



Internal Audit & Counter Fraud Quarterly Report

**Quarter 2 2025/26
July to September 2025**

1 Introduction

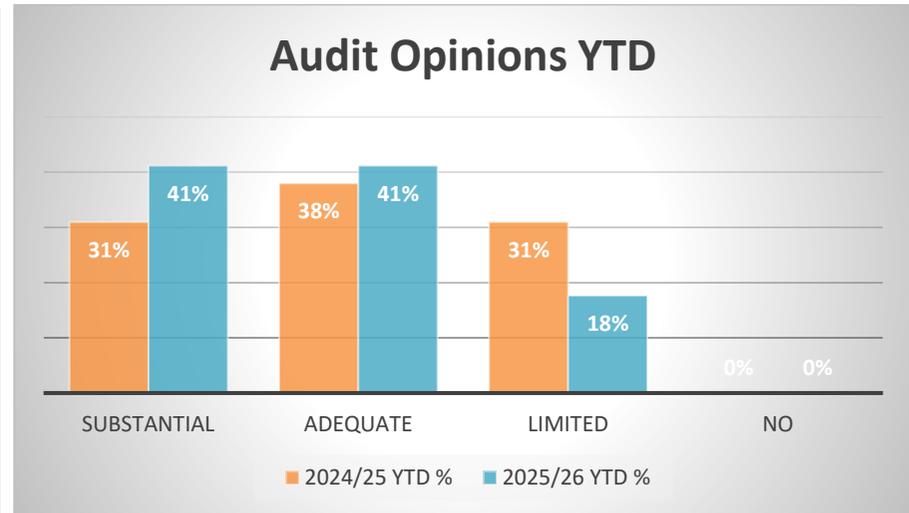
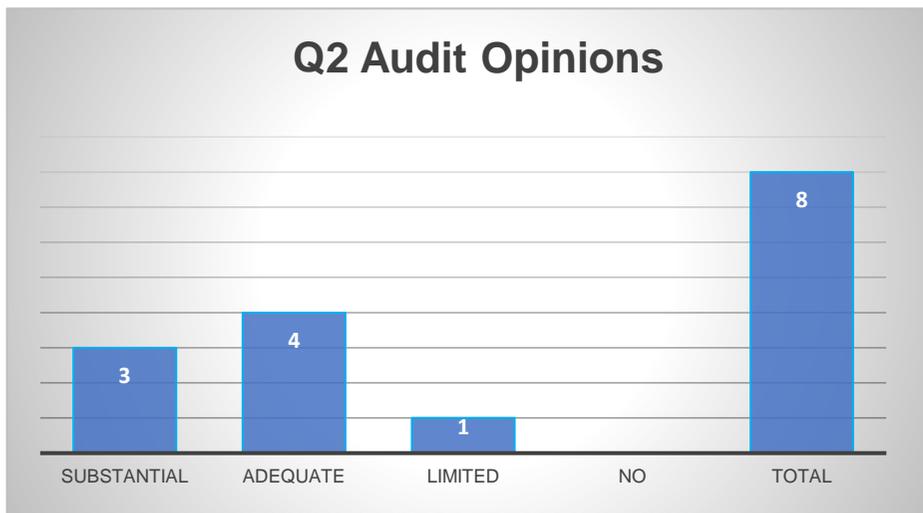
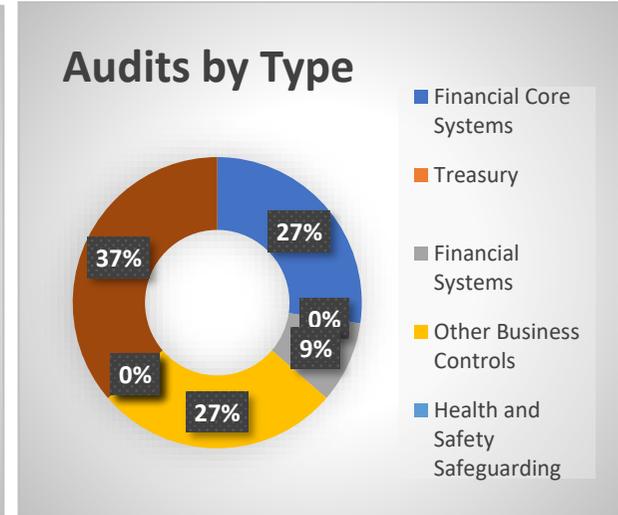
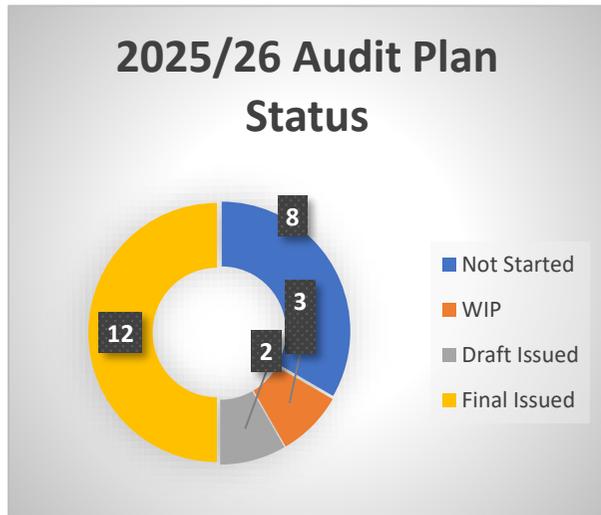
This report sets out the work of Internal Audit completed in the period shown above. All work included has reached a final, except if shown otherwise, management have accepted the findings and agreed to implement the recommendations, or, in the case of employee investigations, any disciplinary action has been through the required stages and any appeal time.

