internal Audit are already supporting management with these tasks and it is likely that this will continue for some time, increasing the pressure on the Service and the Chief Auditor's ability to ensure sufficient assurance work is completed during the year to be able to issue an annual assurance opinion. Consideration needs to be given to increasing Internal Audit's resources, at least on a temporary basis until the issues are dealt with.</p> <p>The comprehensive audit manual covers how an audit should be carried out and is followed by the auditors when performing audits. The one minor departure from the LGAN relates to the audit manual, which does not provide guidance on when an auditor should raise serious concerns or risks with managers.</p>		
<p>2100 Nature of work</p>	<p>Generally Conforms</p>	<p>The Service conforms to all aspects of standard 2100 and the LGAN.</p> <p>The scope of internal audit work includes the whole of the Council's control environment, and the risk management and governance arrangements.</p> <p>As mentioned above, Internal Audit's work is underpinned by a comprehensive audit manual that is consistently applied by the auditors.</p>		

Standard	Compliance	Findings	Recommendations and Suggestions	No
2200 Engagement planning	Generally Conforms	<p>The Service conforms to all aspects of standard 2200 and the LGAN.</p> <p>Detailed terms of reference are produced for each audit and in conjunction with management. Detailed testing schedules are produced for each audit that follow the principles set out in the audit manual.</p>		
2300 Performing the engagement	Generally Conforms	<p>The Service conforms to all aspects of standard 2300 and the LGAN.</p> <p>Internal audits are performed in accordance with the audit manual and there is an effective and robust supervision and review process in place.</p>		
2400 Communicating the results	Generally Conforms	<p>The Service conforms to all aspects of standard 2400 and the LGAN, with one minor departure.</p> <p>The processes for communicating the results of audits is set out in the audit manual and consistently followed by the auditors.</p> <p>The one minor departure relates to Internal Audit not including a paragraph in the audit reports to state that the audit has been “conducted in conformance with the Public Sector Internal Audit Standards”. This statement should be added to each audit where this applies, or where it does not apply, a statement of non-conformance should be included instead</p>	<p>Include a paragraph in audit reports stating that the audit ‘has been conducted in conformance with the Public Sector Internal Audit Standards’. Where this is not the case, included a statement of non-conformance and explain why this is the case.</p>	S4
2500 Monitoring	Generally Conforms	<p>The Service conforms to all aspects of standard 2500 and the LGAN.</p>	<p>The Audit and Governance Committee should routinely request managers who do not implement audit</p>	S5

Standard	Compliance	Findings	Recommendations and Suggestions	No
progress		<p>There is a detailed follow up process for audit recommendations, including an escalation process where managers fail to implement recommendations in the agreed time scales.</p> <p>The Audit and Governance Committee have acknowledged that they need to do more where managers do not implement recommendations and request them to attend the Committee to explain the lack of progress.</p>	recommendations to attend the committee and explain the lack of progress.	
<p>2600 Communicating the acceptance of risks</p>	<p>Generally Conforms</p>	<p>The Service conforms to all aspects of standard 2600 and the LGAN.</p> <p>The process for communicating the acceptance of risk is set out in the audit manual. There is an escalation process if the Chief Auditor believes management is accepting a level of risk that is greater than the Council's risk appetite. Neither senior management nor the Chief Auditor can recall an occasion where there has been a need to use the process.</p>		

Appendix 1: action plan

Recommendations

No	Recommendation	Response	Responsible Person	Action date
R1	Add the mission statement to the audit charter at the next revision	Agreed, this will be added when we next review the audit charter (undertaken annually) and will be presented to CMT and the Audit & Governance Committee.	Chief Auditor	April 2018
R2	Add footnotes to the Audit Charter at the next revision to define the terms 'Board', 'Senior Management' and 'Chief Audit Executive' referenced to the actual roles within the Council.	Agreed, this will be added when we next review the audit charter (undertaken annually) and will be presented to CMT and the Audit & Governance Committee.	Chief Auditor	April 2018
R3	The Audit and Governance Committee should undertake an annual review of its remit, effectiveness, and its composition.	Agreed, an annual review will be considered by the Committee when it receives this report.	Chair of the A&G Committee / Chief Auditor / Committee	September 2017
R4	Supplement the annual performance and effectiveness data by providing data for key indicators over a longer period. Include explanations for the causes of significant variances and the effects these have had on the Services ability to deliver the planned assurance audits.	Agreed, this will be included in the next annual report.	Chief Auditor	April 2018

Suggestions

No	Suggestion	Response	Responsible Person	Action date
S1	Add a paragraph to the audit charter and the terms of reference for the Audit and Governance Committee to make specific reference to the Chief Auditor having direct access to the chair of the Audit and Governance Committee	Agreed, this will be added when we next review the audit charter (undertaken annually) and will be presented to CMT and the Audit & Governance Committee	Chief Auditor	April 2018
S2	Increase Internal Audit's resources on a temporary basis whilst the Council works towards addressing the serious control issues that have been raised.	Agreed, the control issues that lead to the limited assurance opinion indicate that more audit resources are required to assist the Council on its improvement journey. Discussions are ongoing about a call-off arrangement with a private sector partner in order to compare value for money with additional internal resources.	Director of Finance	October 2017
S3	Provide guidance in the audit manual as to when an auditor should raise serious concerns or risks with managers.	Although this happens as a matter of course, a section has been added to the manual, clarifying that where issues/risks are identified during the course of the audit, particularly where they are serious in nature, these should be raised immediately with the relevant manager(s)	Chief Auditor	Complete
S4	Include a paragraph in audit reports stating that the audit has been conducted in conformance with the Public Sector Internal Audit Standards. Where this is not the case, included a statement of non-conformance and explain why this is the case.	This has been added to the 2017/18 report template.	Chief Auditor	Complete

