

Appendix 1

Internal Audit & Investigations

Quarterly Update Report Q3

1.0 OVERVIEW

1.1 Purpose & Scope of Report

- 1.1.1 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.

1.2 Assurance Framework

- 1.2.1 Each Internal Audit report provides a clear audit assurance opinion. The opinion provides an objective assessment of the current and expected level of control over the subject audited. It is a statement of the audit view based on the work undertaken in relation to the terms of reference agreed at the start of the audit; it is not a statement of fact. The audit assurance opinion framework is as follows:
- 1.2.2 The assurance opinion is based upon the initial risk factor allocated to the subject under review and the number and type of recommendations we make. It is management's responsibility to ensure that effective controls operate within their service areas. Follow up work is undertaken on audits providing **limited** or **'no'** assurance to ensure that agreed recommendations have been implemented in a timely manner.



A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

2.0 HIGH LEVEL SUMMARY OF AUDIT FINDINGS

2.1	Deputies and Appointees - follow-up	Recs			Assurance
		0	4	0	Reasonable
2.1.1	This follow-up audit reviewed progress since the November 2022 audit of the Deputy's and Appointees Service, which previously received Limited Assurance.				
2.1.2	The service manages financial and welfare responsibilities for individuals lacking capacity under the Mental Capacity Act 2005, with oversight from the Court of Protection and the Office of the Public Guardian. Appointees handle welfare benefits, while Deputies manage property, finances, or personal welfare decisions.				
2.1.3	The review assessed governance, processes, and the status of original recommendations. Significant improvements have been made. The team now operates with a clear structure, regular internal checks, and weekly meetings to address issues. The Caspar system has been upgraded to a cloud-based version (November 2024), improving audit trails, transaction detail, and integration with NEC Document Management for supporting records. Monthly client account reconciliations are completed with segregation of duties, and oversight is provided by senior officers. External inspection by the Court of Protection in January 2025 confirmed compliance and proactive practices.				
2.1.4	While most original recommendations are complete, some areas require further development. Documented procedures, including Court of Protection processes, need updating with version controls and formal approval. Cross-referencing between Caspar and NEC could be strengthened, and evidence of authorisation for annual reviews and OPG reports should be consistently recorded. Four medium-priority recommendations have been made to address these points.				
2.1.5	The audit concluded with Reasonable Assurance, reflecting robust progress and improved controls, while highlighting the need for continued updates to documentation and governance practices.				

Recs

Assurance

2.2	Land Charges	1	6	0	Reasonable
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- 2.2.1 The audit of the Land Charges function has been given a Reasonable Assurance rating, reflecting that core activities are generally carried out in line with established systems and procedures and the service is broadly well delivered. Controls around information disclosure and secure document storage were found to be effective, and roles within the process are appropriately segregated. All tested requests were valid, paid upfront, properly referenced, and signed, which demonstrates a sound operational foundation.
- 2.2.2 However, several issues require attention. Fees approved for the 2025–26 financial year were not implemented or published, continuing a problem first identified in 2023. This has resulted in services being undercharged by an average of 5.4% since April 2025. In addition, VAT has been incorrectly applied to combined LLC¹ and CON29² requests, leading to overpayments that may have persisted since Arcus was introduced. There is currently no process to ensure timely updates of fees across systems and webpages, which compounds these financial risks.
- 2.2.3 Policy and procedural gaps were also noted. There is no standalone departmental procedures document for the Local Land Charges function, and reliance on the M3 system user guide only partially addresses operational needs. While a Land Charges Privacy Policy exists, it is not published online, limiting transparency. The Land Charges webpage itself contains broken links and outdated information, which hinders customer access and does not reflect current fees or processes.
- 2.2.4 Service timeliness is another area for improvement. Although the published turnaround time for search responses is seven to ten working days, this standard is not consistently met, and a significant proportion of requests were delayed without explanation. Internal monitoring practices differ from published guidance, creating further inconsistency.
- 2.2.5 In summary, while the service operates on a generally sound basis and demonstrates strong controls in some areas, improvements are needed to strengthen procedural documentation, resolve webpage functionality issues, and improve performance against service standards. The Priority 1 recommendation was necessary because the incorrect VAT treatment on Arcus transactions presents a financial and compliance risk. The error has likely persisted since system implementation and whilst not material action is required to investigate and correct the process.

