

Audit and Governance Committee

24 September 2026



Reading
Borough Council
Working better with you

Title	Commercial Leases Rent Roll Follow Up Audit 25/26
Purpose of the report	To note the report for information
Report status	Public report
Executive Director/ Statutory Officer Commissioning Report	Emma Gee, Executive Director Economic Growth & Neighbourhood Services
Report author	Charan Dhillon - Director Property and Asset Management
Lead Councillor	Cllr Leng
Council priority	All
Recommendations	1. None. Information only

1. Executive Summary

- 1.1 The Audit and Governance Committee is requested to note the progress made against the Commercial Leases Rent Roll audit recommendations, the assurance provided by the actions now in place, and the delivery plan for recommendations that remain in progress.
- 1.2 The purpose of this report is to provide the Audit and Governance Committee with a clear assurance update on progress made in addressing the Commercial Leases Rent Roll follow-up audit. The follow up audit confirmed a Limited Assurance opinion and identified a further 6 recommendations in total.

2. Governance

- 2.1 Following the internal audit report, the service has taken significant steps to address the recommendations and work towards making the required improvements. The service continues with the implementation of the Commercial Leases Rent Roll action plan, with completed actions embedded into business-as-usual processes and remaining actions progressed through a robust delivery plan. The overall programme is expected to conclude by 31 March 2027, with several interim milestones during 2026.
- 2.2 **Appendix 1** provides the detailed recommendation-by-recommendation position, this covering report draws out the overall progress, key control improvements, areas of continuing risk and the delivery plan for outstanding actions.
- 2.3 Recommendations remain in progress because they depend on wider data validation, system access, insurance valuation work, cross-service information and completion of reconciliations across Civica, e5 and the rent roll. However, appendix 1 sets out named owners, evidence of activity and target dates, including completion dates during 2026 and a final assurance milestone of 31 March 2027 for the full income and insurance checking programme.

- 2.4 Since the audit was finalised, the service has moved from a position where several controls were either undocumented, reliant on individual officers or not consistently evidenced, to a more structured programme of delivery. Progress reporting meetings are now taking place every two weeks, the Asset Portfolio Officers are involved in the work and the service has introduced more active monitoring of rent roll data, income, debt and insurance-related actions. This provides stronger assurance that the recommendations are being actively managed rather than simply recorded.
- 2.5 One recommendation relating to declarations of interest has been completed. This is now subject to continuing monitoring through weekly team meetings where a standard agenda item requires officers to confirm any interest. As well as this and in line with the Council's policy, all staff have completed the declaration of interest form on iTrent.
- 2.6 A number of other recommendations are substantially progressed, with new procedures, checklists, spreadsheets, monitoring arrangements and cross-checking activity now in place. The remaining actions are not being left open-ended; they are supported by specific workstreams, named officers and target dates. Progress reporting meetings are in place every two weeks to ensure that this work is treated as a high priority. These meetings are being used to review evidence, unblock dependencies, monitor completion dates and ensure actions are embedded into routine operational practice.
- 2.7 All four members of the Asset Portfolio team are now involved in delivery of the audit action plan. This reduces reliance on a single officer, supports segregation of duties and provides greater resilience across rent roll administration, Civica updates, e5 billing, income monitoring and debt follow-up.

3 Audit Recommendations - Update

- 3.1 **Governance and conflicts of interest:** declarations are now included in weekly team meetings and recorded, with continued monitoring to ensure corporate declarations remain up to date. All Assets staff have completed the annual declaration of interest form on iTrent.
- 3.2 **Rent roll and income assurance:** a dedicated auditing rents project has been established to check that rents are reviewed and accurately recorded on Civica, invoices are raised correctly and income is coded to the correct project code.
- 3.3 **Data quality and reconciliations:** work is underway to cross-check Civica, e5 and the rent roll, with line-by-line review activity and spreadsheet monitoring now being used to evidence progress.
- 3.4 **Billing controls and segregation of duties:** responsibilities have been split across the wider Asset Portfolio team, with checks introduced for rent roll instructions and invoice processing. Further work remains to strengthen review of e5 input and output controls.
- 3.5 **Debt management:** monthly meetings with Accounts Receivable are in place, older debts are being reviewed, legal referrals and write-offs are being progressed where appropriate and monthly debt reports are being used to support follow-up.
- 3.6 **Insurance:** work is progressing with the Insurance Team to clarify responsibilities, improve records, confirm recoverable premiums, update Civica records and prepare for reinstatement valuation work.

4 Next Steps

- 4.1 Maintain fortnightly audit progress meetings until all remaining recommendations are completed, with each meeting reviewing evidence, target dates, risks and any barriers to delivery.