No	Suggestion	Response	Responsible Person	Action date
S5	The Audit and Governance Committee should routinely request managers who do not implement audit recommendations to attend the committee and explain the lack of progress.	Agreed, at the April Audit and Governance Committee, when the limited assurance opinion was received, the Chief Executive undertook that he would ask managers who do not make adequate progress on audit recommendations to attend the Committee.	Chief Auditor	In place

Appendix 2: Interviewees

Person	Position	Organisation
Paul Harrington	Chief Auditor	Reading Borough Council
Peter Sloman	Chief Executive	Reading Borough Council
Peter Lewis	Interim Director of Finance (Section 151 Officer)	Reading Borough Council
Jo Pursar	Acting Head of Social Care	Reading Borough Council
John Barnfield	ICT Technology and Service Manager	Reading Borough Council
Giorgio Framaliccio	Head of Planning, Development and Regulatory Services	Reading Borough Council
Anne Marie Dodds	Acting Director of Children's Services	Reading Borough Council
Zoe Hanim	Head of Customer Services	Reading Borough Council
Chris Brooks	Head of Legal (Monitoring Officer)	Reading Borough Council
Allison Bell	Director of Environment	Reading Borough Council
David Stevens	Chair of Audit and Governance Committee	Reading Borough Council
Jo Lovelock	Member of the Audit and Governance Committee & Leader of the Council	Reading Borough Council
Tony Page	Member of the Audit and Governance Committee & Deputy Leader of the Council	Reading Borough Council
Anthony Kearns	Principal Auditor	Reading Borough Council
Robert Dunford	Senior Auditor	Reading Borough Council
Claire Aspell	Senior Auditor	Reading Borough Council
Kirsty Hancock	Senior Auditor	Reading Borough Council
Kevin Parker	Principal Auditor (scheduled but unable to attend due to another commitment)	Reading Borough Council

READING BOROUGH COUNCIL

REPORT BY STRATEGIC DIRECTOR OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	28 SEPTEMBER 2017	AGENDA ITEM:	8
TITLE:	BUDGET MONITORING 2017/18		
LEAD COUNCILLOR:	COUNCILLORS LOVELOCK/ PAGE	PORTFOLIO:	FINANCE
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
LEAD OFFICER:	PETER LEWIS	TEL:	01189372058 (x72058)
JOB TITLE:	STRATEGIC DIRECTOR OF FINANCE	E-MAIL:	Peter.Lewis@reading.gov.uk

1. EXECUTIVE SUMMARY

- 1.1 This report sets out the projected Council revenue budget outturn position for 2017/18 based on actual, committed and projected expenditure for the Council as at the end of July 2017. It also contains limited information on the capital programme and the Housing Revenue Account (HRA).
- 1.2 It is projected that, due to a variety of reasons, the revenue budget will be overspent by £1.8m as at the year end and that this amount can then be contained within the contingency of £2.3m set aside to manage unexpected pressures and savings shortfalls. However, there are serious concerns to be noted within this overall headline:
- 1.2.1 That the total of negative variances is £6.8m, which does contain some projection of further pressures on care places through to the year end;
- 1.2.2 That some of the positive variances and mitigations are not ongoing, so will not provide relief for any of the negative variances that are ongoing into 2018/19 and beyond. These issues will need to be dealt with in the budget setting process for 2018/19;
- 1.2.3 That the contingency is already significantly committed at this early stage of the year and when it is known that the General Balance is at the minimum
- 1.3 It is noted that each service area is seeking further proposals for reducing the pressure on the 2017/18 budget through a range of interventions. It is particularly important that these proposals are deliverable and sustainable beyond 2017/18.

2. RECOMMENDED ACTION

- 2.1 To note that based on the position at the end of July 2017 revenue budget monitoring forecasts an overspend of around £1.781m as at the year end.

3 BUDGET MONITORING

- 3.1 The results of the Directorate budget monitoring exercises are summarised below:

	Negative Variances £'000s	Positive Variances £'000s	Remedial Action £'000s	Net Variation £'000s	% variance budget
Environment & Neighbourhood Services	1,802	-2,012	-60	-270	-0.9%
Childrens, Education & Early Help Services/	1,600	-100	0	1,500	3.80%
Adults Care and Health Services inc. Public Health	1,917	-450	-717	750	2.10%
Corporate Support Services	1,428	-1,323	-104	1	0.00%
Directorate Sub total	6,747	-3,885	-881	1,981	
Treasury		-200		-200	
Total	6,747	-4,085	-881	1,781	

3.2 Environment & Neighbourhood Services

Based on the information currently available, the directorate is predicting a year-end net positive variance against budget of £270k. However, this is the consequence of a much more significant range of variances across a number of budgets, increased costs of £0.4m, reduced income of £0.22m and as yet unrealised savings of £1.1m.

Of the total gross projected negative variance of £1.8m, £1.3m occurs in Transportation and Streetcare (T&S). A significant proportion of this results from as yet unachieved savings/income generation, including removal of a further waste collection round (£284k) and additional income from off street car parking (£175k). T&S also has increased costs, such as a one-off purchase of car parking equipment (£130k, although this may yet prove to be capital expenditure), and in some areas reduced enforcement income (£175k) in comparison to current budget expectations. Planning,

Development & Regulatory Services are predicting an adverse variance of £0.20m. Economic & Cultural Development (ECD) are also predicting an adverse variance (£0.3m), predominantly relating to delays in plans to generate additional income from advertising due to a legal challenge and schools business development income.

However, this negative variance is more than compensated for by £2.1m of positive variances. Of this, £1.04m is increased income, most of which arises in T&SC, and includes £0.4m additional on street car parking income and £0.36m of additional income from green waste.

