



# **Internal Audit & Counter Fraud Quarterly Report**

**Quarter 3 2025/26  
October to December 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.

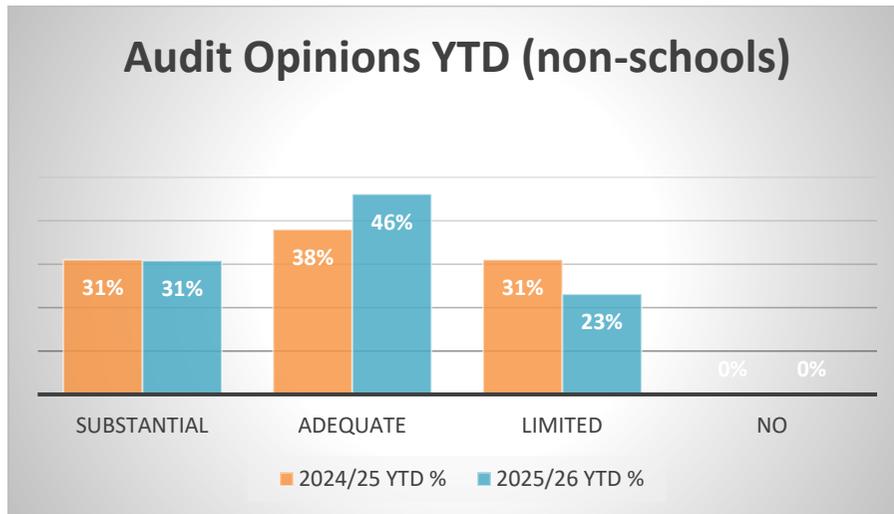
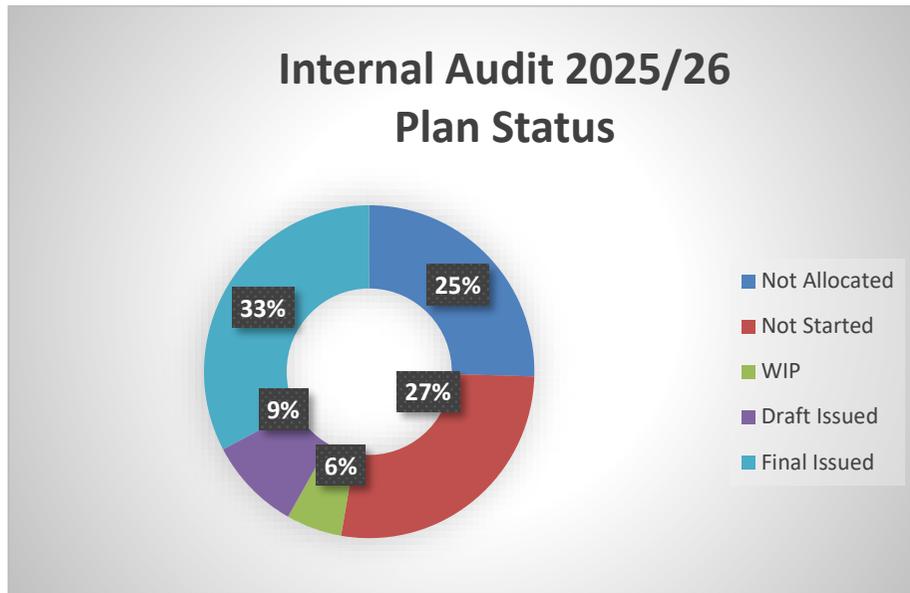
Where an assurance opinion was appropriate these reflected the standard framework below:

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.

Note on Homes & Neighbourhoods audit – key audit work has been delayed due to management reporting issues and access to document images since the implementation of the new CX software application.

## 2 Internal Audit 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>		
			Fndm'tl	Significant	Merits Attention
	<ul style="list-style-type: none"> <li>• <b><u>Key Financial Systems and Processes</u></b></li> </ul>	None during this period.			
	<ul style="list-style-type: none"> <li>• <b><u>Other Financial Systems and Processes</u></b></li> </ul>				
	<b><u>Culture &amp; Visitor Economy</u></b>				
018	Conservatory Café Greenhead Park	<p><b><u>Adequate Assurance:</u></b></p> <p>Service management requested an audit this year of the Café's income and expenditure. The Café provides meals and refreshments on a cashless basis. Turnover is approximately £350K.</p> <p>Controls for collecting all income due and ensuring accurate banking and recording of cash from the parking machine, are in place and operating effectively, with appropriate reconciliation of till receipts being completed.</p> <p>Since the Café transitioned to a cashless model at the start of the financial year, concerns have been raised about the need to turn away potential customers who are unable to pay by card.</p> <p>The removal of the petty cash float has created operational challenges. Only the Area Catering Manager has a</p>	0	1	3