- 4.2 Introduce a concise monthly highlight report for the Director of Property and Asset Management, setting out completed actions, overdue actions, emerging risks and decisions required.
- 4.3 Prioritise completion of the Civica, e5 and rent roll reconciliation work, including clear evidence that rent amounts, rent review dates, billing frequency, project codes and income receipts have been checked.
- 4.4 Confirm and document the revised billing control process, including who prepares, checks and authorises manual invoices and e5 contract entries, and how output checks are evidenced.
- 4.5 Complete the insurance workstream by agreeing the joint process with the Insurance Team, updating Civica records, confirming recoverable premiums, progressing reinstatement valuation procurement and resolving older lease records.
- 4.6 Continue monthly arrears monitoring with Accounts Receivable and Legal, with a specific focus on clearing or formally resolving debts over 12 months old.
- 4.7 Prepare a further update for the Audit and Governance Committee once the 2026 milestones have been completed, or earlier if any target dates are at risk.

5 Conclusion and Assurance Statement

- 5.1 The Committee can take assurance that the Commercial Leases Rent Roll audit recommendations are being actively progressed through a structured and evidence-based delivery plan. The service has strengthened governance arrangements, introduced more regular monitoring, widened responsibility across the Asset Portfolio team and begun to address the key control weaknesses identified by Internal Audit.
- 5.2 The completed declaration of interest action demonstrates that improvements are already being embedded into routine business processes. In addition, progress on rent roll reconciliation, billing checks, debt monitoring and insurance records provides evidence that the service is moving towards a stronger and more sustainable control environment. However, full assurance cannot yet be given until the remaining reconciliation, billing control, insurance valuation and manual billing actions are completed and evidenced. These outstanding actions have clear owners, target dates and recommended next steps, and will continue to be monitored through the established progress reporting arrangements.
- 5.3 Overall, the position is one of positive progress with continued oversight required. The delivery plan set out in this report and Appendix 1 provides a credible route to full implementation, improved assurance over commercial lease income, and stronger governance of the Council's commercial property rent roll.

Appendices

- 1. Commercial Leases Audit (Follow up) 2025/2026.

Appendix 1 – Commercial Leases Audit Follow-up Action Plan

Audit Recommendation	Progress Update	Evidence of Completion / Progress	Recommended Next Step	Responsible Officer	Current Status	Target Date
1. It needs to be ensured that there are no conflicts of interest between the officer involved and the leasee of the asset. Declarations of interest should be required on a regular basis and clearly documented and dated so it can be clearly seen when declarations have been requested and completed, even if a nil return. This includes the annual corporate declaration of interests.	Declarations of interest are now included as a standing item at Monday team meetings. Team members are asked to confirm whether they have any relationships or interests linked to Council tenants or licensees. The process is being recorded and monitored, with corporate declarations to be kept up to date. All officers have completed the declaration of interest form on iTrent.	Declaration of interest reminders are included in weekly team meeting agendas and actions; team members present on 16 February 2026 confirmed nil returns; absent team members were to be followed up at the next meeting; the process is now minuted and subject to continuing monitoring.	Continue to evidence weekly declarations through team meeting records and periodically check that iTrent corporate declarations remain up to date.	Head of Strategic Assets	Completed – monitoring continuing.	Completed February 2026; ongoing monitoring through weekly meetings.
2. The annual gross debit needs to be determined so that the periodic scheduling for raising the invoice and outstanding debt can be better reconciled and monitored. The options for consideration are: - · Excel Rent Roll. · E5 Accounts Receivable, with instalment payments. Checks need to be conducted on billing to ensure that the correct	A dedicated auditing rents project has been established. This will check rents and rent reviews against lease agreements, confirm that Civica records are accurate, ensure invoices are raised for the correct amount and check that income is recorded against the correct code. Spreadsheet monitoring has been developed and income	Monitoring spreadsheet completed for the auditing rents project; meetings arranged and held to review spreadsheet and cross-referencing approach; forecast work progressed with income codes separated into	Complete the line-by-line reconciliation between Civica, e5 and the rent roll; confirm any variances; allocate corrective actions; and retain evidence of checks and approvals.	Head of Strategic Assets, Asset Portfolio Officers and Senior Asset Portfolio Officer	In progress. Good progress has been made, but full income checking and reconciliation work remains ongoing.	Key milestones during 2026; all income due to be checked by 31 March 2027, followed by annual spot checks.

