

# **Appendix 1**

## **Internal Audit & Investigations**

### **Quarterly Update Report Q2 & Revised Internal Audit plan**

## 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 and amendments made to the plan following the transition of Children's Services back into the Council from the 1 October 2025.

### 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

		Recs			Assurance
2.1	Financial Assessment and Benefits Team	3	4	0	Limited
2.1.1	Under section 14 of the Care Act 2014, Local Authorities have the authority to charge individuals for any care services they receive. However, to determine the applicable charge, they must conduct a fair and transparent financial assessment.				
2.1.2	The Financial Assessment Benefit Team must operate in accordance with both national and local policies while conducting financial assessments. It requires comprehensive oversight of the management of the work received by the Team, as well as the allocation of tasks within the Team, to enhance the customer experience and mitigate the risk of accruing debt.				
2.1.3	A 'limited assurance opinion' was issued based on the fact that while the Council has established procedures and systems to support financial assessments, significant challenges remain in managing demand, maintaining data quality, and ensuring timely processing. The current backlog, staffing constraints, and inconsistencies in performance reporting highlight the need for stronger oversight, more apparent prioritisation, and improved use of data.				
2.1.4	The Council's adult social care webpage, updated in February 2025, provides clear guidance on paying for care, including financial assessments and appeals, promoting transparency for service users. Staff can access procedural documentation through Trix1 and SharePoint, which includes user guides and workflow charts.				
2.1.5	The Mosaic system provides a structured approach to monitoring financial assessment performance, with clear tracking of referral timelines and responsibilities. However, the frequent use of 'amber' RAG ratings and lack of 'green' safeguarding prioritisation indicate a misalignment with case urgency. Additionally, insufficient visibility into the total number of caseloads and trends in the backlog hampers performance oversight. To improve this, redefining prioritisation criteria based on the age of the referral document and enhancing the reporting dashboard is crucial for better benchmarking and workload management.				

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<sup>1</sup> online social care procedures

- 2.1.6 As of May 2025, UK local authorities are required to complete financial assessments within 4 to 6 weeks, as mandated by the Care Act 2014. The Financial Assessment and Benefits (FAB) Team, which conducts them, reduced its staff from 9 to 7 in the 2024/25 fiscal year, leading to a 21-22% drop in weekly output, from 26 to 21 assessments. Local performance targets were reinstated to monitor referral times. The team completed 1,185 financial assessments and handled 2,264 cases for the annual contribution uplift review in March 2025. This situation poses risks to delayed income, which, although difficult to quantify, could be approximately £250,000 per annum, and reduced efficiency, highlighting the need for improved controls and visibility to ensure timely assessments and maintain public confidence.
- 2.1.7 As of 1 April 2025, the FAB Team was managing a significant and longstanding backlog of 535 financial and welfare benefit assessments, with 30% of cases over six months old and some dating back to 2018. Although 76% of referrals are assigned to officers, 24% remain unallocated, highlighting inefficiencies in triage and workflow. A joint analysis with the Performance Analyst showed a 7% increase in the backlog over the past year, despite isolated improvements. Additionally, 57% of referrals from Adult Social Care lack essential contact information, with a notable decline in data quality since 2023, which further delays assessments. These issues underline the need for stronger oversight, clearer referral protocols, and improved data capture. Adult Social Care must ensure key contact information is made mandatory at the point of referral to support timely and effective processing.
- 2.1.8 The Power BI dashboard has enhanced ASC's monitoring of CQC inspection performance through weekly data collection and regular senior leadership reviews, facilitating timely discussions and reducing the risk of prolonged waiting times. However, concerns remain regarding the completeness and consistency of performance reporting. Notably, discrepancies between the FAB 'Backlog Report' and the 'FAB Waiting List' report raise questions about data reliability. Furthermore, the current dashboard lacks a comprehensive overview of total caseloads and omits outstanding cases dating back to 2018. These limitations significantly hinder its utility for benchmarking and strategic planning. These issues could hinder the accuracy and timeliness of performance submissions, thereby impacting the council's ability to meet reporting deadlines and fully assess service delivery pressures.
- 2.1.9 A review of financial assessments for non-residential care users revealed a generally strong control environment, supported by secure data storage in the Mosaic system and accurate contribution calculations. However, several control risks exist, including inconsistent verification of service users' assets, unclear income-related benefit rules, and a lack of formal verification for the assessor's work by the manager. While entitlement data is often cross verified with DWP records, legislative constraints limit the audit trail due to the absence of retained evidence. These issues present a moderate control risk due to procedural inconsistencies and inadequate oversight, which may allow errors or conflicts of interest to remain undetected.

