



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

**Quarter 4 2025/26  
January to March 2026**

## 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.

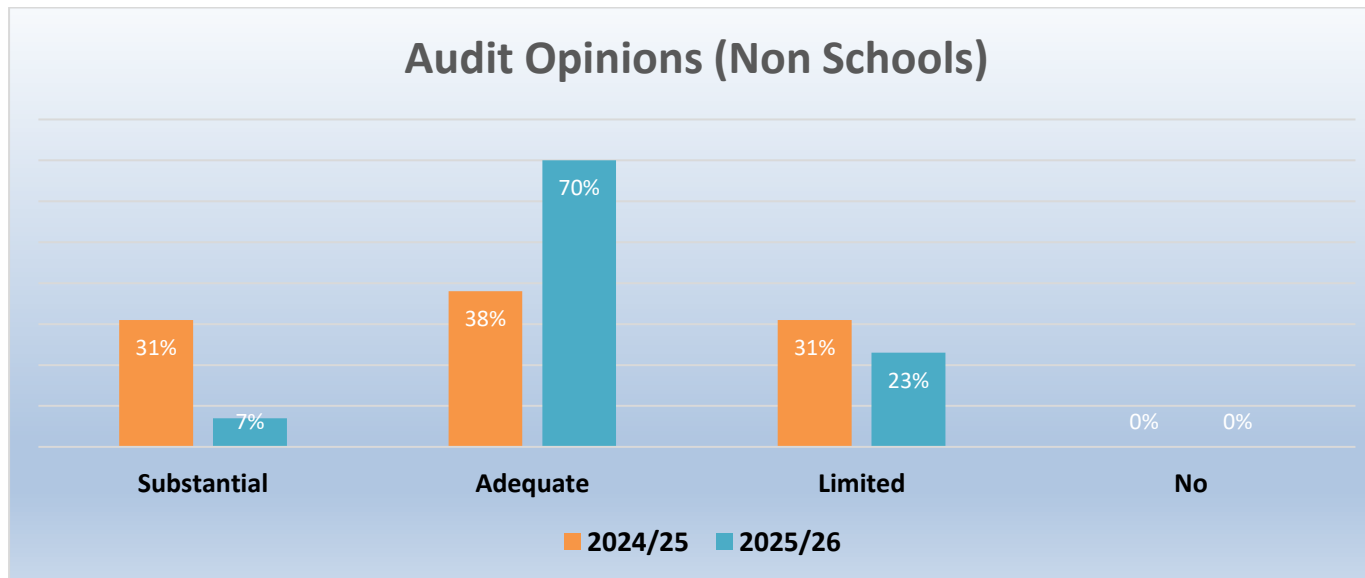
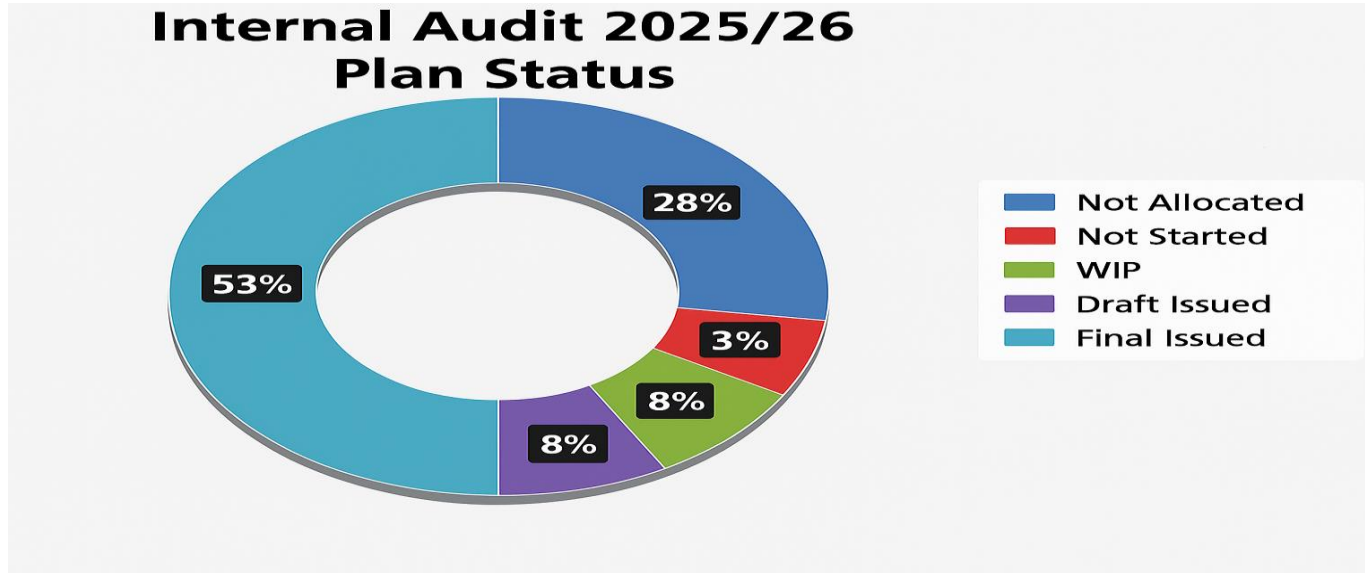
Where an assurance opinion was appropriate these reflected the standard framework below:

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**

Reference	Audit / Objectives	Opinion	Recommendations		
			Fundamental	Significant	Merits Attention
	<ul style="list-style-type: none"> <li>• <b><u>Key Financial Systems and Processes</u></b></li> </ul>				
	<b><u>Finance</u></b>				
027	Business Rates Liability & Relief	<p><b><u>Adequate Assurance:</u></b></p> <p>Business Rates represents £98m of the Council's total income. The environment in which many businesses trade has led to lobbying to reduce the burden of business rates. It is important that the liability to pay and receive reliefs that may be available are determined in a fair and transparent way and that the risk of fraud and error is minimised. Overall, the day-to-day processing of reliefs is operating effectively, eligibility decisions were generally well-supported, appropriately assessed and accurately recorded. Staff carried out relevant verification checks, and evidence was available to substantiate the reliefs awarded.</p> <p>However, the audit identified inconsistencies in the way supporting documentation is recorded and stored, resulting in an uneven audit trail. Although no fraud was detected, there are opportunities to strengthen fraud prevention measures. The Team's plans to introduce self-service forms and implement a structured three-year review cycle for all reliefs represent positive steps toward modernising</p>	0	3	0

		processes and improving data quality. Further enhancements, such as in-person business verification visits and maintaining a record of detected fraud attempts, would significantly improve the ability to identify and mitigate fraud risks.			
	<ul style="list-style-type: none"> <li>• <b><u>Other Financial Systems and Processes</u></b></li> </ul>				
	<b><u>Skills &amp; Regeneration</u></b>				
028	Building Control Income	<p><b><u>Limited Assurance:</u></b></p> <p>The Council provides a service in competition with private sector providers. Charges vary depending on the nature of the work and size of the proposal but typically range from £250-750, larger jobs are subject to individual quotation. Fees and charges for building regulations approval is circa £0.9m.</p> <p>The audit found that arrangement for correctly identifying and collecting charges are good. However, the Council is not compliant with a requirement to publish financial information about its Building Control activity, (The Building (Local Authority Charges) Regulations 2010 require authorities to publish a financial statement at the end of each financial year setting out the costs, income and any surplus income or deficit). (The information required will be published in Q1 2026/27).</p>	1	3	2
	<b><u>Environmental Strategy &amp; Climate Change</u></b>				
029	Home to School Transport	<b><u>Limited Assurance (Follow Up)</u></b>	0	7	0