¹ LLC1, deals with entries registered in the Local Land Charges Register, e.g., Financial Charges, Improvement Grants. Tree Preservation Orders. Conditional Planning Consents and Agreements.

² This is a standard form of questions agreed between the Law Society and Local Government Associations and provides comprehensive information to prospective purchasers of property. The enquiries deal with issues such as Planning- control of development, Highways - road schemes, adoption of roads and Environment - notices e.g., noise abatement, contaminated land.

		Recs			Assurance
2.3	Children's Savings Accounts & ISAs follow-up	1	5	0	Limited

2.3.1 This follow-up audit assessed progress since the June 2024 review of Children's Savings Accounts and Junior ISAs (JISAs) managed for Children Looked After (CLA). The original audit gave Limited Assurance and highlighted weaknesses in policy review, financial procedures, data capture, and governance. At that time, CLA savings totalled approximately £10,500, with £185,000 held in ISAs.

2.3.2 The review found improvements in financial reconciliations, with quarterly JISA reconciliations completed and year-end accounting evidenced for 2023/24 and 2024/25. The appointment of a Strategic Finance Business Partner is expected to strengthen oversight. However, key issues remain: the CLA Savings Policy, due for review in September 2024, has not been updated or formally approved under new governance; documented financial procedures are still absent; and uncertainty persists around complete capture of CLA savings in Mosaic, although a project is underway to address this by March 2026. No regular reporting to governance forums currently occurs, despite the duty of care risk.

		Recs			Assurance
2.4	Purchasing Cards	0	5	3	Reasonable

2.4.1 An audit of Visa Purchasing Cards (VPCs) was conducted to assess governance, compliance, and operational controls. Purchasing cards are used to streamline low-value procurement and reduce administrative overheads. The review concluded with Reasonable Assurance, indicating that core controls such as reconciliation, transaction monitoring, and segregation of duties are generally effective. However, several areas require improvement to strengthen governance and compliance.

2.4.2 Key issues include outdated policy documentation, gaps in escalation procedures, inconsistent submission of transaction logs, and missing cardholder agreements. While monitoring processes and system controls are robust, weaknesses in enforcement and clarity of guidance reduce assurance. Instances of card sharing, use for prohibited purposes, and incomplete receipt submission highlight the need for stronger compliance measures. Additionally, departmental procedures for VPC administration remain undocumented.

2.4.3 Nine recommendations have been agreed, including updating the Corporate Procedure Rule and associated forms, introducing formal acknowledgment of responsibilities, implementing structured escalation for non-compliance, publishing VPC spend data, developing departmental procedures, reviewing inactive cards, and strengthening exit controls for card destruction. Other actions include reinforcing compliance through reminders, clarifying exceptional transactions, and improving oversight of budget holder diligence. These measures aim to enhance transparency, accountability, and operational efficiency.

		Recs			Assurance
2.5	Traffic Regulation Orders – Follow Up	1	3	0	Reasonable

- 2.5.1 This follow-up audit reviewed progress made since significant issues were identified in 2024 regarding the administration of Traffic Regulation Orders (TROs), which had led to incorrect Penalty Charge Notices (PCNs) being issued. The review assessed governance, monitoring, and the implementation of improvement actions, including the restitution programme and the digitisation project. The audit found that strong governance arrangements have been maintained, with regular updates presented to the Audit & Governance Committee and the Traffic Management Sub-Committee. The restitution programme to refund affected PCNs has largely concluded, with £68,348 refunded to date and 714 claims processed. A comprehensive improvement plan has been implemented, supported by collaborative work across Highways, Legal Services, Parking Services, and the Corporate PMO.
- 2.5.2 A key development is the Digitisation Project, which aims to replace the manual TRO system with a modern, map-based solution provided by Appyway. This project is progressing, with survey work completed and data preparation underway. However, successful implementation and ongoing maintenance remain critical risks, alongside resource capacity and continuity following the departure of the Monitoring Officer and the Assistant Director of Environmental and Commercial Services in December 2025.
- 2.5.3 The audit concluded with Reasonable Assurance, reflecting significant progress but highlighting the need for continued oversight. Four recommendations were made, including maintaining governance reporting, prioritising project milestones, addressing resource gaps, and providing specialist training for committee members. A further audit review is planned for 2026/27 to assess post-implementation outcomes.