Where an assurance opinion was appropriate these reflected the standard framework below:

Opinion	Definition - Control Adequacy	Definition - Control Application
Substantial Assurance	A robust framework of all key controls exists that is likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
Adequate Assurance	A sufficient framework of key controls exists that is likely to result in objectives being achieved but the overall control framework could be stronger.	Controls are applied but with some lapses.
Limited Assurance	Risk exists of objectives not being achieved due to the absence of a number of key controls in the system.	Significant breakdown in the application of a number of key and/or other controls.
No Assurance	Significant risk exists of objectives not being achieved due to the absence of key controls in the system.	Serious breakdown in the application of key controls.

All audit work attracts recommendations intended to achieve at least an adequate level of control. All audits resulting in a negative - "limited assurance" or "no assurance" - opinion are followed up as a matter of course, whereas confirmation of progress in implementing agreed recommendations in other reports is sought once all the implementation dates have elapsed.

2 Internal Audit Assurance Map and Quarterly Dashboard



3 Planned Audit Work Completed in the Period

3.1 Financial System and Service Business Risk Audits

<u>Reference</u>	<u>Audit / Objectives</u>	<u>Opinion</u>	<u>Recommendations</u>		
			Fundamental	Significant	Merits Attention
	• <u>Core Financial Systems</u>				
	<u>Homes & Neighbourhoods</u>				
010	Housing Rents Income Reconciliation	<p><u>Adequate Assurance:</u></p> <p>Rents are paid through a variety of means by tenants, primarily direct debit, cash, card and housing benefit from the DWP. Total income received annually amounts to over £95m for a property stock of about 21,500.</p> <p>Three core IT systems (Universal Housing (UH) – rent account, SAP - Accounting and Bank Account – Barclays Bank statements) were examined and checks confirmed that income received is correctly identified, allocated and reconciled.</p> <p>The main area requiring attention related to the UH suspense account containing erroneous or incomplete payments which has an unresolved historic balance of transactions totalling almost £50,000. Management agreed to target resolution of individual items prior to the new IT system, CX, going live. Subsequently, clarification of roles and responsibilities and proactive monitoring needed to be determined to prevent the issue recurring and</p>	0	4	2

		growing again.			
	<ul style="list-style-type: none"> • <u>Other Financial Systems and Processes</u> 				
	<u>Finance</u>				
011	Clients' Property Register	<p><u>Limited Assurance:</u></p> <p>The Council has a statutory duty to provide safekeeping for service users' valuables, typically jewellery which may also have a strong sentimental tie, and financial and legal documents and passports. This duty is met by means of a central safe and other secure receptacles, as well as at on-site care facilities. The value of such items is necessarily indeterminant.</p> <p>Items recorded as being kept in the safe were accounted for correctly. However, the ongoing compliance with several previous relevant audit recommendations appeared to have lapsed post pandemic.</p> <p>Unclaimed items were being retained too long and arrangements for sale or disposal did not comply with Contract Procedure Rules.</p> <p>Additional management controls were required for reporting and oversight and segregation of duties, as well as process reiteration to strengthen the internal control environment.</p>	1	3	5

	<u>Culture & Visitor Economy</u>				
012	School Meals Income	<p><u>Adequate Assurance:</u></p> <p>In 2024/25 the Catering Service provided meals to the value of about £18m to Council maintained and academy schools and other internal and external customers.</p> <p>Overall, there are appropriate systems and controls in place for charging and collecting income due. However, the systems and processes for charging are complex due to the differences between maintained and academies, as well as between primary and high schools. Since the previous audit, the Service has made improvements in how it calculates and administers monthly recharges, trying to reduce the amount of manual input as well as using excel formulae to calculate total charges.</p> <p>Total income received for 2024/25 was higher than the previous year, however, the audit was unable to determine if the rates, charges and income collected from schools were appropriate and met Service costs, as due to a high turnover of Finance staff responsible for Catering, minimal budget monitoring was completed.</p> <p>The Service relies on accurate and timely budget monitoring information to identify any significant variations which may indicate that a school has not been invoiced or charged for Catering services.</p> <p>Other historical issues have been identified by the new finance team, including issues with budgets and school profit centres sitting incorrectly within the SAP hierarchy. Whilst it is understood that the financial objective of the Service is to provide full</p>	0	2	2