£1m of the positive variance arises from reduced costs in T&SC, ECD & Housing & Neighbourhood Services (H&NS). Notably for T&SC, £0.4m across the park & ride contract & concessionary fares, with much of the remainder (£0.3m) being salary costs where in some cases vacancies have been held back to mitigate pressures above. Within H&NS bed and breakfast use has reduced from 144 rooms in March to 111 rooms currently in use, reflecting needs presenting and a concerted effort to prevent homelessness; increase supply and access to affordable housing; intensive casework with individual households; and effective market management/cost control. With better than anticipated first quarter performance alongside the Lowfield Road temporary accommodation development due to come online in the Autumn, the service is aiming to finish the 2017-18 financial year with no more than a total of 100 occupied rooms. This would lead to an underspend of approximately £0.36m. Demand can fluctuate through the year and some loss of provision is currently anticipated which may create a short term pressure.

3.3 Children, Education & Early Help Services

Following the placement of an additional 10 Looked After Children (LAC) in external residential placements, an overspend of £1.5m is projected for the year, which represents 3.8% of the annual budget. The forecast assumes 8 additional residential placements will occur in year at an estimated cost of £555k assuming these placements are based on 1 per month (average cost of £3,677 per week) and is included in the overall forecast of £1.6m until the end of March. Details are in the following paragraphs.

The negative variance has arisen due to the impact of children being included in Operation Epping, with their assessed need indicating a requirement to be placed in residential provision. There are currently 11 children identified as at risk of Child Sexual Exploitation (CSE), missing and at risk from drug dealers and known criminals, at a cost of £1.69m until the end of year. At present there are currently 76 children known as at CSE risk, and 5 additional placements have been included in the projection to the end of year. In addition there have been 4 additional residential placements at a cost of £745k for the year, previously external residential placements were static (circa 14 to 15), but in the last 6 months there has been a spike in high level risk and identified needs are best met through residential provision.

The current overspend is reduced by £100k following the early implementation of the Business Admin restructure required by 1st April 2018 to achieve the proposed savings for 2018/19. However, temporary interim arrangements are required in 2017/18 where additional admin is required to support the improvement within Children's Services. Therefore, the overspend is mitigated by £153k but in year required to spend one off £53k on additional temporary support.

Further work is to be undertaken by the Directorate to mitigate the overspend within year. In addition, the restructure of Children's Centres is to be implemented during 2017/18 to enable the Directorate to implement the 2018/19 savings earlier than 1st April 2018. The impact of this is not yet known as the Directorate is still in the consultation stages.

During the year, investment in the Access to Resources Team (ART) to improve the Commissioning of Services will also assist in reducing this overspend. In addition the current in house foster carer recruitment will assist in the reduction of placement costs if there are disruptions to current external placements and in the longer term. All top 10 external residential placements are to be reviewed over the next 6 weeks with the aim of auditing the cases to ensure the residential placement is the correct placement according to care plans, and Finance will be involved in this exercise. New tighter regimes will be introduced when making future placements, particularly emergency placements through improved commissioning arrangements within the ART. The current Solutions Panel will become more challenging and support the audit work aiming to reduce costs further within the existing placements.

The paragraphs above describe the impact for the General Fund Services, however the Directorate is also currently anticipating an in year deficit of £2m relating to the Dedicated Schools Grant (DSG). This will increase the deficit of the DSG to £3.4m which will be carried forward into 2018/19. The implementation of a new SEN strategy is intended to mitigate this risk in order to bring the budget back under control before new funding arrangements are introduced.

3.4 Adult Care & Health Services

Largely due to pressures on placements in Mental Health and in Learning Disability, an overspend of £1.917m is projected for this Directorate. The largest pressures are: Mental Health £0.7m and Learning Disability Services £0.9m, and occur across all service types, although particularly in residential and community services.

The negative variance on Mental Health Services breaks down as £157K on placements in nursing homes due to an additional 5 clients being placed over the budgeted number of clients, £392K on residential placements based on an additional 11 clients over budget and an overspend of £188K on Community Services.

For the Learning Disabilities Service, the overspend is due to an additional £280K on residential placements because the average cost of placements

are £48 per week per client higher than budgeted although client numbers are as budgeted. There is also a £638K overspend on Community Services which is related to the clients and demography but is difficult to assign to exact client numbers.

So far the Directorate has identified £1.167m of positive variances and remedial action to reduce the gross overspend. The main remedial action identified to reduce the deficit has included reworking the use of parts of the Public Health grant (£0.365m), keeping inflation awards to a minimum with providers (£0.250m) and around trying to find savings from either reworking service delivery or holding vacancies (£0.351m). Better contract management should yield additional Continuing Health Care (CHC) funding, although most of this is expected to be historical and will be one-off. The Directorate has also managed to push a £0.121m pressure on extra care into 18/19, and proposes capitalising costs of implementing new computer systems and software (around £0.06m, although this has not yet been approved).

Overall, the remedial actions identified so far indicate around £0.450m of positive variances and £0.717m as one-off and non-recurrent remedial actions, so further work is still needed to reduce the overspend on an ongoing basis. £0.450m of this may be capable of being on-going into 2018/19. The positive variances and remedial actions result in a net overspend prediction of £0.750m for the whole Directorate.

Further remedial actions are still being sought but it is not currently expected that these will reduce the overall forecast position back to budget by the year end.

It should also be noted that £0.8m of savings remain amber/red and are at risk of not being delivered, but are assumed to be delivered in this monitoring report. This includes projects around the ASC restructure, right-sizing and review of packages and charging policy. Further work is ongoing to confirm the expected savings from these plans and to cover any shortfall by increasing savings within the other transformation projects.

3.5 Corporate Support Services

The directorate is currently reporting a £1k overspend against a £13.1m budget; however there are large variances underlying this position which are detailed below.

The most significant variance sits within the Childcare Lawyers service; this is a Berkshire wide joint arrangement operated by Reading Borough Council. Increased caseloads and duration of cases due to their complexity means the team is employing interims and agency staff over and above establishment at an additional cost of £976K. These costs are recharged to the other five Berkshire LA's, including administration fees, causing a positive variance on income which offsets the negative variance on costs. The RBC element of the Joint Arrangement is currently expected to be in line with the budget.