2.6	Elections	Recs			Assurance
		0	0	4	Substantial

- 2.6.1 An audit of the Electoral Registration and Election Management function was undertaken to assess compliance with legislation, governance, and operational effectiveness. The review focused on arrangements for the 2024 UK Parliamentary Election and concluded with Substantial Assurance, indicating that a sound system of governance and controls exists, with only minor areas for improvement.
- 2.6.2 The audit confirmed that appropriate procedures were in place for managing elections, including risk registers, contingency plans, and business continuity arrangements. Roles and responsibilities for polling and count staff were clearly defined, supported by comprehensive training and guidance. Staff payment processes complied with policy, and monitoring arrangements were evidenced through dashboards, planning documents, and regular reporting to senior management. Contract management for outsourced services, including electoral software and printing, was effective, and procurement processes were underway for future requirements.
- 2.6.3 Post-election reviews were completed, capturing lessons learned and identifying opportunities for improvement. While these reviews were detailed and comprehensive, the Electoral Commission's template was not used, and there is scope to ensure all recommended areas are addressed. Other areas for improvement include consolidating policy and procedure documents into a single master record and ensuring contingency planning aligns fully with Electoral Commission guidance.
- 2.6.4 Four good-practice recommendations were made to strengthen document control, contingency planning, and post-election review processes. No high or medium-priority issues were identified, reflecting strong compliance and effective management of electoral processes.

2.7	Disabled Facilities Grants	Recs			Assurance
		2	3	0	Limited

- 2.7.1 Disabled Facilities Grants (DFGs) are statutory grants funded through the Better Care Fund to help people with disabilities live independently by funding essential home adaptations. An audit was undertaken following concerns raised by the Assistant Director about control effectiveness. The review found that while the service meets statutory requirements and supports vulnerable residents, notable areas for improvement remain across governance, financial management, procurement, fraud prevention, and service delivery

2.7.2 The DFG policy aligns with national legislation but is unpublished and inconsistent with the Council's financial and procurement procedures. Outdated public guidance and informal practices undermine transparency. Eligibility assessments are generally well-structured, but gaps in documentation and retrospective grant letters weaken accountability. Financial controls require improvement: there is no formal contractor framework, annual grant certification has not been submitted since 2017, and reconciliation between Arcus and e5 systems is unreliable. Procurement practices lack transparency, with limited competitive tendering and incomplete contractor accreditation records. Fraud prevention measures are underdeveloped, with no formal protocols, conflict-of-interest checks, or routine audits.

2.7.3 Service delivery is hindered by fragmented performance monitoring, absence of real-time tracking, and inconsistent customer feedback processes. Benchmarking against national standards is not routinely applied, and delays are not systematically managed. While statutory checks for ownership and inspections are in place, photographic evidence and client sign-off are not consistently retained.

2.7.4 The audit concluded with Limited Assurance and made five key recommendations: publish and align the DFG policy with current procedures; strengthen documentation and review controls; formalise procurement and contractor governance; enhance performance monitoring and benchmarking; and implement robust fraud prevention measures. Two recommendations are high priority, reflecting the need for immediate improvements in governance and financial control.

		Recs			Assurance
2.8	Joint Legal Team – Billing Process	1	7		Limited

2.8.1 The Joint Legal Team (JLT), hosted by Reading Borough Council, provides legal services for six Berkshire unitary authorities, covering areas such as child protection, adult social care, and education. This audit reviewed the billing process and governance arrangements for the JLT, which manages an annual budget of approximately £8.8 million. The objective was to assess financial accuracy, compliance, and progress since the previous audit.

2.8.2 The review concluded with a Limited Assurance rating. While improvements had been made, including the introduction of monthly and quarterly financial reporting, regular reconciliations between IKEN and E5 systems, and use of the London Boroughs' Legal Alliance framework for external legal support, significant weaknesses remained.

- 2.8.3 Governance arrangements were incomplete, with no formal partnership agreement and draft Heads of Terms still awaiting approval. Terms of reference for the JLT Board and Finance & Commissioning Committee lacked quorum rules, escalation protocols, and conflict-of-interest policies, reducing accountability. Procurement controls for engaging external legal counsel were weak; the Counsel Instruction Form was inconsistently applied and lacked key compliance features. Supplier and payment controls required strengthening, as retrospective purchase orders and inconsistent invoice standards increased the risk of unauthorised payments and VAT errors. Manual validation between IKEN and E5 compromised billing accuracy, and unresolved variances were not consistently tracked. Pay rate tables had not been updated to reflect the April 2025 NJC settlement, creating minor budget variances. VAT compliance relied on sample checks rather than structured protocols, and the use of proforma invoices by some suppliers contravened financial regulations.
- 2.8.4 Seven recommendations were agreed, including formalising governance through a Memorandum of Understanding, tightening procurement and payment controls, improving VAT compliance, and introducing reconciliation checklists with Strategic Business Partner certification. One recommendation was high priority, reflecting the need for immediate action on procurement governance.
- 2.8.5 In summary, while the JLT continued to deliver essential legal services, urgent improvements were required to strengthen financial integrity, ensure compliance, and maintain confidence among partner councils.