		Recs			Assurance
2.2	IT Disaster Recovery	0	3	2	Reasonable

- 2.2.1 IT business continuity refers to an organisation's ability to maintain or quickly resume critical IT services and infrastructure following a disruption. This includes planning for and responding to incidents such as system failures, cyberattacks, natural disasters, or other events that could interrupt IT operations. The goal is to ensure that essential services continue to function at an acceptable level, minimising downtime and impact on service delivery.
- 2.2.2 The purpose of the audit was to review the adequacy and effectiveness of the Council's and BFfC's IT disaster recovery and business continuity planning, particularly in the event of denial-of-service attacks or other critical incidents. The audit did not look at cyberhacking or virus/denial of service attack on IT infrastructure in detail as this has been covered in a previous audit.
- 2.2.3 The audit concluded that while there were several positive elements in place regarding IT disaster recovery and business continuity planning, there remain key areas requiring improvement to ensure resilience and readiness in the event of a significant disruption.
- 2.2.4 The Council and BFfC demonstrated a reasonable level of preparedness, with evidence of a coordinated invocation plan, physical infrastructure for recovery, and awareness among key personnel. BFfC, in particular, had a comprehensive and current strategy document, with service plans largely up to date or under review. However, RBC's service continuity planning was inconsistent, with many plans outdated or awaiting review, some dating back to 2021.
- 2.2.5 The audit identified the absence of a formal business impact assessment, limited written evidence of testing, and gaps in third-party disaster recovery documentation. While most third-party software providers had recovery arrangements in place, two major suppliers had not submitted plans, posing a risk to service continuity. Additionally, the lack of a central register for third-party contracts and dependencies increases the risk of unacknowledged vulnerabilities.
- 2.2.6 The audit made five key recommendations, including the need for a clear invocation plan, a business impact statement, a third-party software recovery register, an action plan to update service continuity plans, and documented evidence of testing. These actions are essential to strengthen the Council's ability to respond effectively to IT-related disruptions and to safeguard critical services.

## 2.3 Fleet Management

- 2.3.1 Following a review of the whistleblowing concerns raised with Internal Audit, a series of enquiries and audit procedures were undertaken to assess the validity of the issues reported.
- 2.3.2 Concerns were raised about the awarding of a vehicle repair contract and the presence of a technician from the selected provider on-site. Discussions with the Contracts Team and the Fleet Manager confirmed that the chosen provider became the sole option after another potential contractor withdrew from the tender process at the last moment. This withdrawal was due to a request for increased fees and a lack of formal confirmation until shortly before the contract was awarded. As part of the agreed terms, the selected provider was to have a technician based on-site to ensure timely repairs.
- 2.3.3 Further concerns were raised about the lack of oversight in the vehicle repair ordering and accounting system. An audit review was conducted to evaluate the financial and operational controls in place. The changes to the system were initiated by the Fleet Manager, who previously lacked visibility over repair orders and invoice processing. This had led to delays in payments and uncertainty about completed work. The current system uses two spreadsheets, one for scheduled maintenance and one for unplanned repairs, stored on a shared drive. These logs were cross-referenced with the fleet management software and found to be accurate.
- 2.3.4 A sample of scheduled and unscheduled maintenance work from May was reconciled against purchase orders and invoices. Invoices were sent to a dedicated fleet email inbox, reviewed for completion of work, and then processed for payment. Any discrepancies were queried. All sampled invoices had been correctly processed, with payments matched to pre-approved purchase orders. The audit trail for these transactions was clear and complete.
- 2.3.5 In conclusion, no evidence was found to support the concerns raised about the operation of fleet management or the contract in question.

## 3.4 **Grant Certifications**

### Local Transport Grant

- 3.4.1 An audit was conducted to verify the receipt, allocation, and use of the Local Transport Plan Capital Block Funding, which totalled £3,430,000. This funding was provided under the terms and conditions of grant determination notices 31/7318 and 31/7319, covering integrated transport, highway maintenance (including needs and incentive elements), and the pothole fund.