The digitisation saving that is currently held within the Corporate budget is being shown as a pressure (£153K) whilst more detailed work is ongoing to identify how this saving will be achieved. In order to deliver this saving CMT have recently agreed to give targets to each of the directorates to work towards digitisation. There is also a pressure on the £40K income target for the Corporate Investigations Team and an exception report has been written for CPDG to ask that it is moved into 2018/19 when resource will be available to deliver it.

The Finance & Accountancy Team are currently undergoing a period of transformation with a new structure expected to be in place by the start of 2018/19. As part of the future for Finance, it is essential that the underlying processes and practices for preparing the 2017/18 accounts are improved to ensure that the accounts closure for 2017/18 can be achieved on time. For this reason a Chief Accountant will be recruited early in the new year to provide technical accounting leadership and capacity in the team. During this period of transformation for Finance & Accountancy, interim staff have been brought in to cover vacant posts and provide stability to the team at an additional cost of £40K. It is also anticipated that there will be additional external audit fees of around £80K arising from the additional work that EY have carried out on the audit of 2016/17 accounts. As the improvements in Finance are driven through, there could be additional demands on staffing and system costs for which applications will be made to the change fund.

The overspends in the directorate are mitigated by vacancies being held in the Policy Team and in the Learning and Workforce Development Team (£104K). There is also a non-recurrent saving (£180K) on the elections budget for 2017/18 as it is a fallow year.

4. TREASURY MANAGEMENT

- 4.1 Following the review of budgets in July, the net capital financing budget was reduced to £10m. Currently an underspend of £200k is forecast (though there remain some uncertain factors impacting the budget, some of which may prove volatile during the remainder of the financial year).

5. FORECAST GENERAL FUND BALANCE

- 5.1 Based upon the draft accounts for 2016/17, the General Fund Balance at the end of 2016/17 was £5.2m. As indicated in the table above, assuming the remedial action highlighted is carried out, there is a forecast overspend on service revenue budgets of £2.0m, which is likely to be offset by a slightly favourable treasury position (see para 4.1), leaving an overall £1.8m overspend forecast. This is within the level of contingency in the budget for unrealised savings and unexpected pressures. Therefore, based on the budget funding plan the General Fund Balance will remain above the minimum requirement. Nevertheless officers should continue to develop remedial plans to address the projected overspend. Should these plans go beyond management actions and require councillor approval they will need to be presented to the next Policy Committee meeting in September at the same time as this monitoring report is received.

6. CAPITAL PROGRAMME 2017/18

- 6.1 To the end of July £5.092m of the c.£121m programme had been spent. Capital spending is normally weighted to the latter part of the year and a full detailed review of the position has yet to be completed.

7. CAPITAL RECEIPTS

- 7.1 The financial strategy depends on successfully obtaining capital receipts. At least £6.3m of capital receipts are required to deliver the 2017/18 budget including funding for the change programme. In addition to the £1.3m delivered, good progress has been made on a further £9.4m of receipts.

7.2

	2017/18	2018/19
Planned	£12.3m	£2.5m
Of which delivered	£1.3m	£0.0m

8. HRA

- 8.1 Operational budgets (for repairs and management costs) at this stage in the year appear to be broadly on track and although some minor variances have been identified these will be managed within the overall operational budget.
- 8.2 An initial review of the likely HRA capital financing position for 2017/18 has identified those costs should be around £400k under spent, and an initial consideration of the prospect for rent income, suggests that actual income should be at least £300k better than budget, amongst other reasons because of continuing good control of rent arrears.

9. RISK ASSESSMENT

- 9.1 There are risks associated with delivering the Council's budget and this was subject to an overall budget risk assessment. At the current time those risks are being reviewed as part of budget monitoring and can be classed as follows:

- High use of agency staffing & consultants;
- Pressures on pay costs in some areas to recruit staff or maintain services;
- In year reductions in grant;
- Demand for adult social care;
- Demand for children's social care;
- Increased requirement for childcare solicitors linked to activity on the above;
- Homelessness, and the risk of a need for additional bed & breakfast accommodation;
- Demand for special education needs services;
- Housing Benefit Subsidy does not fully meet the cost of benefit paid

10. BUDGET SAVINGS RAG STATUS

10.1 The RAG status of savings and income¹ generation proposals included in the 2017/18 budget are subject to a monthly review. The expanded RAG status in terms of progress is summarised below:

	£000	%
Blue (fully delivered)	6,080	40.0
Green (on track)	3,243	21.3
Amber (<10% off track)	3,066	20.2
Red (>10% off track)	2,804	18.5
Grey (undeliverable)	0	0.0
Total	<u>15,913</u>	<u>100.0</u>

10.2 The RAG status of budget savings supplements the analysis in budget monitoring above, and the red risks do not represent additional pressures to those shown above.

11. COUNCIL TAX & BUSINESS RATE INCOME

11.1 We have set targets for tax collection, and the end of July 2017 position is:

Council Tax	2017/18 £000	Previous Year's Arrears £000	Total £000
Target	35,683	940	36,623
Actual	35,333	966	36,299
Variance	(350) below	26 above	(324) below

11.2 For 2017/18 as a whole the minimum target for Council Tax is 96.5%, (2016/17 collection rate 96.8%). At the end of July 2017, collection for the year was 37.81% compared to a target of 38.18%, and collection is slightly behind 2016/17 (38.13% by end of July 2016).

Financial RAG

-  = 100% of savings delivered, and verified by Finance (Directorate/Programme Accountant)
-  = On track to deliver 100% of savings target
-  = Up to 10% at risk, however corrective action in place to deliver 100%
-  = Above 10% of savings at risk, or plans not yet developed and approved, or resource issues
-  = Removal of Savings

1

11.3 Business Rates Income to the end of July 2017

Business Rates	2017/18 £000	2017/18 %
Target	46,810	36.10%
Actual	46,789	35.75%
Variance	(21) below	0.35%

The target for 2017/18 as a whole is 98.50%. By comparison, at the end of July 2016, 34.93% of rates had been collected.