2.9 Grant Certifications

- 2.9.1 There were no grant certifications in this quarter

3.0 2025/2026 INTERNAL AUDIT PLAN

Key: No Assurance: ■ Limited Assurance: ■ Reasonable Assurance: ■ Substantial Assurance: ■

Audit reviews carried over from 2024/2025

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Accounts Payable	●				Aug-24	Jun-25	Jun-25	0	7	1	Reasonable
Deputies and Appointeeships	●				Feb-25	Sep-25	Oct-25	0	4	0	Reasonable
Residents Parking Permits	●				Jan-25	April-25	Jun-25	4	2	3	Limited
Housing Rents	●				Oct-24	May-25	Jun-25	0	6	4	Reasonable
Right to Buy*	●				Feb-25	Jun-25	Jun-25	0	5	1	Reasonable
IT Disaster Recovery	●				Jan-25	May-25	Aug-25	0	3	2	Reasonable
Debt Management	●				Aug-24	May-25	Jun-25	0	6	1	Reasonable

Audit reviews for 2025/2026 (revised to include Children's Services)

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Health & Safety (delayed)	●				May-25	Jan-26					
Electoral register and elections	●				May-25	Sep-25	Oct-25	0	0	4	Substantial
Financial Assessments & Benefits Team (FAB)	●				May-25	Jul-25	Jul-25	3	4	0	Limited
Fleet Management**	●				Jun-25	Jul-25	Jul-25	-	-	-	N/A

Key: No Assurance: ■ Limited Assurance: ■ Reasonable Assurance: ■ Substantial Assurance: ■

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Closing the Gap 2 Funding**	●				Apr-25	May-25	May-25	-	-	-	N/A
Lone Working (Children's)	●				Apr-25	May-25	Jul-25	5	2	0	No Assurance
Children's Savings Accounts & Junior ISAs – follow up	●				Jun-25	Oct-25	Dec-25	1	5	0	Limited
Traffic Regulations Orders		●			Sep-25	Nov-25	Dec-25	1	3	0	Reasonable
Local Transport Plan Capital Settlement (Grant Certification)		●			Jul-25	n/a	Jul-25	-	-	-	Certified
Local Authority Bus Subsidy Grant (BSOG)		●			Jul-25	n/a	Jul-25	-	-	-	Certified
Coroners**		●			July-25	Aug-25	Sep-25	-	-	-	N/A
Joint Legal Team (JLT) Billing process		●			Oct-25	Dec-25	Dec-25	1	7	1	Limited
Land Charges*		●			Jun-25	Sep-25	Oct-25	1	6	0	Reasonable
Project Management (PMO)		●			POSTPONED						
Housing Repairs Materials		●			POSTPONED						
Disabled Facilities Grants		●			Jul-25	Sep-15	Nov-25	2	3	0	Limited
Unaccompanied Asylum-Seeking Children – follow up		●			Aug-25						
Payments against orders (children's)		●			Jul-25						
Purchasing Cards*			●		Sep-25	Nov-25	Dec-25	0	5	3	Reasonable
ARCUS system implementation			●		Jun-25						
Capital Programme and monitoring			●		Dec-25						
Housing Benefits			●		Nov-25						
Contract Management – Corporate			●		POSTPONED						
Looked After Children commissioning Placements***			●		Nov-25						

Key: No Assurance: ■ Limited Assurance: ■ Reasonable Assurance: ■ Substantial Assurance: ■

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Commissioning of SEND Placements & Alternative provision ***				●	Dec-25						
Accounts Receivable				●							
Housing Repairs (Planned Repairs)				●							
Occupational Therapy Waiting Lists				●	Jan-26						
Cemeteries and Crematorium*				●	Nov-25						
IT Application Security				●							
Recruitment (Pre-employment checks)				●	POSTPONED						
Caseload Management (incl ASC Front door)				●							
Commercial Lease/rent follow up				●	Jan-26						
Synergy Follow up				●	POSTPONED						
School audits – half a dozen schools will be reviewed on a cyclical basis			●	●							

