Appendix 1

Internal Audit & Investigations

Quarterly Update Report Q1

1.0 OVERVIEW

1.1 Purpose & Scope of Report

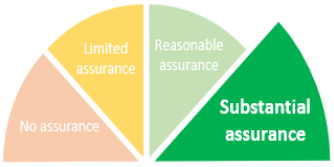
1.1.1 The purpose of this report is to provide an update on the progress made against the delivery of the Internal Audit Plan. This report provides details of audits finalised in quarter one of the 2026/2027 financial year.

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:

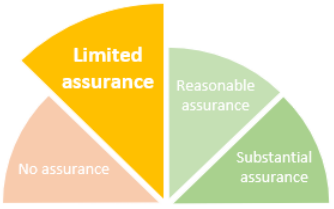
Opinion	Explanation

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.

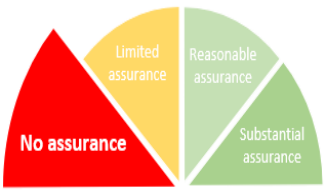


A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

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	Occupational Therapy Waiting List Management	0	5	0	Reasonable

2.1.1 The Occupational Therapy service supports residents to live independently and safely at home through assessment, provision of equipment and adaptations, hospital discharge support, and partnership working. Demand is high and variable, with urgent cases prioritised and lower-risk cases waiting several months.

2.1.2 This audit reviewed management of OT waiting lists in Adult Social Care during 2025/26. It assessed whether controls ensured effective oversight, risk management, timely support, and appropriate prioritisation, alongside application of the Council's "Waiting Well" approach and compliance with professional and statutory requirements.

2.1.3 A structured framework is in place, supported by professional standards, Mosaic, and performance reporting. Overall assurance is reasonable, with key controls generally effective. However, operational and information management issues limit effectiveness. Triage and prioritisation processes are not consistently applied, meaning the service cannot always demonstrate that higher-risk cases are prioritised appropriately.

2.1.4 Weaknesses in data quality, performance metrics, and reporting reduce management oversight and the ability to respond to emerging pressures. Although waiting lists are monitored and remain a strategic priority, current reporting does not provide a complete view of performance or backlog drivers.

2.1.5 Capacity pressures and increasing demand continue to impact performance, with backlogs in the Advice and Wellbeing Hub reflecting a mismatch between demand and resources. This is compounded by the absence of a detailed work plan and limited information on productivity and case complexity.

2.1.6 Overall, the service operates within a defined control framework, with staff working proactively under pressure. Further improvements are needed to strengthen consistency, risk management, and timeliness. Issues primarily relate to processes, data, and capacity rather than staff performance, and are being addressed through agreed actions.

		Recs			Assurance
2.2	Cemeteries and Crematorium	0	7	6	Reasonable

2.2.1 Bereavement Services is responsible for managing the Council's cemeteries and crematorium, including burial and cremation arrangements, maintaining statutory records, and overseeing associated income and expenditure. The service operates across several sites and also manages closed churchyards. It supports a diverse community with varying cultural and faith requirements and generates significant income for the Council

2.2.2 The audit focused on whether financial controls are robust and consistently applied. This included reviewing the accuracy and timeliness of income collection and debtor management, the effectiveness of procurement and expenditure controls, and whether fees are appropriately set and reviewed to ensure cost recovery. The review also considered the adequacy of budget monitoring arrangements, segregation of duties, and the extent to which financial risks are identified and managed.

2.2.3 Overall, the audit concluded that there is a generally sound system of governance, risk management, and control in place. The service demonstrates effective operational delivery and alignment with recognised professional standards. In addition, long-term planning arrangements are in place to address future burial capacity and financial sustainability, including proposals to extend cemetery provision.

2.2.4 A few areas for improvement were identified. These primarily relate to strengthening documentation, ensuring policies and procedures are kept up to date, and improving the consistency and transparency of financial controls. In particular, enhancements are required to income reconciliation processes, verification of fees, and retention of supporting evidence for financial and procurement decisions.

2.2.5 The audit also highlighted opportunities to improve oversight through better documentation of financial monitoring, clearer audit trails, and stronger evidence of management review. While these issues do not indicate a fundamental weakness in the control environment, addressing them will improve assurance, reduce operational risks, and support continued effective service delivery.