12. OUTSTANDING GENERAL DEBTS

- 12.1 The Council's outstanding debt total as at 31 July 2017 stands at £6.280m in comparison to the 31st March figure of £4.280m. This shows an increase of £2.000m, and we note that £3.810m of the balance as at 31 July 2017 is greater than 151 days old.

13. CONTRIBUTION TO STRATEGIC AIMS

- 13.1 The delivery of the Council's actual within budget overall is essential to ensure the Council meets its strategic aims.

14. COMMUNITY ENGAGEMENT AND INFORMATION

- 14.1 None arising directly from this report.

15. LEGAL IMPLICATIONS

- 15.1 The Local Government Act 2003 places a duty on the Council's Section 151 Officer to advise on the robustness of the proposed budget and the adequacy of balances and reserves.
- 15.2 With regard to Budget Monitoring, the Act requires that the Authority must review its Budget "from time to time during the year", and also to take any action it deems necessary to deal with the situation arising from monitoring. Currently Budget Monitoring reports are submitted to Policy Committee regularly throughout the year and therefore we comply with this requirement.

16. FINANCIAL IMPLICATIONS

- 16.1 The main financial implications are included in the report. The Council's constitution envisages remedial action is implemented when there are adverse budget variances.

17. EQUALITY IMPACT ASSESSMENT

17.1 None arising directly from the report. An Equality Impact Assessment was undertaken for the 2017/18 budget as a whole.

18. BACKGROUND PAPERS

18.1 Budget Working & monitoring papers, save confidential/protected items.

READING BOROUGH COUNCIL
REPORT BY DIRECTOR OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	28 September 2017	AGENDA ITEM:	9
TITLE:	Annual Governance Statement 2016/2017 - Updated Action Plan		
LEAD COUNCILLOR:	Councillor Lovelock	PORTFOLIO:	Leadership
SERVICE:	FINANCE	WARDS:	N/A
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1. EXECUTIVE SUMMARY

- 1.1 The Council is responsible for ensuring that financial management is adequate and effective and that there is a sound system of internal control, which facilitates the effective exercise of the Council's functions. It is also essential that there are effective arrangements for the management of risk.
- 1.2 The Accounts and Audit Regulations require local authorities to prepare and publish an Annual Governance Statement (AGS) each financial year, which accompanies the Authority's financial statements. This was presented to the Audit and Governance Committee in July 2017 along with an action plan to address the governance challenges identified.
- 1.3 This report updates the Committee on the progress made against the action plan which is appended to this report.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee considers, and comments on, the progress being made against the action plan and also indicates any further requirement for information to assure themselves of continued improvements.

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No.	Management Action	How implemented	Progress	Due date	Status	Responsible Officer	Monitoring Comments
1.	Prepare and agree a robust and deliverable Medium Term Financial Strategy for the period 2017/18 to 2019/20	Development of a robust MTFS for 2017/18 to 2019/20	Revised MTFS being presented to Policy Committee on 17 July 2017, with further work on robustness and delivery planned	July 2017	Reports prepared for Committee showing balanced positions for 2017/18 and 2018/19. More work required to balance 2019/20	Director of Finance	A revised and more robust budget for 2017/18, including a MTFS to 2020, was presented to, and agreed by, the Policy Committee in July 2017. There is now in place a robust savings monitoring regime overseen by the Delivery Unit and the Corporate Programme Delivery Group. In addition, the directorate accountants, with directorates, review spend and income against budgets with projections forward to the year-end based upon research about demand factors. A programme of work to prepare the detailed budget for 2018/19 and MTFS for 2019/20 and 2020/21 has also commenced. In addition a Corporate Plan for 2018-21 is being developed in parallel with the budget preparations.
2.	Prepare and deliver a robust savings monitoring programme to ensure that savings are delivered and/or adjusted according to a strong governance process	Implementation of a more robust budget and savings monitoring regime overseen by the Corporate Programme Delivery Group	Corporate Programme Delivery Group now oversees robust savings monitoring regime. Changes to the proposals are monitored and controlled.	May 2017	Implemented and now embedding	Head of Customer Services	There is a process for robust savings monitoring overseen by the Delivery Unit and the Corporate Programme Delivery Group (CPDG). This has been in place since May 2017 and has been improved each month. There is now more independent investigation into each saving by the Delivery Unit and more scrutiny at CPDG and at the individual Directorate Steering groups. This has driven up the standard of scrutiny and the quality and regularity of information being

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							<p>supplied from directorates. There is a clear expectation that where savings cannot be delivered then mitigating actions are put forward.</p> <p>The early results from an Internal Audit review of this area are encouraging</p>
3.	Put in place a robust regime for the reconciliation of control accounts on an ongoing basis	EY recommended that a centrally held list of reconciliations should be kept, so this should be implemented by creating (and keeping up to date) such a list	Most reconciliations have been done to 31 March 2017 but the list has not yet been established	List in place and status recorded of all reconciliations by 31 Aug 2017	In progress - list being started	Head of Finance (with Chief Technical Accountant)	The centrally held list of reconciliations is being further refined and checked. Key to this is Customer Services (Revenues & Benefits) which is the key area outside of Finance Function for such reconciliations. The draft schedule will be ready for discussion/ review with EY during October. Checking is underway of other reconciliations which may not be up to date and processes/resources to rectify this will be proposed and agreed.
4.	Ensure that Children's Services has an appropriate level of resources and that there are processes in place to monitor the resource allocated to the service and the achievement of service improvements required	Additional resources have been added to the Finance Team supporting Children's Services. This includes the appointment of the Interim Directorate Accountant from the end of	DCEEH DMT have a clearer understanding of the Children's Services budgets and the implementation of the MTFS for Children's Services was completed with the full involvement of DMT. The accounts closure	June	Partly achieved, further improvements depend upon Team resourcing	Director of Finance	<p>New temporary Senior Accountant has now been appointed increasing the level of resources within Team.</p> <p>DMT now demonstrate a strong understanding and ownership of budgets within the Directorate Performance Meetings.</p> <p>Finance assists decision making with DMT by providing robust, accurate and timely information to assist in the process.</p>