* Additional to plan and undertaken by apprentice

** Added to the plan following whistleblowing allegations

*** Added to the plan – new risks

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

- During this period, we received **142 Blue Badge** referrals. The majority of these came from Trellint Parking Services, with additional reports submitted by members of the public and anonymous sources. Blue Badge fraud generally involves the misuse of disabled parking permits, such as using forged or expired badges or displaying a badge when the registered holder is not present. These actions undermine the integrity of the system and disadvantage those who genuinely rely on accessible parking. Due to limited capacity and competing priorities, certain types of Blue Badge investigations have been temporarily paused to ensure resources are focused on higher-risk areas. Despite these constraints, there has been one successful prosecution for using a deceased person's Blue Badge. In addition, 14 Blue Badges have been returned and destroyed, representing a notional saving of £11,116. This figure is based on Cabinet guidance, which estimates the cost of lost parking and revenue at £794 per badge.
- **65 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 council tax liability. This has resulted in cashable savings of £3,430.77.
- **53 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. This resulted in 3 properties being returned, with a notional saving of £234,900 (£78,300 per property as per Cabinet guidance, which reflects the annual cost of temporary accommodation, duration of the fraud and other non-recoverable costs)
- **6 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. Following investigation, no further action was required.
- **9 non-categorised** referrals, which fall outside the team's direct remit but have been reviewed and appropriately redirected.
- **2 Parking Permit Fraud Applications**, both cases involved suspected attempts to obtain permits using false information, such as incorrect residency details or forged documents. These checks help prevent misuse of parking spaces and ensure fair allocation.

- **1 School Fraud** referral, involving suspected manipulation of school admissions through false address declarations to gain placement at preferred schools.
- **2 Social Care Fraud** referrals, one submitted by an accredited informant and the other came from the Fraud Hub, (NFI).

4.2 These figures exclude cases initiated prior to April 2025. In addition, the team has responded to 168 Data Protection Act (DPA) requests from Thames Valley Police, and 6 requests from other Local Authorities. Further, the team has also responded to 1 request from Social Work England under Schedule 2, section 5(1) of The Social Workers Regulations 2018.

4.3 Since April, 12 **whistleblowing referrals** have been reported to the Internal Audit & Investigations Team. This does not include internal disciplinary and grievance investigations, which continue to add to the overall workload.

4.4 Cabinet Office National Fraud Initiative (NFI) - Fraud hub

4.4.1 The National Fraud Initiative (NFI) developed the Fraud Hub as a proactive fraud detection and prevention tool, building on engagement with participants in its mandated exercises. Operating under statutory powers set out in the Local Audit and Accountability Act (LAAA), the Fraud Hub is a data-matching platform designed to identify potential fraud, error, and anomalies across multiple service areas. It compares datasets from internal and external sources to highlight cases that may require further investigation. Matches are risk-rated, enabling the corporate investigations team to focus on the highest-risk cases while maintaining oversight of medium and low-risk indicators.

4.4.2 Data from Residents' Parking Permits, Payroll, Right to Buy (RTB), and Housing has been uploaded into the Fraud Hub. Initial results returned approximately 1,500 low-risk matches. While the original plan was to prioritise high-risk matches, all current matches fall into the low-risk category, so a sample review will be undertaken instead. This review has not yet commenced due to competing priorities. The Fraud Hub also identified a small number of low-risk payroll and employment matches across other London Boroughs. Most of these cases have been reviewed and closed with no issues, although one case remains under review pending further information.

- 4.4.3 Eight matches were identified relating to deceased individuals versus housing tenants. Two cases have been confirmed where tenants had passed away outside the area without the Housing team's knowledge. Once verified, these properties can be returned to stock and allocated to families in need, representing a notional saving of £78,300 per property. Six cases remain under review, and planning is underway to progress these. In the coming weeks, data from Taxi Licensing and creditors will be uploaded, followed by agency staffing data for cross-borough matching.
- 4.4.4 The introduction of the Fraud Hub has strengthened the Council's ability to detect irregularities and safeguard public funds. Importantly, the initial analysis has not identified any medium- or high-risk matches, which is a positive indicator of strong internal controls and compliance across the areas reviewed. While minor anomalies exist, there is no evidence of significant fraud risk within the datasets examined.