

# Audit and Governance Committee

16 July 2025



**Reading**  
Borough Council  
Working better with you

<b>Title</b>	Chief Auditor's Annual Assurance Report 2024/25
<b>Purpose of the report</b>	To note the report for information
<b>Report status</b>	Public report
<b>Report author</b> (name & job title)	Paul Harrington Chief Auditor
<b>Lead Councillor</b> (name & title)	Councillor Ellie Emberson, Corporate Services & Resources
<b>Corporate priority</b>	Our Foundations
<b>Recommendations</b>	The Audit & Governance Committee are requested to note the assurance opinion given by the Chief Auditor and consider the issues raised in the annual report.

## 1. Purpose of the Report

1.1 The attached annual assurance report of the Chief Auditor (required by the Accounts and Audit regulations and the Public Sector Internal Audit Standards), sets out:

- the Chief Auditor's opinion on the overall adequacy and effectiveness of the organisation's internal control environment, drawing attention to any issues particularly relevant to the preparation of the Annual Governance Statement.
- the key themes arising from the work of the Audit Team during the 2024/2025 financial year; and
- the audit work undertaken compared to that planned, summarising the performance of the Internal Audit function against its performance measures and targets.

1.2 The results of individual audits have been issued to the relevant Executive Directors, Assistant Directors and managers throughout the year. In addition, quarterly reports have 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.

1.3 The following document is appended:

Appendix 1 – Internal Audit Annual Assurance Report

## 2. Summary

- 2.1 The Chief Auditor is required to provide the Council with an opinion on the adequacy and effectiveness of the Council's risk management, internal control, and governance processes. The opinion is designed to assist the Council in meeting its obligations, under regulation 4 of the Accounts and Audit Regulations.
- 2.2 Whilst no assurance can ever be absolute, the Chief Auditor has concluded that **Reasonable Assurance** can be placed on the adequacy and effectiveness of the Council's internal control framework in the areas audited during 2024/2025
- 2.3 The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation and assurances should be taken from other sources, such as External Audit and other internal/external reviews.
- 2.4 The audit opinion is expressed using the same scale used for internal audit report opinions. The scale ranges from 'Substantial' to 'Reasonable', through to 'Limited' and 'No Assurance'. This opinion is reflective of the number and level of assurance opinions provided throughout the year and the improvements required to the control framework in some of those areas where weaknesses were identified in the past.
- 2.5 The attached annual assurance report (Appendix 1) provides a comprehensive overview of internal audit activities conducted in 2024/25, confirming that reasonable assurance can be provided on the Council's internal control environment. This reflects a significant improvement from previous years, with only 18% of audits receiving limited or no assurance, down from 44% in 2023/24. A total of 17 audits, 2 advisory reports, and 8 grant certifications were completed.
- 2.6 Audits providing substantial and reasonable assurance found that governance and control frameworks across most council services were generally effective. Key areas such as Business Rates and the General Ledger demonstrated sound processes and effective accounting procedures, though some improvements were recommended, such as timely property valuation updates. The Homelessness service showed strong risk management and legal compliance, but further attention is needed to ensure value for money in rates paid. Other reviews, including the audits of Subject Access Requests and the Adult Social Care Eligibility, Risk and Review Group, highlighted progress in clearing backlogs and maintaining oversight, though some policy and procedural gaps remain. Housing rent processes were largely accurate, but issues such as outdated policies and weak audit trails were noted. The Members' Allowances audit confirmed good controls, with minor recommendations for improving payroll and transparency.
- 2.7 The implementation of the e5 financial system has enhanced debt management, particularly in Adult Social Care (ASC), which accounts for a significant portion of the Council's debt. While reporting and governance have improved, gaps remain in corporate oversight, including the absence of a Corporate Debt Board and inconsistent responsibilities across services. Internal audit testing confirmed accurate financial records but identified the need for better supporting documentation and officer training. Legal Services have become more involved in complex debt recovery, and write-off processes are now more structured.
- 2.8 Finally, for Accounts Payables a reasonable assurance rating was issued. This reflects the generally effective operation of AP controls, particularly in relation to segregation of duties, internal checks, and the consistent processing of transactions.

- 2.9 Whilst it is not feasible to audit every system or financial process annually, with the frequency dependent on available resources, informed by a risk assessment, we planned our work so that we would have a reasonable expectation of detecting significant control weaknesses in the areas audited. Some of the key areas for improvement identified during our audit work throughout the year are set out below:
- 2.10 Audits with limited assurance revealed weaknesses in areas such as Residents Parking Enforcement, where governance and contract management were lacking. Commercial Properties audits identified billing inaccuracies and fragmented budget responsibilities, hindering effective debt monitoring. In Supported Living, issues were found in tendering and financial controls, particularly when providers outside the approved framework were used. These audits represent a snapshot in time and will be followed up within 12–18 months to assess progress.
- 2.11 Follow-up audits showed mixed results. Continuing Health Care (CHC) still faces challenges with submission rejections and reimbursement delays. The Coroner's Service has improved cost-sharing and monitoring, though contract management and invoicing issues persist. Intercompany Accounting has seen clear improvements in role clarity. In Employee Gifts & Hospitality, a revised policy was introduced, but compliance remains inconsistent, especially among agency staff. Cyber security has significantly improved, with a new strategy and better training and controls. The fuel system audit follow-up confirmed enhanced security and accounting measures, though real-time monitoring is still needed for timely decision-making.
- 2.12 The Chief Auditor's Opinion for 2024–25 is also supported by third-party assurances. The 2020/21 and 2019/20 accounts received unqualified audit opinions, showing improvement. Audits for 2021/22 to 2023/24 met deadlines but received disclaimed opinions. Despite this, no major weaknesses were found in 2023/24, though 2022/23 highlighted issues in Children's Services. The Council is now up to date with its accounts.
- 2.13 The Social Housing Regulator identified serious failings in meeting consumer standards, requiring major improvements. APSE reviewed Traffic Regulation Orders and recommended better governance and communication. An inspection by the Care Quality Commission on Adult Social Care was conducted in December 2024, with results pending at the time of writing this report.