		Recs				Assurance
2.3	Payments Against Orders (Children)	0	0	4		Reasonable

2.3.1 This audit reviewed the arrangements for administering financial support provided through adoption allowances, special guardianship orders, and child arrangement orders. The audit focused on whether appropriate controls are in place to ensure payments are accurate, compliant with policy, and effectively managed within available budgets.

2.3.2 The service supports children who cannot live with their birth families by providing financial assistance to adopters, special guardians, and carers. These payments form part of a wider package of support designed to promote stability and secure permanent living arrangements. The Council is responsible for assessing eligibility, calculating and administering payments, and ensuring ongoing reviews are undertaken in line with legislation and locally defined criteria.

2.3.3 Policies and procedures are established and accessible to staff, and testing confirmed that payments are largely administered correctly in line with these arrangements. Sample testing of payments did not identify any significant errors, and reconciliations between financial assessments and system-generated payments were accurate.

2.3.4 Budgetary control arrangements were also found to be effective. Regular monitoring is undertaken through monthly budget reports, and financial performance is reviewed by management. At the time of the audit, expenditure across all payment types was below budget, indicating that costs are well managed and predictable.

2.3.5 However, the audit identified a number of areas where improvements would strengthen the control environment. In particular, key guidance documents had not been reviewed in line with required timescales, and there was a lack of clarity in some areas regarding documentation standards, including the form and completeness of signatures on financial assessment records. While these issues did not result in incorrect payments, they reduce the strength of the audit trail and consistency of practice.

2.3.6 In addition, some reliance was placed on a limited number of staff for key financial processes, creating a potential risk in the event of staff absence and reducing opportunities for independent checking. Actions have been agreed to address this through clearer guidance, strengthened documentation requirements, and improved resilience through training and role development.

2.3.7 Overall, the service is operating effectively and delivering payments accurately within a structured framework. The recommended improvements are focused on strengthening documentation, governance, and resilience to support continued compliance and consistency in the administration of payments.

		Recs				Assurance
2.4	Accounts Receivable Systems	0	3	2		Reasonable

2.4.1 The accounts receivable service is a critical part of the Council's financial management arrangements. It is responsible for raising invoices to individuals, businesses and partner organisations, ensuring income is billed accurately and collected promptly, and supporting the Council's financial sustainability. The service underpins cashflow, revenue recognition and the reliability of financial reporting, making effective systems and controls essential.

2.4.2 The audit focused on the key stages of the process leading up to income collection, including customer account set-up, invoicing, payment processing and system controls within the e5 financial system.

2.4.3 The service benefits from experienced staff and established processes, and key controls, particularly around the receipt and allocation of payments, were found to be operating effectively, with regular reconciliations undertaken.

2.4.4 However, the review identified opportunities to strengthen controls and improve consistency and resilience. In particular, there is no comprehensive, up-to-date documented procedure for the end-to-end accounts receivable process. As a result, practices vary across services, including customer account setup, invoice processing, and the retention of supporting documentation.

2.4.5 Opportunities were also identified to strengthen controls over customer account management and invoicing. This includes improving the use of credit and due diligence checks, ensuring invoices are issued in a timely manner, and reinstating formal review or approval controls prior to issuing invoices. In addition, supporting documentation is not always held consistently or centrally, which can weaken audit trails and reduce transparency.

2.4.6 Further improvements are required to enhance system governance and oversight. These include introducing regular reviews of user access to ensure permissions remain appropriate, increasing the use of management and exception reporting, and reducing reliance on individual officers where single points of failure have been identified.

2.4.7 In summary, while the accounts receivable function is operating effectively within a broadly sound control framework, the audit highlights opportunities to strengthen governance, improve consistency of processes, and enhance oversight. Addressing these areas will support a more robust and resilient control environment and help ensure the continued accuracy, transparency and efficiency of the Council's income management arrangements.

		Recs				Assurance
2.5	UASC – Follow Up	0	0	3		Reasonable

2.5.1 This follow-up audit reviewed progress made against recommendations from a previous audit of the Council's arrangements for supporting Unaccompanied Asylum-Seeking Children (UASC). The audit focused on whether agreed actions had been implemented effectively and whether internal controls have improved since the earlier review.

