

Appendix 1

Internal Audit & Investigations

Quarterly Update Report Q2

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 two of the 2026/2027 financial year.

1.2 Assurance Framework

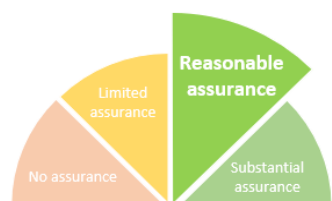
- 1.2.1 Each Internal Audit report provides a clear audit assurance opinion. The opinion provides an objective assessment of the current and expected level of control over the subject audited. It is a statement of the audit view based on the work undertaken in relation to the terms of reference agreed at the start of the audit; it is not a statement of fact. The audit assurance opinion framework is as follows:

Opinion	Explanation
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- 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	Financial Assessment & Benefits Team – follow up	Recs			Assurance
		2	2	0	

2.1.1 A follow-up audit of the Financial Assessment and Benefits (FAB) Team was undertaken to assess progress made in implementing the recommendations arising from the 2025/26 audit review, which resulted in a Limited Assurance opinion. The review examined developments in governance, performance management, operational processes and system controls.

2.1.2 The audit found that a number of improvements have been implemented since the previous review. These include the introduction of a formal triage process, enhanced monitoring of casework, development of a Power BI performance dashboard, strengthened oversight through the Adult Social Care Debt Board, and improvements to financial assessment processes within Mosaic. Enhancements have also been made to referral processes, system controls and management oversight arrangements.

2.1.3 While positive progress has been made, a number of challenges remain. Financial assessment backlogs continue to place pressure on the service, and further work is required to strengthen assurance over the accuracy and completeness of performance information. Although the Power BI dashboard provides improved management information, additional validation and reporting arrangements are needed to support effective performance monitoring and governance oversight.

2.1.4 Further improvements are currently being progressed, including enhancements to mandatory data fields, the introduction of online referral processes through the Mosaic portal, and changes to the service structure designed to strengthen operational management and performance oversight.

2.1.5 The audit opinion remains Limited Assurance, reflecting that a number of key improvements are still being embedded and have not yet demonstrated their full impact. Four further recommendations were agreed, including two high-priority actions relating to the verification of performance data and declarations of interest. Completion of these actions is expected to strengthen governance arrangements, improve the quality of management information and support continued improvement in service performance.

2.2	Licensing	Recs			Assurance
		0	3	4	

2.2.1 This audit reviewed whether the Licensing Service maintains accurate and reliable licensing data, complies with legislation and local policies, and has effective controls to support decision-making, risk management and public protection. The review covered both licensing administration and enforcement activities across more than 5,000 licences.

2.2.2 The audit found that the Licensing Service has established governance, oversight and control arrangements that are generally operating effectively. Licensing decisions are supported by documented procedures, management oversight, committee scrutiny, eligibility checks and enforcement activity. Staff have also implemented a range of compensating controls to address known system limitations and maintain service delivery.

- 2.2.3 The principal weaknesses identified relate to the Arcus licensing system. Ongoing issues with system configuration, data quality, reporting functionality and historic data migration have reduced confidence in the completeness and reliability of licensing and financial information. These issues increase reliance on manual controls, create operational inefficiencies and make it more difficult for the service to operate in a fully proactive and intelligence-led manner. The audit also identified opportunities to strengthen procedures, quality assurance arrangements, performance monitoring, financial reconciliation processes and the review of public-facing guidance and documentation.
- 2.2.4 Seven recommendations were agreed with management. The most significant recommendation relates to the Council's corporate Arcus improvement programme, which is already overseeing a programme of system enhancements, data improvements and process reviews through the CCM Programme Board. Planned actions include resolving outstanding workflow and data issues, strengthening reporting and user access controls, improving management information and developing a more robust control framework. Further actions include updating and consolidating procedures, introducing proportionate quality assurance reviews, enhancing financial assurance and reconciliation arrangements, increasing the use of electronic applications, improving performance and intelligence reporting, and establishing regular reviews of public information and standard documentation.
- 2.2.5 Overall, the audit concluded that the Licensing Service is operating within a generally sound control environment. The agreed improvement programme is expected to strengthen system reliability, improve data quality, enhance management oversight and support a more efficient and resilient service

