

Audit and Governance Committee

16 July 2025



Title	Internal Audit & Investigations Quarterly Update Report (Q1)
Purpose of the report	To note the report for information
Report status	Public report
Report author	Paul Harrington, Chief Auditor
Lead Councillor	Councillor Ellie Emberson, Corporate Services & Resources
Corporate priority	Our Foundations
Recommendations	The Audit & Governance Committee is requested to consider the report.

1. PURPOSE OF REPORT

1.1 The purpose of this report is to provide an update on the progress made against the delivery of the Internal Audit Plan. This report provides details of audits finalised in quarter one of the 2025/2026 financial year.

2. SUMMARY

2.1 The primary objective of each audit is to arrive at an assurance opinion regarding the robustness of the internal controls within the financial or operational system under review. Where weaknesses are found, Internal Audit will propose solutions to improve controls, thus reducing opportunities for error or fraud. In this respect, an audit is only effective if management agree audit recommendations and implements changes in a timely manner.

2.2 A total of five audit reviews were finalised in the period between April and June 2025, with four receiving a positive opinion and one receiving a negative opinion¹. No grants were verified in this quarter.

2.3 Substantial Assurance Opinion Reviews

2.3.1 N/A

2.4 Reasonable Assurance Opinion Reviews

2.4.1 Our review of **Debt Management** found governance, reporting, and system capabilities to have improved, however further action is needed to formalise procedures, clarify responsibilities, and strengthen oversight. These steps are essential to reduce debt levels and improve recovery across all service areas.

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

- 2.4.2 The review of **Accounts Payable** resulted in a reasonable assurance rating, reflecting the generally sound operation of key controls. In particular, the assessment found effective practices in segregation of duties, internal checks, and the consistent processing of transactions—contributing to a stable and well-managed control environment.
- 2.4.3 The review of **Housing Rents and Charges** found that while rent and service charge processes are broadly compliant, targeted improvements are required. Key areas for enhancement include policy documentation, system reconciliation, manual processing, and oversight—particularly in relation to Homes for Reading (HfR) properties and post-system transition activities.
- 2.4.4 Our audit of the **Right to Buy** scheme found that while statutory processes are generally followed, the policy requires updating following legislative changes in 2024. Although anti-fraud measures and valuations are generally robust, the audit recommended formal updates to the Right to Buy policy, improved documentation practices, and greater attention to safeguarding concerns in mutual exchanges.

2.5 **Limited Assurance Opinion Reviews**

- 2.5.1 Overall, while the system meets statutory requirements for **Residents Parking Permits**, improvements are needed in policy clarity, system controls, contract management, and data reporting to enhance transparency, efficiency, and accountability.

2.6 **No Assurance Opinion Reviews**

- 2.3.2 N/A

2.7 **Corporate Investigations**

- 2.7.1 Eighteen investigations into Council Tax Support fraud were initiated, with one confirmed case resulting in the removal of a discount and estimated savings of £1,485.80. Five criminal investigations remain ongoing. These cases typically involve individuals providing false information or failing to report changes in circumstances to reduce their tax liability.
- 2.7.2 Since April 2025, eleven tenancy fraud referrals were investigated, leading to the recovery of two properties, with notional savings of £156,600. Four investigations are still active. Additionally, five Right to Buy applications were reviewed for fraud risks such as misrepresentation or money laundering, but no further action was required.
- 2.7.3 Seventy-one referrals of potential Blue Badge misuse were received, with 58 investigations closed. Of these, 27 resulted in warning letters and five badges were seized, yielding notional savings of £3,970. Thirteen cases remain under investigation. Common abuses include using badges without the holder present or used after the holder's death.
- 2.7.4 Internal investigations are formal processes used to assess allegations of misconduct, identify root causes, and implement corrective or preventive actions. Since April 2025, four referrals have been received, three were closed with no further action, and one remains under review. Additionally, two other investigations were conducted: one initiated in 2022/23 concluded with a dismissal, and another, started in 2024/25, is still ongoing.
- 2.7.5 Between April and June, the Corporate Investigations Team responded to 54 Data Protection Act (DPA) requests from Thames Valley Police's Fraud Intelligence Unit. These urgent requests typically involve accessing Council records to support criminal investigations or address safeguarding concerns.

2.7.6 Starting in July, the Council will join the Cabinet Office's Fraud Hub, a key initiative under the National Fraud Initiative (NFI) aimed at enhancing fraud detection and prevention across the public sector. This collaboration will enable the Council to use secure data-sharing and automated data-matching to identify irregularities and suspicious patterns across multiple organisations.

2.7.7 Participation in the Fraud Hub will strengthen the Council's fraud prevention strategies through advanced analytics, anomaly detection, and automated risk assessment tools. It also promotes cross-agency collaboration and aligns with the Council's commitment to transparency, accountability, and safeguarding public funds.

3. Contribution to Strategic Aims

3.1 The Internal Audit Team aims to assist in the achievement of the strategic aims of the Council set out in the Corporate Plan by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. In particular, audit work is likely to contribute to the priority of remaining financially sustainable to deliver the Council's priorities. The Council's new Council Plan 2025/28 is focussing on five priorities over the next three years to deliver its vision; '*To help Reading realise its potential and to ensure that everyone who lives and works here can share in the benefits of its success*'. These priorities are:

- Promote more equal communities in Reading
- Secure Reading's economic and cultural success
- Deliver a sustainable and healthy environment and reduce Reading's carbon footprint
- Safeguard and support the health and wellbeing of Reading's adults and children
- Ensure Reading Borough Council is fit for the future

3.2 These priorities are guided by "Our Principles and Values" explaining the ways we work at the Council:

- Putting residents first
- Building on strong foundations
- Recognising, respecting, and nurturing all our diverse communities
- Involving, collaborating, and empowering residents
- Being proudly ambitious for Reading

3.3 Full details of the Council's Corporate Plan and the projects which will deliver these priorities are published on the [Council's Website](#). These priorities and the Council Plan demonstrate how the Council meets its legal obligation to be efficient, effective and economical.

4. Environmental and Climate Implications

4.1 There are no environmental or climate implications arising from the report.

5. Community Engagement

5.1 N/A

6. Equality Implications

6.1 No equalities impact implications have been identified as arising from this report.

7. Other Relevant Considerations

7.1 None

8. Legal Implications

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

8.2 Section 151 of the Local Government Act 1972 requires every local authority to “make arrangements for the proper administration of its financial affairs” and to ensure that one of the officers has responsibility for the administration of those affairs.

8.3 In England, more specific requirements are detailed in the Accounts and Audit Regulations in that authorities must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices”.

9. Financial Implications

9.1 n/a

10. Timetable for Implementation

10.1 n/a

11. Background Papers

11.1 n/a