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		<p>November 2016, secondment of the Senior Analyst to the Team from March 2017 and now access to an Interim Senior Analyst. This was to enable improved monitoring of the Children's Services budgets. As well as overall improvements to monitor budgets and improving the relationship between Children's Services and Finance.</p> <p>Key monitoring piece of work is LAC Modelling and the development of the MOSAIC system.</p>	<p>process has impacted the process of the introduction of further improvements. Now closure has been completed the improvements can gather pace again.</p>	September 2017	Started in July but slower progress than anticipated		<p>Capacity remains a concern to ensure improvements are both timely and robust; we require dedicated and experienced accountants to provide challenge and support to both service managers and various panels (SEND/ Solutions). The historical LAC position requires further profiling to include financial projections for MTFS.</p> <p>There is improved budget monitoring and clear understanding of Children's Services budgets and key high risk areas, and the factors impacting on these areas. The LAC monitoring of CSE children and the activity data are now used in the budget monitoring process. The current level of LAC placements will be profiled to assess the impact on future years of the MTFS. Initial LAC profiling on age, has started and will be progressed and monitored in Quality Assurance Meetings.</p> <p>A strategy has now been developed for SEND to be implemented and to reduce the pressure on the High Needs budget.</p> <p>Finance has improved the monitoring for schools with deficits</p>

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							and are implementing loan agreements.
5.	Further develop the financial culture of the Council	<p>A revised budget management handbook will be made available and it is planned to have some training sessions to launch and embed it.</p> <p>CMT will further scrutinise financial information and seek to lead by example in terms of the culture.</p>	<p>Revised handbook was published in April 2017.</p> <p>Training sessions are being planned for November 2017.</p> <p>CMT already scrutinises finance and performance information, but will undertake more intense investigation to ensure that expenditure is delivered in line with the budget.</p>	<p>April 2017</p> <p>November 2017</p> <p>June 2017 (first monitoring for 2017/18)</p>	<p>Complete</p> <p>In planning</p> <p>Commenced</p>	Director of Finance	<p>Training planning meeting took place on 9 August, with a further meeting on 13 September.</p> <p>Training for all budget managers is planned for early November 2017</p> <p>The planned restructure of the Finance Team will also prepare for a different cultural environment where there is more self-service by budget managers</p> <p>Detailed scrutiny of the budget position for 2017/18 takes place monthly at CMT meetings; Directorate Steering Groups sessions now present the opportunity for more detailed scrutiny.</p>
6.	Children's Services: Meet the objectives within the Learning and Improvement plan for Children's Services following the Ofsted Inspection in June 2016	A detailed action plan has been prepared, that is monitored by ACE Committee	Actions are in various states of progress - see most recent report to ACE	Various to 31/3/18 and beyond	In progress	Director of Children's, Education & Early Help Services	<p>Out of 26 key performance indicators, 7 are green, 10 amber and 12 red. This shows positive direction of travel from 4 green, 10 amber and 15 red in May.</p> <p>Out of the 12 red ratings 4 are showing improvement in terms of performance and direction of travel, 2 remain static and 6 show a decline in performance and direction of travel.</p>

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							Of these 6 showing decline, action is being taken to ensure that performance and direction of travel is brought back on track.
7.	Replacement of agency and interim staff with permanently employed staff	Staff in post on permanent appointments wherever possible	Recruitment Drive underway in Children's Services to attract and retain SW and management staff. In other areas, initial scoping work has been done and there would be little in the way of realisable savings.	30 September 2017	In progress	Head of Legal and Democratic Services	<p>Since the recruitment drive was launched in June 2017, there have been 3 new starters. In total (as at 1 Sept 2017) 19 offers of posts have been accepted with start dates in June, August, September and October confirmed. There are 7 start dates to be confirmed. Some of these are people who have been working with RBC through Agencies. This shows that they are now encouraged to convert to directly employed. There have been 3 internal promotions. Of the 19, 5 are Service Managers and 8 are Team Managers.</p> <p>Still to be recruited are:</p> <ul style="list-style-type: none"> • 4 Team Managers • 4 Assistant Team Managers • 1 Higher Specialist Social Worker • 35 Social Workers <p>All the Service Manager posts have been offered and accepted!</p> <p>Learning & Development is a key focus with managers having</p>

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							individual development plans and a Talent Programme being developed. Reflective supervision training will be delivered. These aim to develop the managers and front line staff and assist in retaining the permanent staff.
8a.	Internal Controls: <i>General Ledger</i> - detailed action plan in response to Internal Audit findings to be completed and delivered.	Action Plan has been drafted for review setting out in detail how each recommendation will be addressed in the short and medium term	Actions contained within the action are being progressed; the highest priority recommendations are being addressed in the shortest timescale	August 2017 for high priority October 2017 for medium and low priority	Actions underway - all short term target dates met	Financial Systems Manager	Two of the three Priority 1 issues have now been fully addressed; the final Priority 1 issue related to the control of journals and this has been thoroughly investigated. The principle that a different control arrangement is required has been agreed by the Head of and Director of Finance. The Head of Finance and Financial Systems Manager are in discussion about how the control should be implemented; an interim solution, at least, will be implemented from the beginning of October. Internal Audit is due to undertake a follow up review shortly.
8b.	Internal Controls: <i>Accounts Payable</i> - detailed action plan in response to Internal Audit findings to be completed and delivered	Specialist Payments Team Change Manager to be appointed. Change Manager to review AP Audit	Interim Accounts Payable Change Manager Appointed Documents reviewed by Change Manager and commented	5 June 2017 8 June 2017	Recruitment Completed Manager in Post Completed	Interim FD	Postholder making a positive impact. Full Audit Response submitted to IA with all Amber then Green tasks prioritised (no red). Audit response reviewed and accepted by Internal Audit Ongoing review to identify any