### Performance

- 2.14 The Internal Audit service operates in accordance with the Public Sector Internal Audit Standards (PSIAS), which set the benchmark for quality and professionalism in local government auditing. The Chief Auditor monitors compliance through self-assessment and external reviews. Performance against key indicators in 2024/25 showed mixed results. While 86% of final reports were issued within 10 days of receiving management responses, and 77% of planned audits were completed, despite a number of unplanned tasks added, there were challenges in areas such as receiving timely management responses (62%) and completing projects within budgeted days (56%). The service also experienced a 16% budget overspend, primarily due to agency staffing costs needed to maintain audit coverage during resource diversions for investigations. Sickness absence rose slightly to 3.22%, though it remained within manageable levels.

- 2.15 The biennial internal audit quality survey, conducted in April 2025, received a low response rate of just 8% (10 out of 133 managers). Despite this, the results indicated stable performance, with an average satisfaction score of 80%, consistent with previous years. Managers rated the importance of internal audit services slightly higher than before (89% vs. 87%), suggesting rising expectations. Areas such as audit coverage, staff conduct, and report quality were rated positively, though there remains room for improvement in customer service and communication. Detailed feedback and comments are included in Annex B of the attached report.

#### Corporate Investigations Team

- 2.16 The Council's counter-fraud team, comprising three full-time experienced investigators, continues to deliver a broad range of investigations across areas such as Council Tax, Social Care, Tenancy Fraud, and Blue Badge misuse. In 2024/25, there was a notable increase in housing tenancy fraud activity, with 56 referrals investigated and 10 properties recovered, an increase from previous years, resulting in estimated savings of £780,000. Blue Badge fraud also saw a significant rise, with 103 referrals and 16 badges recovered, generating estimated savings of £9,200. However, there were no prosecutions or financial recoveries under the Proceeds of Crime Act across any category.
- 2.17 Right to Buy fraud investigations dropped significantly, with only 7 applications reviewed and no refusals or savings recorded. Council Tax Support investigations identified over £11,000 in fraudulent overpayments, while Social Care fraud activity was minimal this year, with only one case investigated. The National Fraud Initiative (NFI) generated 2,158 matches, leading to 544 investigations to date and £24,614 in identified value. Internal referrals remained low; however, one case has been ongoing for the past 12 months. Overall, while some areas showed increased activity and financial impact, others saw reduced outputs, reflecting shifting priorities and case volumes.

#### Whistleblowing

- 2.18 The Council's Whistleblowing Policy offers a confidential route for staff, contractors, and suppliers to report serious concerns such as fraud, misconduct, or health and safety risks. It encourages openness and accountability, with clear procedures for reporting and support available through HR, trade unions, and the Employee Assistance Programme. Most referrals are submitted via the dedicated whistleblowing email, where Internal Audit triages and forwards concerns for appropriate investigation.
- 2.19 In 2024/25, ten whistleblowing allegations were received, five of which related to the same issue. These included concerns about discrimination and safeguarding, inappropriate staff behaviour, financial misreporting, threats from a current employee, and breaches of recruitment policy. Outcomes varied, with some cases closed due to lack of evidence or being outside the Council's remit, while others led to internal investigations, referrals to relevant departments, or corrective action.

### **3. Contribution to Strategic Aims**

3.1 The Internal Audit Team aims to assist in the achievement of the strategic aims of the Council set out in the Corporate Plan by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. In particular, audit work is likely to contribute to the priority of remaining financially sustainable to deliver the Council's priorities. The Council's new Corporate Plan has established three themes for the years 2022/25. These themes are:

- Healthy Environment
- Thriving Communities
- Inclusive Economy

3.2 These themes are underpinned by "Our Foundations" explaining the ways we work at the Council:

- People first
- Digital transformation
- Building self-reliance
- Getting the best value
- Collaborating with others

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

### **4. Environmental and Climate Implications**

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

### **5. Community Engagement**

5.1 N/A

### **6. Equality Implications**

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

### **7. Other Relevant Considerations**

7.1 None

## **8. Legal Implications**

- 8.1 Legislation dictates the objectives and purpose of Internal Audit the requirement for an Internal Audit function is either explicit or implied in the relevant local government legislation.
- 8.2 Section 151 of the Local Government Act 1972 requires every local authority to “make arrangements for the proper administration of its financial affairs” and to ensure that one of the officers has responsibility for the administration of those affairs.
- 8.3 In England, more specific requirements are detailed in the Accounts and Audit Regulations in that authorities must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices”.

## **9 Financial Implications**

- 9.1 n/a

## **10 Timetable for Implementation**

- 10.1 n/a

## **11 Background Papers**

- 11.1 n/a