

# Audit and Governance Committee

20 January 2026



<b>Title</b>	Internal Audit & Investigations Quarterly Update Report (Q3)
<b>Purpose of the report</b>	To note the report for information
<b>Report status</b>	Public report
<b>Report author</b>	Paul Harrington, Chief Auditor
<b>Lead Councillor</b>	Councillor Ellie Emberson, Corporate Services & Resources
<b>Corporate priority</b>	Our Foundations
<b>Recommendations</b>	The Audit & Governance Committee is requested to consider the report.

## 1. PURPOSE OF REPORT

1.1 The purpose of this report is to provide an update on the progress made against the delivery of the Internal Audit Plan. This report provides details of audits finalised in quarter three of the 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 8 audit reviews were finalised in the period between October 2025 and December 2025, with 5 receiving a positive opinion and 3 receiving a negative opinion<sup>1</sup>.

### 2.3 Substantial Assurance Opinion Reviews

2.3.1 The audit of **Election Management** confirmed strong governance, compliance, and operational effectiveness. Key controls, including risk management, staff training, monitoring, and contract oversight, were robust. Post-election reviews were comprehensive, though improvements are needed in adopting Electoral Commission templates, consolidating policies, and aligning contingency planning. Four good-practice recommendations were made, with no significant issues identified, reflecting effective management of electoral processes.

<sup>1</sup> positive = substantial or reasonable assurance, negative = limited or no assurance.

## 2.4 Reasonable Assurance Opinion Reviews

- 2.4.1 The follow-up audit of the **Deputy's and Appointees** Service concluded that strong progress had been made since the previous audit. Key improvements include clearer governance, upgraded systems, and enhanced financial controls, supported by positive external inspection. Some documentation and authorisation processes still require strengthening, resulting in four medium-priority recommendations.
- 2.4.2 The **Land Charges** audit concluded with Reasonable Assurance, confirming statutory compliance and data security but highlighting financial and operational risks, including fee undercharging, VAT errors, and service delays. Seven recommendations were agreed, one high-priority on VAT compliance,
- 2.4.3 A follow up review of **Traffic Regulation Orders** has established good evidence to support a programme of rectification and improvement. A clear governance structure and regular monitoring and reporting has been established. The digitisation programme is making progress by implementing a fit for purpose system, but there is still much to do. This assurance opinion is heavily caveated by the successful implementation of the project.
- 2.4.4 A review of **Purchasing Cards** established that core functions are being carried out in accordance with established key controls such as reconciliations, transaction monitoring and segregation of duties. However, improvements are required to strengthen procedural documentation and enforcement action with policies and best practice.

## 2.5 Limited Assurance Opinion Reviews

- 2.5.1 A review of **Disabled Facilities Grants** found that while the service demonstrates partial compliance with statutory requirements and some internal controls are in place, there're significant weaknesses across governance, financial management, procurement, fraud prevention, and service deliver.
- 2.5.2 The follow-up review of **Children's Savings Accounts and ISAs** found some progress on reconciliations, but key controls remain incomplete. Two high-priority recommendations from June 2024 are still outstanding, including ensuring all accounts are accurately recorded in Mosaic and establishing regular oversight through new governance forums.
- 2.5.3 The audit of the **Joint Legal Team** (JLT) concluded that while essential services are delivered and financial reporting has improved, enhancements are needed to strengthen governance, procurement, and financial controls. Key issues include the absence of an agreed formal partnership agreement, gaps in procurement documentation, manual billing processes, weak VAT compliance, and limited oversight of reconciliations.

## 2.6 No Assurance Opinion Reviews

- 2.6.1 N/A

## 2.7 Grant Certification

- 2.7.1 There were no grant sign offs in this quarter.

## 2.8 Corporate Investigations

2.8.1 During the reporting period, the Corporate Investigations Team received a broad range of referrals across multiple fraud and misconduct categories. A total of 142 Blue Badge referrals were received, primarily from Trellint Parking Services, with further reports from the public and anonymous sources. Although some investigative activity has been paused due to capacity constraints, there has been one successful prosecution for misuse of a deceased person's badge, and 14 badges have been recovered and destroyed, equating to a notional saving of £11,116, based on Cabinet Office guidance.

2.8.2 The team also received 65 Council Tax Support referrals from internal and external sources, generating cashable savings of £3,430.77 through the correction of fraudulent or incorrect claims.

2.8.3 53 Housing Tenancy Fraud referrals were recorded, resulting in the recovery of three properties, with an associated notional saving of £234,900, reflecting avoided temporary accommodation and related costs. Additionally, the team handled six internal investigations, nine non-categorised referrals redirected to appropriate services, two parking permit fraud applications, one school admissions fraud, and two social care fraud referrals, one from an accredited informant and one via the National Fraud Initiative (NFI).

2.8.4 Beyond casework, the team responded to 168 Data Protection Act requests from Thames Valley Police, six from other local authorities, and one from Social Work England.

2.8.5 Since April, twelve whistleblowing referrals have also been logged, separate from disciplinary and grievance investigations already contributing to the team's workload.

2.8.6 Activity under the National Fraud Initiative Fraud Hub has continued, with datasets for residents' parking permits, payroll, Right to Buy, and housing uploaded for data-matching. Initial results produced around 1,500 low-risk matches, with no medium- or high-risk cases identified, indicating generally strong internal controls. A sample review of low-risk matches is planned once capacity allows. The Fraud Hub also highlighted a small number of low-risk cross-borough payroll matches, all but one of which have already been reviewed and closed. Eight potential deceased-tenant matches were identified; two cases have been confirmed, enabling properties to be returned to stock (each representing £78,300 in notional savings), with six cases still under review. Further datasets—including taxi licensing, creditors, and agency staffing—will be uploaded in the coming weeks. Overall, the Fraud Hub has enhanced proactive detection capability and, importantly, has not identified any significant fraud issues in the datasets reviewed to date.

## 3. Contribution to Strategic Aims

4.1 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

4.2 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

4.3 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.

## **5. Environmental and Climate Implications**

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

## **6. Community Engagement**

6.1 N/A

## **7. Equality Implications**

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

## **8. Other Relevant Considerations**

8.1 None

## **9. Legal Implications**

9.1 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.

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 in that authorities must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices”.

**9 Financial Implications**

9.1 n/a

**10 Timetable for Implementation**

10.1 n/a

**11 Background Papers**

11.1 n/a

**Appendices**

1. **Internal Audit & Investigations Quarterly Update Report (Q3)**