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		<p>Management Action Plan and complete Management Response, Response Person and Target Date</p> <p>Create detailed supporting implementation plan that addresses all points raised and integrates solutions with introduction of upcoming supplier portal</p>	<p>Summary top level run through completed with Accounts Payable team</p> <p>Balance of actions o/s</p>	<p>9 June 2017</p> <p>9 June 2017</p>	<p>Known remedial actions will be factored into (currently in draft) audit milestone plan</p> <p>Completed</p>	<p>Accounts Payable Change Manager</p>	<p>further (non audit) AP process improvements.</p> <p>Produced milestone chart to focus implementation of: Remedial audit actions agreed Supplier Portal implementation, to streamline setting up of suppliers and manage the interface better Scanning (of invoices) Project Implementation, to improve electronic matching</p>
8c.	<p>Internal Controls: <i>Bank Reconciliation</i> - regular completion of timely reconciliations throughout the year</p>	<p>A revised properly structured procedure will be put in place to complete the bank reconciliation, with proper "walk through" possible</p> <p>Bank account reconciliation completed in timely way and</p>	<p>Considerable work was done to identify the weaknesses of the existing process (substantially by the Treasury & VAT officer, under the guidance of the then Interim Chief Accountant</p> <p>This has identified the need to change the</p>	<p>Process in place from July with suitable "back entries" for months up to July 2017</p>	<p>Work in Progress.</p> <p>Work has proceeded more slowly than the aspiration because officers involved have had to deal with other work, notably external</p>	<p>Head of Finance</p>	<p>In order to complete the 2016/17 accounts, a detailed bank reconciliation has been carried out. That process has identified a number of system and process improvements that will automate the reconciliation process going forward. A proposed revised procedure has been set out and reviewed by HoF, DoF & Internal Audit. System changes are now to be implemented in October to facilitate the new procedure going live. The timing is in discussion with the Finance Systems Team (as some other system changes are scheduled</p>

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		reviewed by a senior officer on a monthly basis, within the month			audit queries		in the near future)
8d.	Internal Controls: <i>Information Governance & data protection</i> Improve governance structures to mitigate risk of breach of data protection legislation	Revised procedures, improved training and awareness	Ongoing training to staff and improved breach reporting procedures has meant that more mitigation is in place. Work is underway to ensure that the Council is compliant with the new General Data Protection Regulation (GDPR) when it comes into force in May 2018	Dec 17	In progress	Head of Legal & Democratic Services	<p>Ongoing face to face Data Protection training currently being delivered to all staff. Teams who process and hold sensitive data a high priority. A need to target staff who work at offsite locations.</p> <p>Working with Learning and Development to further develop E-learning packages Covering Information Governance including the GDPR.</p> <p>The GDPR project team will be holding monthly drop in sessions for staff to help awareness of the new regulation.</p> <p>The Corporate Information Governance Board is now set up with representatives from across the Council. That Board will lead on embedding the standards required.</p> <p>New software (Data leakage protection), to detect inappropriate email content, is imminent Document marking software is already in place</p>

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8e.	Internal Controls: <i>Subject Access Requests</i> Under the Data Protection Act 1998, individuals have a right to access information held about them. A consistent policy and procedure should be applied to subject access requests.	Different routes of access have been merged into a single route, which will be co-ordinated and monitored via Legal Service A new policy and procedure has been implemented and key officers are being trained by Legal Services	Training has been delivered to key service areas and teams who are likely to come in contact with SARs.	31 March 17	Complete	Head of Legal & Democratic Services	The new procedure is working well with all routes of access being co-ordinated by Legal Services. The GDPR imposes new requirements on local authorities dealing with SARs and we will need to make amendments to our processes in light of this.
8f.	Internal Controls: <i>Electronic Document & Records Management</i> - Internal processes to collect and manage the transportation of paper documents for scanning must provide sufficient guarantees that documents will be safely accounted for and protect the Council from the risk of data loss	The Business Systems Support Team is progressing with the work to redesign the overall service provision including the arrangements for the secure transfer of hard copy documents	A range of process and procedure improvements have been implemented to increase in internal controls and safeguards. Choice of courier used is to be reviewed. Individual information Asset Owners will need to periodically assure themselves that arrangements for transfer of documents are appropriate for the nature of the data they include.	31 Dec 2017	In Progress	Head of Customer Services	Internal controls and process improvements in place. Royal Mail courier contract is now in place, with transition to be completed by the due date of 31 Dec 2017 Information asset owners engaged and consulted on proposed changes to processes and supplier. IA follow up review scheduled Autumn 17

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8g.	Internal Controls: <i>Accounts receivable</i> All services raise invoices promptly and provide sufficient details on invoices to improve collection performance	Refreshed procedures are being written up to accurately reflect the procedures we have in place for raising, monitoring and chasing of unpaid invoices. These procedures will be re-launched and shared with other service areas, to ensure the quality of information provided on invoices is improved.	We are currently working on a proposal to recommend with the validation from internal audit, a significant change to the way invoices are being raised currently. Whereby directorates/services would forward details of potential invoices to Income & Recovery for the team to then raise centrally. This could have several potential advantages for the Council and could improve the efficiency and effectiveness of income collection and recovery. This proposal is to be further investigated and presented to CMT for discussion in the near future.	31 January 2018 for the review	In progress	Head of Customer Services / Head of Finance	This project has not yet commenced. It will now be delivered by a dedicated resource from September 18th. Review due for completion Jan 2018. Implementation will follow thereafter
8h.	Internal Controls: <i>Nursing & residential care packages</i> > Improve audit trails to provide better evidence of	Alternative support options are considered and tried in some cases before requests for long term placements	These are clearly recorded; an audit of the panel proformas and decision log will be completed to ensure compliance with the process annually.	Ongoing	Green	Director of Adult Care & Health Services	The Department has a pre-funding panel process currently being introduced to monitor the use of community options and the use of assistive technology to support residents remain at home and reduce reliance upon home care.

