

Audit and Governance Committee

24 September 2026



Reading
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Title	Internal Audit & Investigations – Quarter 2 Update 2026/27
Purpose of the report	To note the report for information
Report status	Public report
Executive Director/ Statutory Officer Commissioning Report	Director of Finance
Report author	Paul Harington, Chief Auditor
Lead Councillor	Councillor Ruth McEwan, Corporate Services and Resources
Council priority	All
Recommendations	That the Committee: 1. Notes the outcomes of Internal Audit work completed in Quarter 2 2026/27. 2. Notes investigation activity and associated outcomes.

1. Executive Summary

- 1.1 This report provides an update on progress in delivering the 2026/27 Internal Audit Plan and summarises the outcomes of audits completed during Quarter 2, alongside investigation activity and emerging risks. The report also highlights progress against the approved audit plan and reports on the activities of the Corporate Investigations Team.
- 1.2 Five audits were finalised during the period. Three audits received Reasonable Assurance, one follow-up review retained a Limited Assurance opinion, and one review received No Assurance. Collectively, the audits identified examples of good governance, effective oversight and established control frameworks. However, several common themes emerged, including the need to improve data quality, strengthen performance reporting, enhance contract and supplier oversight, improve documentation and audit trails, and reduce reliance on manual controls. The most significant findings relate to the review of Managed Payroll Providers for Direct Payments, which received a No Assurance opinion due to weaknesses in governance, contractual arrangements, procurement compliance and financial oversight.

2. Policy Context

- 2.1 Internal Audit forms a key part of the Council's governance and assurance framework. Each audit provides an objective opinion on the adequacy and effectiveness of governance, risk management and internal control arrangements within the area reviewed. Follow-up work is undertaken for Limited and No Assurance reports to assess whether agreed actions have been implemented.

- 2.2 The risk-based Internal Audit Plan and the work of the Corporate Investigations Team support the Council in maintaining effective arrangements for governance, internal control, financial stewardship and fraud prevention

3. Overview of Audit Findings

The principal matters arising are summarised below.

- 3.1 **Financial Assessment & Benefits Team (Follow-Up)** - The follow-up review found positive progress against the seven recommendations made in the previous Limited Assurance report. Improvements include formal triage, enhanced case monitoring, a Power BI dashboard, oversight through the Adult Social Care Debt Board and strengthened workflows and controls within Mosaic. However, assessment backlogs remain high and further work is required to validate performance information and provide a complete and consistent view of service performance. The opinion remains Limited Assurance and four further recommendations were made, including two high-priority actions relating to performance-data verification and declarations of interest.
- 3.2 **Licensing** - The review provided Reasonable Assurance. Governance, oversight and decision-making arrangements were generally operating effectively, supported by documented procedures, management oversight, committee scrutiny, eligibility checks and enforcement activity. The principal weaknesses relate to the Arcus system, including configuration, data quality, reporting and historic data migration. These issues increase reliance on manual controls and reduce confidence in the completeness and reliability of licensing and financial information. Seven recommendations were agreed, with the most significant actions being progressed through the corporate Arcus improvement programme.
- 3.3 **Joint Legal Team Billing Process (Follow-Up)** - The follow-up review concluded with Reasonable Assurance. Expenditure oversight has improved through enhanced monitoring and increased review of purchase orders, while testing showed greater use of the London Boroughs' Legal Alliance framework. Several actions remain in progress, including approval of revised governance documents, improved audit trails and documentation for the appointment of external counsel, and further assessment of value for money. No new recommendations were raised.
- 3.4 **Pupil Premium Funding** - The audit provided Reasonable Assurance. Effective arrangements were identified for grant certification, timely distribution of funding and the management of Pupil Premium Plus for looked-after children. Testing confirmed that all maintained schools reviewed had published Pupil Premium information, although some inconsistencies were found in the currency, format and completeness of published statements. Four low-priority recommendations were made to improve documentation, outcome reporting and guidance to schools.

3.5 Managed Payroll Providers for Direct Payments - This review recorded a No Assurance opinion and identified a number of significant weaknesses within the governance, procurement, contractual and financial control arrangements relating to externally managed payroll providers. Assurance could not be obtained that provider arrangements had been procured in accordance with Contract Procedure Rules, that contractual arrangements remained current, or that formal provider oversight was operating effectively. The review also identified opportunities to strengthen financial monitoring, clarify the treatment of interest earned on client funds and improve oversight of accumulated balances. Whilst no evidence of fraud, misconduct or deliberate misuse of funds was identified, improvements are required to strengthen governance and control arrangements. Three high-priority recommendations were made.

3.6 Audit Plan Delivery

3.6.1 The work programme includes reviews carried forward from 2025/26 and audits scheduled across the four quarters of 2026/27. Completed work and current progress are detailed in Appendix 1. The Children's Occupational Therapy Waiting Lists audit was postponed to Quarter 3. The reduction in available resource may affect delivery of the remaining programme, and coverage will continue to be prioritised and kept under review.

3.7 Investigation Activity

3.7.1 The Corporate Investigations Team reported the following activity:

- 24 Council Tax Support investigations commenced. One case resulted in the removal of a discount and estimated savings of £1,874.95, with three investigations ongoing.
- 32 housing tenancy fraud investigations were opened. One property was recovered and 13 investigations remained ongoing. Notional savings from the recovered property totalled £78,300.
- 27 Blue Badge referrals were received. Nine warning letters were issued, nine badges were seized and destroyed, and three investigations remained open. Notional savings totalled £7,146.
- Five internal investigation referrals were received. One resulted in no further action, one contractor resigned with immediate effect and three cases remained under active review. The reported notional saving associated with the resignation was £53,460.
- 43 Data Protection Act requests were processed between April and June in support of Thames Valley Police investigations and safeguarding activity.
- 8,059 Fraud Hub matches were received between April and June 2026. A risk-based review of 341 matches identified savings of £11,814.75.

4 Contribution to Strategic Aims

4.1 This work supports the Council's priority to ensure it is fit for the future, by:

- Strengthening governance, risk management and control frameworks.
- Promoting transparency, accountability, and value for money.
- Supporting effective service delivery across key areas, including Adult Social Care and financial management.
- Enhancing fraud prevention and detection capability.

5 Environmental and Climate Implications

- 5.1 There are no direct environmental or climate implications arising from this report, as it relates to assurance and oversight activity.

6 Community Engagement

- 6.1 No direct community engagement has been undertaken as part of this report.

7 Equality Implications

- 7.1 There are no direct equality implications arising from this report. However, audits could relate to services supporting vulnerable groups, and improvements identified aim to enhance fairness, access, and consistency of service provision.

8 Other Relevant Considerations

- 8.1 Risk Management: The report provides assurance over key operational and financial risks and identifies areas requiring improvement.
- 8.2 Governance: Findings support ongoing strengthening of corporate governance arrangements.
- 8.3 Fraud and Compliance: Investigation activity contributes to reducing fraud risk and improving compliance.

9 Legal Implications

- 9.1 The Council has a statutory duty to maintain an effective internal audit function. This report supports that duty by providing assurance to Members on the adequacy of internal controls.

10 Financial Implications

- 10.1 Internal Audit activity supports value for money by identifying inefficiencies, strengthening controls, and reducing financial risk. Investigation work has generated identifiable savings and protected Council resources

11 Timetable for Implementation

- 11.1 Not applicable.

12 Background Papers

- 12.1 There are none.

Appendices – delete if there are none

1. **Appendix 1 – Internal Audit & Investigations Quarterly Update Q2 2026/27**