2.5.2 The UASC service supports children under 18 who arrive in the UK without parents or carers. The Council is responsible for assessing their needs, providing accommodation and care, and supporting access to education, healthcare and legal advice. It must also manage longer-term responsibilities, including care planning, transition to adulthood, and financial support where immigration status remains unresolved.

2.5.3 The audit concluded that there has been clear progress since the previous review, with an overall opinion of reasonable assurance. Most recommendations have been implemented, and key processes are in place, supported by policies, quality assurance arrangements and governance oversight.

2.5.4 Improvements were identified across several areas. A consistent approach to age assessments has been embedded using a recognised national framework, with appropriate documentation and quality assurance controls in place. Care planning, reviews and financial monitoring arrangements are also operating effectively, with strengthened oversight and established processes for reconciliation and forecasting.

2.5.5 However, some areas require further development to ensure consistency. The audit found that key controls, particularly around approvals and authorisation, are not always applied or recorded consistently. This includes gaps in recording formal approval of accommodation decisions, pathway plans and care plan documentation. While these issues do not undermine the overall framework, they weaken audit trails and reduce assurance that decisions are consistently authorised in line with requirements.

2.5.6 In addition, some processes are still being embedded, including arrangements relating to transition to adulthood and the timeliness of accommodation moves, which are partly affected by wider housing constraints. Financial processes are generally robust, although they continue to rely on timely updates from operational staff and are influenced by external factors such as delays in Home Office decisions.

2.5.7 Overall, the audit demonstrates positive progress and strengthening of the control environment since the previous review. While further work is needed to ensure consistent application of controls and strengthen documentation and audit trails, the service is operating within a broadly effective framework and continuing to improve its arrangements for supporting unaccompanied asylum-seeking children.

2.5 Arcus

2.5.1 Arcus was implemented as Reading Borough Council's Case and Customer Management system, replacing legacy platforms. It was intended to modernise digital infrastructure, streamline customer journeys, and improve processes in line with Connected Reading and Customer Experience strategies. Internal Audit conducted a fact-finding review following emerging concerns. The aim was to validate issues, identify underlying causes, and inform future decisions. No formal recommendations or assurance opinion was provided due to the nature of the review.

2.5.2 The review found that, while the strategic rationale was sound, delivery was affected by governance, delivery, cultural and technical issues. Limited upfront process mapping and requirements definition led to underestimation of development needs. Governance weakened over time, with unclear escalation and inconsistent decision-making, contributing to a reactive approach and implementation before full readiness.

2.5.3 Wider organisational factors included capacity pressures, inconsistent service engagement, and weaknesses in training and change management. These contributed to uneven adoption and unclear ways of working. Although many processes were delivered, performance remained mixed, with ongoing data, functionality and user experience issues, meaning benefits have not yet been fully realised.

2.5.4 The Council is working to improve the system through a structured programme. This includes strengthening governance and business-as-usual arrangements, addressing technical and data backlogs, embedding the system through process review and training, and delivering targeted enhancements. The programme is aimed to address underlying issues, support organisational learning, and provide a clearer basis for future decisions.

2.5.5 An audit will be programmed later to provide formal assurance over the effectiveness of the improvements made, assess whether governance and operational arrangements have stabilised, and confirm that the intended benefits of the system are being realised.

2.6 Schools Audits

2.6.1 In addition to the above, audits have been completed at three schools: Christ the King, Wilson Primary School, and Alfred Sutton Primary School.

2.6.2 In each case, the audits confirmed that the schools' self-assessments had been completed in a transparent and honest manner, and that the resulting assurance opinions of Reasonable Assurance were appropriate. While all schools identified areas for improvement, further recommendations have also been made to support ongoing development.

2.6.3 Overall, the audits found that these schools have sound governance arrangements and effective control frameworks in place.