- 3.4.2 The conditions of the grant required that the funds be used solely to support lawful expenditure by local authorities in England and only for purposes permitted under regulations made pursuant to section 11 of the Local Government Act 2003. These conditions were issued under section 31(3) and 31(4) of the same Act.
- 3.4.3 Based on sample testing, the audit confirmed that the funds were appropriately recorded in the Council's financial system and were used to support expenditure on a range of transport-related projects. These included the development of the Local Transport Plan, improvements at Reading West Station, phases 3 and 4 of the South Reading Mass Rapid Transit scheme, construction of Green Park Station, bridge maintenance, enhancements to the Reading station subway, network management, highways infrastructure, and energy-efficient street lighting under the Invest to Save initiative. All sampled transactions were properly accounted for and aligned with the grant's intended purpose.

#### Bus Service Operators Grant

- 3.4.4 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.
- 3.4.5 For 2024/25 this funding was used to support those services that have been established through the Council's BSIP Programme, namely Buzz 9, Buzz 18 and route 650 services.
- 3.4.6 These services cost significantly more than the BSOG received (£74,192), therefore it was not possible to identify specific transactions against which the grant can be allocated, rather it is allocated to help support all of these services.
- 3.4.7 From the data provided and the limited testing performed, the conditions of the BSOG were found to have been complied with.

## 4.0 Revised Internal Audit Plan 2025/2026

- 4.1 The internal audit plan is designed to provide independent and objective assurance, as well as advisory services, that support the Council in achieving its strategic priorities and maintaining effective governance. Its core purpose is to ensure that the Council's operations are conducted efficiently, transparently, and in compliance with relevant laws, policies, and standards. The plan plays a vital role in helping the Council manage its resources responsibly and deliver services effectively to the public. It aims to assess and improve the Council's ability to identify, manage, and mitigate risks that could impact service delivery or financial stability. It also evaluates the effectiveness of internal controls and governance frameworks across departments and services. By identifying opportunities for cost savings, improved resource utilisation, and enhanced service outcomes, the plan contributes to achieving value for money. It ensures that the Council adheres to statutory obligations, financial regulations, and internal policies, while also helping to detect and deter fraud, corruption, and misuse of public assets.
- 4.2 The plan is risk-based and flexible, allowing the internal audit function to respond to emerging issues, changes in legislation, and organisational developments. It provides assurance to the Audit and Governance Committee, senior management, and external stakeholders that the Council is operating effectively and responsibly, and that public trust in its operations is maintained.
- 4.3 If there is a change in the internal audit plan, it typically reflects a response to evolving risks, emerging priorities, or shifts in available resources. Such changes are not made lightly and are usually the result of discussions between internal audit, senior management, and the Audit and Governance Committee. The revised plan ensures that audit resources remain focused on the areas of greatest importance or concern to the Council.
- 4.4 When the plan is amended, it may involve adding new audits, deferring or cancelling planned audits, or reallocating resources to address urgent issues. These changes can affect the scope and timing of assurance provided to the Council, potentially delaying findings in some areas while accelerating attention in others. All amendments are formally documented, and the rationale for each change is clearly explained to maintain transparency and accountability. Affected services are informed of any revisions to ensure coordination and readiness for the updated audit schedule. Ultimately, the flexibility to amend the audit plan helps ensure that internal audit continues to provide relevant, timely, and effective assurance in support of the Council's objectives.



- 4.5 Amendments to this year's internal audit plan are made primarily to reflect the reallocation of audit resources in response to special projects, whistleblowing cases, and other investigations that have been undertaken, as well as staff absence. Another significant factor is the transition of Children's Services back into the Council, which requires a change in how audit coverage for these services is planned and delivered.
- 4.6 Historically, the Council's Internal Audit function provided services to Brighter Futures for Children (BFfC) under a formal Service Level Agreement. This included the development of a risk-based annual audit plan, which was approved by BFfC's Audit and Risk Committee. With the reintegration of Children's Services into the Council, it's become necessary to incorporate audit coverage for these areas into the Council's overarching audit plan. As a result, the 2025/26 audit plan has been updated to include relevant audit titles for Children's Services and Education.
- 4.7 Additional amendments have been made to cancel or defer several planned reviews, again reflecting the need to redirect resources to priority areas. These adjustments are detailed in the table in the following pages of the report. Where capacity allows, postponed projects may be reinstated.