		<p>purchase card, who works only part-time on weekdays. This limitation has resulted in difficulties procuring essential items during weekends.</p> <p>A historical issue was identified regarding VAT accounting. While the Café correctly recorded VAT in its' trading account, the corresponding VAT journals were not posted by Finance due to a miscommunication. This resulted in a corrective VAT charge of c.£165k in FY 2025/26. A monthly VAT posting process has now been implemented to prevent recurrence. While this adjustment impacted the overall budget and financial position reported in SAP, the Café has continued to use its' trading accounts to monitor monthly performance and determine its' operating position.</p> <p>Due to system limitations, implementing a comprehensive stock management process has not been feasible, as manual input and price amendments are highly time-consuming and administratively intensive. Duty Managers perform monthly stock counts, which are used to calculate the total cost of inventory used during the period. The audit could not fully verify the accuracy of control, but no adverse patterns were noted during testing.</p>			
	<b><u>Child Protection &amp; Family Support</u></b>				
019	Special Guardianship Orders (SGO)	<p><b><u>Adequate Assurance:</u></b></p> <p>A SGO is a legal order appointing a person or persons to be a child's special guardian when the child cannot live with their birth parents and adoption is not right for them. The guardian is responsible for looking after the child until they reach the age of 18 (unless otherwise decided by the court). The Order is designed for children who need a stable and secure home but do not wish sever all ties with their birth family, as is the case with adoption.</p>	0	4	8

		<p>The Council's current SGO Policy was implemented with effect from April 2025 and means-testing no longer applies to the financial support provided to 512 of the 537 carers, as part of an annual review.</p> <p>Management explained that long term sickness absence challenges have been impacting delivering the SGO functions. Nevertheless, systems and processes for financial support appear to be functioning satisfactorily. There were no notable financial irregularities identified from the sample of assessment cases reviewed and the financial assessment and payment processing functions were found to be operating robustly. Testing did identify the need for more timely annual reviews, segregation of duties, oversight and authorisation controls for assessments and the need for management to consider additional resource for assessment related succession planning and service continuity, which would strengthen the overall control environment.</p> <p>It was also found that SGO carer's payments are not being suspended as prescribed in the Policy when requests for contact and information go unanswered and these are not currently tracked or monitored. Management must confirm if the policy on suspensions is to be enforced and which staff are to have responsibility for monitoring this function as it was highlighted as a relatively unknown part of the Policy. This issue may be linked to some extent to an inherent fraud risk, such as with a recent case in which it has been alleged that a carer (grandparent) was not residing at the same address as the SGO children. At the time of the audit, a fraud risk assessment for Children's and Families Service had not been submitted to the Head of Risk per the Council's Fraud Strategy and ongoing anti-fraud initiatives.</p>			
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	<u>Public Health</u>				
020	Integrated Wellness Service	<p><b><u>Adequate Assurance:</u></b></p> <p>Kirklees Wellness Service is the main provider and single point of access for wellness support to adults, via a free personalised holistic wellness offer. As well as noting that local GPs, pharmacies, and social prescribers can refer patients directly, streamlining support and ensuring a consistent and efficient offer for all communities. There are specific budgetary profit centres of £1.36m for the 2025/26 financial year, comprising:</p> <ul style="list-style-type: none"> <li>• NHS Health Check Programme (£325k).</li> <li>• Public Mental Health (£114k).</li> <li>• Physical Activity for Adults (£326k); and</li> <li>• Stop Smoking Services &amp; Interventions (£595k).</li> </ul> <p>The audit provided assurance that effective arrangements are in place in relation to the controls relating to the referral, delivery, payment for and effectiveness of the Integrated Wellness Service's performance.</p> <p>Rolling annual Service Level Agreements with the Communities Service and NHS lacked specific targets in terms of data that was recorded in the monitoring information (e.g. number of people who stopped smoking).</p> <p>Significant data exists and represents a substantial improvement on what has been in place in this area during previous reviews. Further detail (e.g. NHS numbers of individuals) would provide assurance as to the accuracy and completeness of the data supplied and meet expectations about the existence of a full audit trail in relation to payments. Improvements in this area should be considered with the assistance of the Information Governance Team.</p>	0	3	0

	<b><u>Culture &amp; Visitor Economy</u></b>				
	Guaranteed Relief Cleaners	<p><b><u>Limited Assurance:</u></b></p> <p>An investigation, and audit followed an anonymous whistleblowing concern relating to potentially falsified timesheets within the Guaranteed Relief Cleaners (GRC)Team – (about 50 staff, out of 800 in total) Whilst the allegations were not supported by the evidence collected, the investigation did identify significant systemic weaknesses in the Service’s operational controls. The Service relies heavily on informal arrangements and verbal guidance, resulting in inconsistent processes and limited transparency. Issues identified re the GRCs included</p> <ul style="list-style-type: none"> <li>• the absence of documented procedures for task allocation and timesheet recording,</li> <li>• weak attendance-verification arrangements,</li> <li>• excessive overtime</li> <li>• insufficient segregation of duties.</li> </ul> <p>Cultural barriers were also noted, with staff expressing discomfort in raising concerns. Although no deterioration in service quality was observed, the current control environment is not robust enough to ensure compliance, fairness, or cost efficiency. The weaknesses identified require urgent action to mitigate financial, operational, and reputational risks. Senior management have accepted the report’s findings and recommendations and are determining how these will be implemented to address the concerns identified.</p>	5	13	0
	• <b><u>Other Business Controls</u></b>				