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	<p>placement decisions made by the Adult Funding Panel</p> <p>Improve procedures to ensure care packages are reviewed annually to comply with statutory review process</p>	<p>are made, an example being the rehab beds at The Willows. There is a clear audit trail for those individuals presented at panel, out of panel decisions also have an audit trail - these decisions relate mainly to hospital discharges. Evidence for placement and justification for decision is clearly recorded. The panel has representation from commissioning who contribute to the decision making process.</p> <p>Reviews are recorded in MOSAIC, this generates a review date. Managers run</p>	<p>Review project in place to support compliance with reviews. Reports run for managers to review evidence of performance.</p>	Ongoing	Amber		<p>A Funding Panel meets weekly which is chaired by the DASS or Head of ASC, which supports the auditing of casework decisions in relation to how eligible care and support needs are met, and ensures a value for money approach when 24 hour support is required.</p> <p>Decisions are recorded at the Panel and followed up where this is determined necessary through representation.</p> <p>A Specialised Review Team has been created to support completion of Reviews and reduce the reliance upon statutory services. The Review will consider all universal community options, or where care and support is required through home care, then support the use of direct payments to enable the service user to have control over their care and support needs.</p> <p>Work is underway to review the Reports required from MOISAC to monitor and manage the throughput of work.</p>

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		reports from MOSAIC to monitor performance and compliance.					
8i.	Internal Controls: <i>Corporate Governance</i> Improve a number of corporate governance processes, update key documents and communicate to staff on starting employment with the Council or on a regular basis during their employment	The Officers Code of Conduct will be reviewed and updated to ensure it reflects current practice and requirements Review Code of Corporate Governance Use of NetConsent to roll out key policies and procedures	Code of Conduct currently being updated (June 2017). It will be considered at CMT before going on to LJF and Personnel Committee for formal approval.	30 September 2017	Ongoing	Head of Legal and Democratic Services	A draft revised Code of Conduct has been finalised and will be put before CMT for approval before going to LJF and Personnel Committee. Implementation of the new Code will be through Netconsent (software to track individual staff review to ensure compliance)
8j.	Internal Controls: <i>Strengthen and embed the processes for the management of risk.</i> Current deployment is not robust enough for risk management to be a key influence in decision making	Develop the current directorate risk registers specifying the owner of each action	Risk action plan updated for 2017/18. Directorate risk registers programmed in for quarterly discussion at DMTs. Strategic Risk Register programmed in for quarterly review at CMT. Level 4 Risk Management training, supplied by Council's insurers being	1 st April 2017 31 Dec 2017	Complete Ongoing	Director of Finance	17 staff have been invited to Level 4 Risk Training and 10 have accepted. Reminder to be sent in Sept 17. New reformatted risk register has been agreed by CMT. The new format introduces risk appetite and aims to better inform those responsible for managing risks. A risk workshop is being arranged for Oct/Nov 2017 to overhaul the register.

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			scheduled for senior officers.				
8k.	Internal Controls: <i>Compliance</i> An appropriate set of governance arrangements exist yet these are not followed rigorously which then allows weaknesses in internal controls	Attention will be paid to professional practice and compliance to drive up standards, as well as cultural change efforts in terms of the operation of the Council.	Through the development of the AGS and actions plans such as this one, plus an appropriate focus on discipline and good governance then improvements will be made. More formal interventions in terms of organisational development will be required in due course.	May 2017 September 2017	Developing and ongoing Requires planning	Director of Finance	AGS action plan is now in place and is being actively monitored by the Due Diligence Group. Those responsible for the actions identified above are both implementing the actions and updating the action plan. Action leads are attending the Due Diligence Group on a periodic basis. The recently implemented Directorate Steering Groups are reviewing overall performance and adherence to standards and will start to have some impact in governance terms. Overall, the mood of the organisation is being changed through a range of interventions, including the Chief Executive staff briefings.
9.	Develop a clear and consistent strategy or procedure for advising new and existing staff of their responsibility to declare interests and register gifts of hospitality	Designation of officers in each Directorate to hold registers. Recommunication of expectations on staff.	Each Director will be asked to nominate an individual in their area to hold the register. There will be communication and NetConsent approval to remind all staff of what to declare, why and to whom.	31 October 2017	Ongoing	Head of Legal, HR & Democratic Services	Work has commenced on this task and the CMT is now considering the proposed approach for implementation, intended in week commencing 9 October. Before that there will be appropriate communications with staff and arrangements to implement this via NetConsent (software that monitors staff that have engaged with the policy). The new register of

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							interests, once implemented, will be monitored quarterly at DMTs and published accordingly.
10.	Align performance reporting processes to ensure CMT is fully sighted on organisational health and performance	New framework in place and embedded with regular review meetings scheduled for 2017/18	Regular meetings are in place for reporting and performance however, it is proposed to review and refresh framework during 17/18.	End July 2017	Ongoing	Head of Customer Services	<p>New meeting arrangements were put in place from 1/8/17. This includes new directorate steering groups which involve meetings of DMT's & corporate senior management. New directors reports on performance have been put in place reporting into CMT.</p> <p>One round of meetings has taken place so far; these focus attention on processes, systems and performance for each single directorate. Each director is held accountable for progress and performance. The Delivery Unit prepares the information in a consistent form. It is too early to quantify the impact of these meetings.</p> <p>Proposals are being developed for the creation of a centralised performance unit - to give insight to inform policy.</p>