2.3	Joint Legal Team (JLT) billing process – follow up	Recs			Assurance
		0	0	0	Reasonable

- 2.3.1 The purpose of this follow-up audit was to assess the progress made in implementing recommendations arising from the previous audit of the Joint Legal Team (JLT) billing process and to confirm whether the actions agreed by management had been introduced and were operating effectively. The review focused on arrangements governing the recording, allocation and recovery of legal costs charged to the six Berkshire unitary authorities served by JTL, together with the governance and oversight arrangements supporting the service.
- 2.3.2 The review found that meaningful progress has been made since the previous audit, which resulted in a Limited Assurance opinion. Oversight of expenditure has improved through enhanced monitoring arrangements, including regular review of purchase orders by senior officers, providing increased scrutiny and challenge over spending decisions. Testing also identified greater use of the London Boroughs' Legal Alliance (LBLA) framework when procuring external legal services, indicating improved compliance with agreed procurement arrangements. However, several improvements remain work in progress. Key governance documents, including the revised service level agreement and terms of reference for the Joint Legal Team's governance bodies, were still awaiting final approval at the time of the audit. Whilst controls have strengthened, some purchase orders continue to be raised retrospectively, and work is ongoing to improve audit trails, transparency and documentation supporting the appointment of external counsel. Further evaluation is also required to assess value for money and the effectiveness of procurement arrangements.

2.3.3 The audit concluded that controls are continuing to improve and that management actions are having a positive impact. However, further effort is required to fully implement and embed outstanding actions, ensuring that governance, financial management and procurement arrangements operate consistently and sustainably in the longer term. No new recommendations were raised as part of this follow-up review.

		Recs			Assurance
2.4	Pupil Premium Funding	0	0	4	Reasonable

2.4.1 This audit reviewed the arrangements for the administration, certification and oversight of Pupil Premium funding, including the management of Pupil Premium Plus funding for looked-after children and compliance with Department for Education requirements by maintained schools.

2.4.2 Internal Audit issued a Reasonable Assurance opinion, concluding that effective arrangements are in place for the management of Pupil Premium funding and compliance with the associated grant conditions. The review identified sound controls over grant certification, the timely distribution of funding to maintained schools, and the governance arrangements supporting the allocation and monitoring of Pupil Premium Plus funding.

2.4.3 The audit found that Reading Virtual School has established a structured framework for the allocation and monitoring of Pupil Premium Plus funding. Funding decisions are linked to identified educational needs through Personal Education Plans and are subject to review to assess progress and educational outcomes. Appropriate governance and accountability arrangements are supported through reporting to senior management and the Corporate Parenting Panel.

2.4.4 Testing confirmed that all maintained schools reviewed had published Pupil Premium information on their websites. While overall compliance was achieved, some variations in presentation and content were identified, including strategy statements that had not been updated for the current academic year, inconsistent use of Department for Education templates, and differing approaches to reporting funding allocations and outcomes.

2.4.5 Four low-priority recommendations were agreed to further strengthen existing arrangements. These relate to enhancing documentation of grant certification and review processes, considering additional reporting on Pupil Premium Plus outcomes, and providing further guidance to schools to promote consistency and transparency. Overall, the audit concluded that Pupil Premium funding is being administered effectively and is supported by a generally sound framework of governance, risk management and internal control.

		Recs			Assurance
2.5	Managed Payroll Providers for Direct Payments	3	0	0	No Assurance

- 2.5.1 This audit examined the oversight arrangements of externally managed payroll providers used to administer Direct Payments on behalf of social care clients. The review was commissioned following concerns regarding accumulated client balances and the treatment of interest earned on Direct Payment funds held by third parties.
- 2.5.2 Internal Audit issued a No Assurance opinion, reflecting weaknesses identified within the governance, contractual and financial control arrangements supporting these services. The review did not identify any matters suggesting deliberate misuse of Direct Payment funds.
- 2.5.3 We were unable to confirm if external payroll provider arrangements had been procured, commissioned or maintained in accordance with Contract Procedure Rules. No procurement documentation was available for review, the principal provider's contract expired in 2013, and no current contracts were identified for other providers. In addition, there was insufficient evidence of formal contract management, performance monitoring or documented provider oversight arrangements.
- 2.5.4 It was not possible to confirm the legal basis on which client funds are held, whether funds are adequately protected in the event of provider insolvency, or how interest earned on balances should be treated. Monitoring arrangements were found to be behind schedule and did not provide complete assurance over balances held by all providers. Significant surplus balances had accumulated within provider-held accounts, highlighting the need for stronger reconciliation and recovery processes.
- 2.5.5 Three high-priority recommendations were made. These require a comprehensive review of the legal and contractual framework, strengthened monitoring and reconciliation of Direct Payment balances, and clarification of the ownership, accounting treatment and future management of interest earned on client funds. Implementation of these actions will be essential to reduce legal, financial, governance and reputational risks and to ensure that Direct Payment funds are managed transparently, effectively and in the best interests of service users.