		cost recovery, arrangements and systems are not currently in place to ensure that this is the case.			
	<u>Highways & Streetscene</u>				
013	Winter Maintenance	<p><u>Adequate Assurance:</u></p> <p>Highway access is ensured via gritting of published routes by a mixture of in-house and external teams, the latter covering mainly more remote rural areas. The gritter fleet is largely being replaced. The budget historically overspends.</p> <p>Overall, the available evidence suggests service delivery is working well. The main issues relate to non-operational areas, to budgetary control, for which an additional £500,000 has been added to the budget for the current year and administrative oversight of sub-contractors' insurance cover.</p>	0	2	3
	• <u>Other Business Controls</u>				
	<u>Skills & Regeneration</u>				
014	Planning Consent & Fee Income	<p><u>Adequate Assurance:</u></p> <p>Around 3,900 applications for development are received annually that generate approximately £1.6m in fee income.</p> <p>There is sufficient evidence of correct decision making and application of policies / rules for both officer and committee decisions. Four areas of improvement were identified however.</p>	0	4	0

		<ul style="list-style-type: none"> • a need to increase the degree to which quality checks are undertaken of case processing, • progress with recovering additional costs, • further consideration of the potential for fraud and mitigating measures, and • completion of a procurement strategy to replace the current software application that will not receive technical support from the supplier beyond March 2026. <p>Management has agreed to address the recommendations by the end of 2025/26.</p>			

3.2 Recommendation Follow - up Audit Work Completed in the Period

See attached Appendix A.

3.3 School Audits

Reference	Opinion	No.
015, 016 & 017	Substantial Assurance	3
0	Adequate Assurance	0
0	Limited Assurance	0
0	No Assurance	0

See attached private Appendix B.

3.4 Significant and Fundamental Recommendation Themes – cumulative

<u>Fundamental/Significant Recommendation Themes</u>	<u>No. of audits identified</u>
Information management - GDPR	3
Information management – data protection-DPIA	6
Contract Management	7
Cash Handling	4

4 Investigations and other Audit Activity

4.1 Corporate

National Fraud Initiative 2024/25

Work is ongoing to complete checks arising from the highest risk areas across the set of exception reports covering the various datasets submitted. A final summary report will be prepared for inclusion in the next quarterly report.

Following legislative action to address data protection concerns a supplementary exercise is due to commence in November concerning data relating to adult social care, specifically residential accommodation and direct payments (personal care budgets).

4.2 Strategy & Innovation

IT Environment Controls & SAP System Administration

Support provided to the IT Service in managing their relationship with the external auditors, Grant Thornton, in their annual review, as a precursor to the audit of the Annual Accounts.

4.3 Corporate

Replacement Enterprise Resource Planning (ERP) System Procurement

Provided risk and control input to the ER Project Board chaired by the Service Director of Strategy & Innovation following demonstrations of their product from leading software suppliers including the incumbent of SAP, facilitated by the Transformation Team.

4.4 Learning & Early Support

Cyber Fraud against a Primary School

See attached private Appendix

5. Counter Fraud Work

5.1 Housing Fraud

Investigation Type	Cases Brought Forward	New Referrals	Ongoing	Closed Prosecutions	Closed: No Fraud Proven or Warning Issued	Applications Cancelled	Properties Returned and Application Cancelled
Right To Buy	20	3	17		1	3	2
Tenancy Fraud	18	5	20		2	0	1
Multi-Agency/Service Cases	2	1	3		0	0	0

There has been a large increase in Right to Buy (RTB) applications in general since June 2024. However, the amount of RTB applications has reduced substantially in Quarter 2. Despite the high volume of credit checks processed by the fraud team in Q4 2024/25, fraud referrals have stabilised largely due to the reduction in Right to Buy discount thus making it less attractive for tenants to make an application. However, Tenancy Fraud is on the increase, and the focus is on ensuring these cases do not later re-present themselves as Right to Buy fraud. The frauds being encountered are becoming more complex, and cases are becoming longer. Often searches suggest fraud is being committed in other aspects of the suspects lives, resulting in increasing referrals to the Police and other government agencies.

5.2 Council Tax and Business Rate Fraud

Investigation Type	Cases Brought Forward	New Referrals	Ongoing	Closed Prosecutions	Closed: No Fraud Proven	Closed: Referred to Other Government Agency
Council Tax	3	0	3	0	0	0
Business Rates	4	0	4	0	0	0
COVID Grants	1	0	1	0	0	0

5.3 Accounts Payable Fraud

Investigation Type	Q2	YTD	Ongoing	YTD Fraud Attempted	YTD Fraud Successful	YTD Monies Reclaimed
Payment Fraud	3	3	0	3	-	-

5.4 Adult Social Care – West Yorkshire Financial Exploitation and Financial Abuse Team

WYFEAT – Adult Social Care (April 2025 – March 2026 cumulative)

Investigations	Pre-Investigations	Safeguarding Only	Yet to be designated	Closed	Value (£): YTD
1	2	2	2	-	£40,040

5.5 Blue (Parking) Badge Fraud

Cases Brought Forward	New Referrals	Ongoing	Closed - Prosecutions	Closed: No Fraud Proven or Warning Issued
48	35	29	21	33

5.6 Other Investigative Work

Investigation Type	YTD
Money Laundering Cases	0
HR Investigations	0

6. Regulation of Investigatory Powers Act investigations

None this period.