	<b><u>Strategy &amp; Innovation</u></b>				
021	IT Network Access Management	<p><b><u>Adequate Assurance:</u></b></p> <p>Cyber-attacks are becoming more frequent and more advanced. Criminals now use tools like AI-driven malware and ransomware services to break into systems, steal data, and disrupt operations. They often target remote work setups, cloud services, and even everyday devices. Strong access controls act as a security gate, protecting the Council from costly breaches and compliance risks.</p> <p>The audit identified discrepancies in 2% of user accounts. A third of these accounts were then deleted, and a further quarter closed due to the audit, and others retained for legitimate reasons such as relating to casual workers, or legal obligations (e.g. 26 accounts have been retained for the Covid-19 public inquiry). A small number of accounts remain disabled, with six under investigation, two (active).</p> <p>Failures in the leaver process - caused by incomplete notification by line managers, timing gaps in HD-One leavers' reports, or missed actions within IT - led to instances where accounts had not been closed promptly, creating risks of unauthorised access, GDPR non-compliance, and operational inefficiency.</p> <p>Audit testing confirmed that arrangements for managing third-party access and the issue and monitoring of Domain Admin accounts within IT are compliant.</p> <p>This issue was subsequently discussed at the IG Board due to the corporate nature of most of the findings, and a communications plan agreed to remind all managers of their responsibility in this area.</p>	0	2	1

	<b><u>Adult Social Care</u></b>				
022	Quality of Care Provision	<p><b><u>Adequate Assurance:</u></b></p> <p>A review was completed in December 2025 to provide assurance on the effectiveness of the processes in place in relation to the Council's arrangements for monitoring and ensuring the quality of residential and domiciliary care services, procured at an annual cost of almost £140m.</p> <p>The processes in place provide assurance that the arrangements for monitoring the quality of service provision are operating effectively in relation to compliance, contractual integrity, data /monitoring systems, governance and risk.</p> <p>Assurance was also provided that inspection work is up-to-date and that the volume of work performed forms a representative picture of third-party service providers. However, services delivered internally by the Council are not reviewed as private providers are. This would appear to be an inconsistency. Whilst quarterly reports outlined the work undertaken, these would be improved by clearly reflecting the progress against the annual planned work.</p>	0	3	1

### **3.2 School Audits**

Reference	Opinion	No.
024	<b>Substantial Assurance</b>	<b>1</b>
025	<b>Adequate Assurance</b>	<b>1</b>
026	<b>Limited Assurance</b>	<b>1</b>
0	<b>No Assurance</b>	<b>0</b>

See attached private Appendix A.

### **3.3 Significant and Fundamental Recommendation Themes – cumulative**

<b><u>Fundamental/Significant Recommendation Themes</u></b>	<b><u>No. of audits identified</u></b>
Information management - GDPR	3
Information management – data protection-DPIA	6
Contract Management	8
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 final quarterly report.

Following legislative action to address data protection concerns, a supplementary exercise has been undertaken concerning data relating to adult social care, specifically residential accommodation and direct payments (personal care budgets). Release of exception reports was delayed by the Cabinet Office until just before Christmas and review of the data has commenced to identify and resolve any unnotified deaths and income that may affect payments to suppliers and clients. The outcome will be reported in the Quarter 4 report.

### **4.2 Corporate**

#### **Replacement Enterprise Resource Planning (ERP) System Procurement**

Provided ongoing 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 and subsequent submission of the consultant's procurement options report.

### **4.3 Highways & Streetscene**

#### WYCA Grant Verification

Work has commenced in auditing a raft of grant claims where the Combined Authority have funded various highway and transportation projects delivered by the Council and which the Authority requires certification by the Head of Audit, prior to sign-off by the Director of Finance.

## **5. Counter Fraud Work**

### **5.1 Housing Fraud**

<b>Investigation Type</b>	<b>Cases Brought Forward</b>	<b>New Referrals</b>	<b>Ongoing</b>	<b>Closed Prosecutions</b>	<b>Closed: No Fraud Proven or Warning Issued</b>	<b>Applications Cancelled</b>	<b>Properties Returned and Application Cancelled</b>
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. Tenancy Fraud seems to be increasing. It is important that 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**

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

### **5.6 Other Investigative Work**

<b>Investigation Type</b>	<b>YTD</b>
Money Laundering Cases	0
HR Investigations	0

### **Allegation by resident**

A member of the public asserted that a piece of repair work had been subject to fraud. A preliminary review found that work had been carried out by way of a variation to an existing contract, evidenced by photographs. Whilst the records that related to this task were incomplete, the attributable charges were not disproportionate for the work that seemed to have been executed, and as the amount expended on the variation was quite low, no further action was appropriate.

## **6. Regulation of Investigatory Powers Act investigations**

None this period. The annual IPCO returns were submitted in January 2026.