

# Audit and Governance Committee

25 September 2025



<b>Title</b>	Internal Audit & Investigations Quarterly Update Report (Q2) and updated Internal Audit Plan
<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 and to approve the changes to the Annual Audit Plan.

## 1. PURPOSE OF REPORT

- 1.1 This report provides an update on the progress made in delivering the Internal Audit Plan, including details of audits completed during the second quarter of the 2025/2026 financial year.
- 1.2 In line with the Global Internal Auditing Standards (Sections 8.1 and 9.4), the Chief Auditor is required to report any significant revisions to the Annual Audit Plan to the Committee. Following the reintegration of Children's Services and Education into the Council, the Audit Plan has been updated to reflect this organisational change.
- 1.3 Additionally, the Audit Function has experienced resource constraints due to unplanned investigations. As a result, certain audit projects have been postponed or cancelled. These projects will be reinstated if and when capacity permits.

## 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 two audit reviews were finalised in the period between July and September 2025, with 1 receiving a positive opinion and 1 receiving a negative opinion<sup>1</sup>. Two grants were verified in this quarter.

### 2.3 Substantial Assurance Opinion Reviews

- 2.3.1 N/A

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

## 2.4 Reasonable Assurance Opinion Reviews

2.4.1 An audit of **IT disaster recovery** identified that while the Council and BFFC had some strengths in IT disaster recovery and business continuity planning, such as coordinated invocation plans and recovery infrastructure, there were notable weaknesses, particularly within RBC. These included outdated service continuity plans, lack of a formal business impact assessment, insufficient testing documentation, and incomplete third-party recovery plans, with two major suppliers failing to submit theirs. The absence of a central register for third-party dependencies further increased vulnerability. To address these issues, the audit recommended five key actions aimed at improving resilience and safeguarding critical IT services.

## 2.5 Limited Assurance Opinion Reviews

2.5.1 A review of the **Financial Assessment and Benefit's** process found significant challenges in managing demand, maintaining data quality and ensuring timely processing of assessments. The current backlog and staffing constraints highlight the need for improved use of data and prioritisation of cases.

## 2.6 No Assurance Opinion Reviews

2.6.1 N/A

## 2.7 Other:

2.7.1 An audit into **Fleet Management** was initiated following whistleblowing concerns, prompting a series of enquiries and procedures to assess the validity of the issues raised. One concern involved the awarding of a vehicle repair contract and the presence of a technician from the selected provider on-site. It was confirmed that the provider became the sole option after another contractor withdrew late in the process due to fee disputes. The on-site technician was part of the agreed terms to ensure timely repairs. Another concern focused on the lack of oversight in the vehicle repair ordering and accounting system. The Fleet Manager had introduced changes to improve visibility and control, using spreadsheets for scheduled and unscheduled maintenance, which were found to be accurate when cross-referenced with fleet management software.

2.7.2 A sample audit of maintenance work and associated invoices from May showed that all transactions were properly documented, matched to pre-approved purchase orders, and processed correctly. The audit trail was clear, and any discrepancies were appropriately addressed. In conclusion, the audit found no evidence to support the concerns raised about the fleet management operations or the contract in question, indicating that the processes in place were functioning effectively and transparently.

## 2.8 **Grant Certification**

2.7.1 From a sample test, the expenditure against the **Local Transport Grant** was found to have been in accordance with the grant conditions. Spend had been made on key projects, including Reading West Station, South Reading Mass Rapid Transit, construction of the Green Park Station, bridge maintenance works, Reading Station subway and Invest to Save Energy street lighting.

2.7.2 The **Bus Service Operators Grant** (BSOG) forms part of the 'Bus Grant' it is used to support socially necessary services that are not otherwise commercially viable, namely Buzz 9, Buzz 18 and route 650. The grant was found to have been spent in accordance with the grant conditions.

## 2.9 **Corporate Investigations**

2.9.1 To date, the Corporate Investigations Team has received a range of referrals across several categories. These include:

- 103 Blue Badge referrals, primarily from Trellint Parking Services, with additional reports from the public and anonymous sources. Blue Badge fraud typically involves misuse of disabled parking permits, such as using forged or expired badges, or using a badge when the registered holder is not present. This undermines the integrity of the system and disadvantages those who genuinely rely on accessible parking.
- 42 Council Tax Support referrals, submitted by the public, internal teams, and external bodies including the Police. These cases often involve individuals providing false information or failing to report changes in circumstances to unlawfully reduce their tax liability.
- 27 Housing Tenancy Fraud referrals, reported by Housing staff, the public, or anonymously. Common issues include unlawful subletting, misrepresentation on applications, and false claims to succession rights.
- Internal Investigations initiated internally or via anonymous reports. These inquiries focus on potential misconduct and are essential for identifying and addressing risks within the organisation.
- non-categorised referrals, which fall outside the team's direct remit but have been reviewed and appropriately redirected.
- 1 School Fraud referral, involving suspected manipulation of school admissions through false address declarations to gain placement at preferred schools.
- 1 Social Care Investigation, submitted by an accredited informant.

2.9.2 These figures exclude cases initiated prior to April 2025. In addition, the team has responded to 90 Data Protection Act (DPA) requests from Thames Valley Police, 1 request from the National Crime Agency, and 3 from other Local Authorities.

2.9.3 Since April, nine whistleblowing referrals have also been investigated by the Audit Team. This does not include internal disciplinary and grievance investigations, which continue to add to the overall workload.

### **3. Revised Internal Audit Plan 2025/2026**

3.1 The internal audit plan is a strategic tool designed to provide independent assurance and advisory services that support the Council's governance, risk management, and operational efficiency. It helps ensure compliance with laws and policies, promotes transparency, and enhances service delivery by evaluating internal controls and identifying opportunities for cost savings and improved resource use. The plan is risk-based and adaptable, allowing the internal audit function to respond to emerging issues, legislative changes, and organisational developments, while maintaining public trust and accountability.

3.2 Adjustments to the Internal Audit Plan are made to reflect evolving priorities, resource availability, and urgent matters such as special projects, whistleblowing cases, and investigations. A significant change this year is the reintegration of Children's Services into the Council, necessitating updated audit coverage and the inclusion of relevant areas within the 2025/26 plan.

3.3 To accommodate these developments, several planned reviews have been deferred or cancelled, allowing resources to be redirected where most needed. All changes have been formally documented and communicated to the affected service areas.

3.4 This flexible approach ensures that Internal Audit continues to provide timely and relevant assurance aligned with the Council's changing needs. Details of the amendments to the Audit Plan are provided in Section 4 of the attached appendix.

### **4. 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