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 Payables	●				Aug-24	June-25	June-25	0	7	1	Reasonable
Deputies	●				Feb-25	Sep-25					
Residents Parking Permits	●				Jan-25	April-25	June-25	4	2	3	Limited
Housing Rents	●				Oct-24	May-25	June-25	0	6	4	Reasonable
Right to Buy*	●				Feb-25	June-25	June-25	0	5	1	Reasonable
IT Disaster Recovery	●				Jan-25	May-25	Aug-25	0	3	2	Reasonable
Debt Management	●				Aug-24	May-25	June-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 (now delayed)	●				May-25						
Electoral register and elections	●				May-25	Sep-25					
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
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	Sep-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	
Traffic Regulations Orders		●			Sep-25						
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		-	-	-	N/A
Joint Legal Team (JLT) Billing process		●									
Land Charges*		●			Jun-25	Sep-25					
Accounts Receivable		●			POSTPONED (see below)						
Project Management (PMO)		●			POSTPONED (see below)						
Housing Repairs Materials		●			POSTPONED (see below)						
Home Improvement Grants (Disabled Facilities Grant)		●			Jul-25	Sep-15					
Unaccompanied Asylum-Seeking Children – follow up		●			Aug-25						
Payments against orders (children's)		●			Jul-25						
ARCUS system			●		Jun-25						
Capital Programme and monitoring			●								
Housing Benefits			●								
Contract Management – Corporate			●								
Housing Repairs (Planned Repairs)			●		POSTPONED (see below)						
Children's Placements – follow up			●								

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	
Occupational Therapy Waiting Lists				●							
IT Application Security				●							
Recruitment (Pre-employment checks)				●							
Caseload Management (incl ASC Front door)				●							
Commercial Lease/rent follow up				●							
Synergy Follow up				●	POSTPONED (see below)						
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

## Audit reviews postponed

Audit Title	Provisional scope
Accounts receivables (debtors)	A comprehensive review of debt management was carried out during the 2024/2025 financial year, and the findings were subsequently reported to the Audit & Governance Committee in July 2025. Although the original intention of the Accounts Receivable audit was to focus on system controls related to Accounts Payable functions following the implementation of the new finance system, some overlap between the two areas was identified. Additionally, it was noted that the Revs & Benefits Manager has left and the Accounts Receivable manager has been on long-term sick leave, which may affect the timing and scope of further audit work in this area. Delayed until next year
Synergy follow up review	The Synergy Project, which supports School Admissions and Early Help, received limited assurance in last year's audit due to weaknesses in its ICT control environment. Key concerns included inadequate access controls, weak password policies, and insufficient procedures for removing system access for leavers. This year's audit was intended to follow up on those findings and assess whether appropriate improvements had been made. However, due to current capacity constraints within the audit team and the need to focus on higher-priority areas within the audit plan, this review has been postponed.
Housing Repairs Materials – order and control of materials	The purpose of this audit was to review the processes for ordering, collecting, and paying for materials, as well as evaluating whether there was a reliable system in place to record what materials had been purchased and which jobs they were associated with. The audit also aimed to confirm that material charges could be reconciled against records of work performed. It has now been decided that this area of work will be incorporated into the broader housing repairs audit to ensure a more integrated and comprehensive review.
Housing Repairs (Planned Repairs)	The housing repairs follow-up audit has been delayed following a request from the Executive Director, due to significant operational pressures currently facing the service. The Repairs function is under scrutiny from the regulator and is undergoing intensive improvement work. In addition, the team is managing the tendering and mobilisation of a new stores contract, with implementation scheduled for October. These concurrent priorities are placing considerable strain on available resources, and it is not feasible to accommodate the audit currently without compromising either the audit's effectiveness or the delivery of critical service improvements. As such, the revised plan is to commence audit activity in Quarter 4, with the likelihood that it will extend into Quarter 1 of the next internal audit cycle.
Project management (PMO)	An audit of the procurement and implementation of the ARCUS system is already in progress, and it is expected to include a review of project management governance arrangements. As a result, it was decided to postpone this separate audit until the 2026/2027 audit plan to avoid duplication and ensure a more focused review.

## 4.0 INVESTIGATIONS (APRIL 2025 – AUGUST 2026)

- 4.1 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.
- 4.2 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**.
- 4.3 Since April, **ten 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.