amount is invoiced at the correct time.	forecasting work is underway. Garage income has been reviewed with Housing and line-by-line information has been obtained for current occupation.	individual tabs; Housing provided line-by-line garage occupation information for 801 lettings; NEC download provided as evidence of rents received; arrears shortfall identified and referred to Housing for follow-up.				
3. Strengthen segregation of duties and verification controls for billing instructions, input checks and output checks. - To ensure that no charges are omitted, it's important to have separations of duties and verification controls in place. This will help ensure the accuracy and completeness of billing instructions and verify that they have been raised correctly. Independent oversight and inclusion can include, e.g.: - · Authorisation of the instruction. · Checking the billing input before submission. · Checking the output report after submission e.g. use control totals etc.	Duties are now being split across the wider Asset Portfolio Officer team. The proposed process is for calculations to be completed by an Asset Portfolio Officer and checked by the Senior Asset Portfolio Officer before entry onto e5. Initial checks have taken place, including an invoice raised for Reading City Football Club, but some follow-up checks remain outstanding and need to be completed and evidenced.	Duties have been separated across the Asset Portfolio Officer team; first check completed where an invoice for Reading City Football Club was raised by one officer and checked by another on 2 April 2026; further customer set-up and rent roll instruction checks were scheduled, with follow-up required to confirm completion and evidence.	Finalise the billing control checklist and require evidence of preparer, checker and approver for each manual invoice and e5 contract entry.	Head of Strategic Assets	Partially implemented. Segregation of duties has improved, but input and output checking arrangements require further completion and evidence.	Ongoing during 2026 as part of the auditing rents project.

4. Determining the debt position of all assets listed on the rent roll is crucial for assessing and monitoring the financial risk factors beyond the responsibilities held by the budget holder. The aged debt report is widely circulated, budget holders should take responsibility for the income they receive.	The Asset Management team and Accounts Receivable meet monthly to monitor arrears and agree recovery action. Older debts have been reviewed, with cases referred to Legal, being progressed for write-off, under negotiation or being chased by officers. Monthly aged debt reports are being used to support monitoring and follow-up.	Monthly Accounts Receivable debt monitoring spreadsheet in use; aged debt report reviewed; 11 debts over 12 months identified and categorised by action route, including Legal, officer follow-up, payment plans and write-off; latest update recorded on 19 May 2026 with named cases and current handling route.	Set a clear clearance plan for debts over 12 months old, including legal action, payment plan, write-off route or closure decision for each case.	Head of Strategic Assets, supported by Senior Asset Portfolio Officer	In progress. Debt monitoring arrangements are in place, with specific older debt cases being actively progressed.	Ongoing, with older debts reviewed during 2026 and continued monthly monitoring.
5. Clarify and document roles, responsibilities and processes for insurance, reinstatement valuations and recoverable insurance premiums.	The Asset Management and Insurance teams have worked together to develop a comprehensive spreadsheet for tendering reinstatement valuations externally. A draft joint process has been shared and insurance responsibilities are being cross-checked against lease and Civica records. A Civica update is required so recoverable insurance premiums can be recorded appropriately. A cross-check identified entries requiring	Comprehensive spreadsheet developed for tendering reinstatement valuations; draft process sent to Insurance and comments received; valuers reminded at team meetings to notify Insurance of completions; Civica lease records reviewed for insurance	Agree the joint insurance process, complete Civica updates, resolve older agreements, confirm recoverable premiums and progress procurement for reinstatement valuations.	Director of Property and Asset Management, Head of Property Services, Head of Strategic Assets and Senior Asset Portfolio Officer	In progress. Joint working has commenced and records are being reviewed, but valuation procurement, Civica has been updated with the current premiums. Insurance premium	Insurance valuation and process milestones during 2026; all insurance premiums due to be checked by 31 March 2027, followed by annual spot checks.

	update and further work is needed on older agreements.	responsibility; up-to-date LOUT report used for cross-checking; cross-check completed on 6 May 2026 identified 70 entries requiring update; further review identified approximately 60 older agreements requiring retrieval from records.			checks have been complete but will be monitored and improve processes have been implemented between Assets Management and Insurance Services..	
6. Clarify the ongoing process for manual billing and review controls for e5 contracts.	RPI-linked rent increases will remain a manual process. A “How To” checklist has been developed for RPI invoicing, and this will be incorporated into the auditing rents project. A schedule of RPI properties is available. Checks of quarterly invoices have been delayed and rescheduled. Review of the procedure notes identified that amendments were required, with further work planned to complete the revised process.	RPI properties schedule available; RPI “How To” checklist completed and reviewed; procedure check completed by HT, with feedback that amendments were required; follow-up meeting arranged to revise the process; quarterly invoice checks were scheduled but deferred and therefore remain outstanding.	Complete the revised RPI billing procedure, carry out the deferred quarterly invoice checks, and record evidence that manual billing is subject to independent review.	Head of Strategic Assets and Senior Asset Portfolio Officer	In progress. Process documentation exists in draft, but further refinement and completion of checking arrangements is required.	Process refinement during 2026; all income due to be checked by 31 March 2027, followed by annual spot checks.