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

Audit reviews carried over from 2025/2026

	Timing							Res			
Audit Title	**Q1**	**Q2**	**Q3**	**Q4**	**Start Date**	**Draft Report**	**Final Report**	**P1**	**P2**	**P3**	**Assurance**
Unaccompanied Asylum-Seeking Children – follow up		●			Aug-25	May-26	Jun-26	0	0	3	Reasonable
Payments Against Orders		●			Jul-25	Mar-26	Apr-26	0	0	4	Reasonable
ARCUS system implementation			●		Jun-25	Nov-25	Apr-26	-	-	-	N/A
Accounts Receivable				●	Feb-26	May 26	May-26	0	3	2	Reasonable
Housing Repairs (Reactive)				●	Feb-26	Jul-26					
Occupational Therapy Waiting Lists (Adults)				●	Jan-26	Feb-26	Apr-26	0	5	0	Reasonable
Cemeteries and Crematorium				●	Nov-25	Mar-26	Apr-26	0	7	6	Reasonable
IT Application Security											

Audit reviews for 2026/2027

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

	Timing							Res			
Audit Title	**Q1**	**Q2**	**Q3**	**Q4**	**Start Date**	**Draft Report**	**Final Report**	**P1**	**P2**	**P3**	**Assurance**
Licensing	●				May-26						
Financial Assessment & Benefits Team – follow up	●				Mar-26	Jun-26					
Occupational Therapy Waiting Lists (Children's)	●				May-26	Postponed to Q3					
Joint Legal Team (JLT) Billing Process – follow up	●				Apr-26	Jun-26					
Pupil Premium Funding	●				May-26						
Software Asset Management*	●				Apr-26						
Council's Building Management Efficiencies – Corporate Landlord		●									
Local Transport Plan Capital Settlement (Grant Certification)		●									
Local Authority Bus Subsidy Grant (BSOG)		●									
Payroll		●			Jun-26						
Payment Card Industry Data Security Standard (PCIDSS)		●			May-26						
Home Improvement Grants – follow up		●									
Foster Care (Allowances)		●									
Food Hygiene Inspections *		●									
Lone Working			●								
Fleet Management			●								
Traffic Regulation Orders – follow up			●								
General Ledger			●								

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

	Timing							Res			
Audit Title	**Q1**	**Q2**	**Q3**	**Q4**	**Start Date**	**Draft Report**	**Final Report**	**P1**	**P2**	**P3**	**Assurance**
Direct Payments & Managed Payroll Providers			●								
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 and undertaken by apprentice

** Added to the plan following whistleblowing allegations

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 expected 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 is likely to 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 – JUNE 2026)

3.1 Council Tax Support Investigations

3.1.1 Council Tax fraud involves providing false information or failing to report changes to reduce liability, including incorrectly claiming discounts or exemptions. To date, 19 investigations have commenced. One case resulted in removal of a discount and estimated savings of £580.62. Four criminal investigations remain ongoing.

3.2 Housing Tenancy Investigations

3.2.1 Tenancy fraud involves providing false information or unlawful activity to obtain or retain social housing, including subletting or misrepresenting eligibility. Since 1 April 2026, 16 investigations have been opened. Two properties were recovered and returned to stock during the period, although both cases originated in prior financial years. Six investigations remain ongoing. Notional savings from recovered properties total £156,600, based on Cabinet Office methodology.

3.3 Disabled Persons Parking (Blue Badges)

3.3.1 Blue badge fraud involves misuse, including use by non-holders, forged or altered badges, or false applications, reducing access for legitimate users. Since April 2026, 17 referrals have been received. Of 13 closed cases, 5 resulted in warning letters and 5 badges were seized and destroyed. Four investigations remain ongoing. Notional savings from seized badges total £3,970.

3.4 Internal Investigations

3.4.1 Internal investigations examine alleged misconduct and may result in disciplinary or criminal action. Two referrals were received. One, concerning alleged secondary employment, concluded with resignation and a notional saving of £74,500. The second remains under review. One additional case from 2024/25 remains ongoing.

3.5 Data Protection Act Requests

3.5.1 The team supports Thames Valley Police by providing intelligence to assist investigations and safeguarding activity. Between April and June, 19 requests were processed.

3.6 Fraud Hub

3.6.1 Participation in the Cabinet Office Fraud Hub supports fraud detection through data-matching and cross-agency collaboration. From April to June, 63 referrals were processed, generating savings of £4,285.04.