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

Audit reviews carried over from 2025/2026

[illegible]

Audit reviews for 2026/2027

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	
Licensing	●				May-26	Jul-26	Aug-26	0	3	4	Reasonable
Financial Assessment & Benefits Team – follow up	●				Mar-26	Jun-26	Aug-26	2	2	0	Limited
Occupational Therapy Waiting Lists (Children's)	●				May-26	Postponed to Q3					
Joint Legal Team (JLT) Billing Process – follow up	●				Apr-26	Jun-26	Jul-26	0	0	0	Reasonable
Pupil Premium Funding	●				May-26	Aug-26	Sep-26	0	0	4	Reasonable
Software Asset Management	●				Apr-26						
Council's Building Management Efficiencies – Corporate Landlord		●			Jul-26	Sep-26					
Local Transport Plan Capital Settlement (Grant Certification)		●			Sep-26						
Local Authority Bus Subsidy Grant (BSOG)		●			Sep-26						
Payroll		●			Jun-26						
Payment Card Industry Data Security Standard (PCIDSS)		●			May-26						
Home Improvement Grants – follow up		●									
Foster Care (Allowances)		●			Jun-26						
Coroners (Body Collection Service)*		●			July-26						
Direct Payments & Managed Payroll Providers			●		Jun-26	Jul-26	Sep-26	3	0	0	No Assurance
Lone Working			●								
Fleet Management			●		Aug-26	Sep-26					
Traffic Regulation Orders – follow up			●								
General Ledger			●		Sep-26						

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	
Housing Repairs– order and control of materials			●								
School Audits			●	●							
Mosaic Provider Portal				●							
Synergy follow up				●							
High Needs Provision Capital Allocation				●							
Residents Parking Enforcement – follow up				●							
Electronic (faster) Payment Requests				●							
Treasury Management				●							
Residential & Nursing Care				●							
Continuing Healthcare, processing payments (Children's)				●							

* Additional to plan following a request

The Committee is advised that the team experienced a small reduction in resource of 0.2 FTE from April this year, with a further reduction of 0.2 FTE from October. As a result, overall audit capacity will decrease slightly. While every effort will be made to prioritise delivery of the approved audit plan, this reduction in capacity may affect overall coverage, and it may not be possible to complete all planned audits within the year. Activity will be kept under review, and any significant changes to planned work or assurance coverage will be reported to the Committee in due course.

3.0 INVESTIGATIONS (APRIL 2026 – SEPTEMBER 2026)

- 3.1 **Council Tax Support Investigations** - Council Tax fraud involves providing false information or failing to report changes to reduce liability, including incorrectly claiming discounts or exemptions. To date, 24 investigations have commenced. One case resulted in removal of a discount and estimated savings of £1,874.95. Three investigations remain ongoing.
- 3.2 **Housing Tenancy Fraud** involves providing false information or unlawful activity to obtain or retain social housing, including subletting or misrepresenting eligibility. Since 1 April 2026, 32 investigations have been opened. One property was recovered during this period, although that investigation commenced during the 2023/2024 financial year, the property was recovered in the first quarter of 2026/2027. The case related to a succession claim. 13 investigations remain ongoing. Notional savings from recovered properties total £78,300, based on Cabinet Office methodology.
- 3.3 **Disabled Persons Parking (Blue Badges)** fraud involves misuse, including use by non-holders, forged or altered badges, or false applications, reducing access for legitimate users. Since April 2026, 27 referrals have been received. We have closed 21 investigations, of which 9 received warning letters, and 9 blue badges were seized and destroyed. Leaving 3 Blue Badge Investigations remaining open. Notional savings from seized badges total £7,146, based on Cabinet Office methodology.
- 3.4 **Internal Investigations** examine alleged misconduct and may result in disciplinary or criminal action. Five referrals were received. Preliminary investigations resulted in no further action being taken in 1 case, while 1 referral resulted in the contractor resigning with immediate effect, leaving 3 cases under active review. The notional saving achieved regarding the 1 resignation is £53,460.00, adopting the notional savings multiplier used by the Cabinet Office in its National Fraud Initiative report.
- 3.5 **Data Protection Act Requests** - The team supports Thames Valley Police by providing intelligence to assist investigations and safeguarding activity. Between April and June, 43 requests were processed.
- 3.6 **Fraud Hub** - Participation in the Cabinet Office Fraud Hub supports fraud detection through data matching and cross-agency collaboration. Between April and June 2026, a total of 8,059 matches were received across a range of datasets, including Council Tax, Payroll, Housing Tenants and Concessionary Travel. A risk-based approach was adopted, resulting in 341 matches being reviewed, which identified £11,814.75 in savings. This approach ensures resources are focused on the highest-risk cases while maximising the effectiveness of data-matching activity.