		<p>Control of the financial commitments entered into with largely taxi providers to ensure eligible children and young people are transported to and from special school provision has been hard to achieve. A lack of clarity on overspends and demand pressures has not provided senior management with the level of assurance they require. As part of the 2026/27 budget process completed recently, additional funds have been provided.</p> <p>A follow up audit was undertaken in January 2026 following a Limited Assurance opinion issued in October 2023. While the service has made progress in a number of areas, including route management, financial controls, and the procurement of a dedicated home to school transport system, a significant number of recommendations remain incomplete and important risks persist.</p> <p>Financial pressures continue, with overspends driven by increased demand for post-16 and special school transport. There remain ongoing weaknesses in documentation, consistency of decision making, and compliance with contract procedures. The service has strengthened oversight through the appointment of a permanent finance officer and progress has been made in reducing single use taxis and expanding shared transport and personal travel budgets. However, key controls relating to agency staffing arrangements, invoice verification, record keeping, and personal transport budget management remain under development. There has also been transformation based work, and additional budget allocations.</p> <p>The new transport IT system is scheduled to go live in July 2026 and represents a critical dependency for longer-term improvement. Until remaining actions are fully implemented and embedded, the overall assurance position remains limited.</p>			
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	<ul style="list-style-type: none"> <li>• <b><u>Other Business Controls</u></b></li> </ul>				
	<b><u>Strategy &amp; Innovation</u></b>				
030	Integrated Impact Assessments	<p><b><u>Adequate Assurance:</u></b></p> <p>Integrated Impact Assessments are carried out by Services to understand the actual and/or potential impacts of their activities and decisions on equality, access to services, and the environment. The outcomes from IIAs are used to inform decision making and identify any action required to maximise the positive impacts, and/or mitigate any negative impacts, of Council decisions. This also supports the Council in meeting its obligations under the Equality Act 2010 and the Public Sector Equality Duty by identifying whether a proposed activity or change is likely to disproportionately impact on particular protected groups.</p> <p>Clearly defined arrangements are in place for the completion of IIAs, supported by a comprehensive range of guidance and regular QA checks. However, in practice there was a high level of variation in their quality, indicating that more can be done to improve understanding and capability in this area. Better IIAs should improve the quality and transparency of decision-making.</p> <p>Updates to the IIA form were recommended, alongside improved guidance to staff when carrying out assessments and completing the forms. The IIA Hub could also be enhanced, and IIA e-learning should be re-launched to promote awareness of this among staff.</p>	0	3	6

	<b><u>Place</u></b>				
<b>031</b>	Risk Management	<p><b><u>Adequate Assurance:</u></b></p> <p>The Executive Director requested a review of compliance with corporate risk management processes across the Services in his Directorate. Three areas were reviewed, Transport (within Operational Services), Major projects (Regeneration) and Homes &amp; Neighbourhoods. The former two had positive findings, but whilst arrangements existed within Homes &amp; Neighbourhoods, there was substantial scope for improvement to align with corporate processes and requirements.</p>	0	2	3

### **3.2 Recommendation Follow - up Audit Work Completed in the Period**

See attached Appendix A.

### **3.3 School Audits**

Reference	Opinion	No.
032, 033	Substantial Assurance	2
	Adequate Assurance	0
	Limited Assurance	0
	No Assurance	0

### **3.4 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

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 2025. The data has been reviewed and follow up action taken concerning a small number of anomalies that resulted in an overpayment to a client of almost £8,000 and to suppliers for three unreported deaths that totalled just over £61,000. Recovery proceedings are in progress for the sums overpaid.

### **4.2 Corporate**

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

Internal Audit provides ongoing risk and control input and assurance 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 -SAP, the appointed consultant has produced a procurement options report.

Risk management support to the Programme involves review and feedback of programme level risk registers, ensuring that the risk register records all known risks, identifies potential consequences and appropriate mitigations are put in place. In a programme of this duration the proximity of the risks (e.g. risks relating to procurement vs risks relating to implementation) needs specific focus. Linked to this risk, ownership is also being reviewed to ensure there is clarity on project vs “business as usual” (BAU) ownership. Work has also been undertaken to review Service Risk Registers to ensure the risks associated with ERP replacement are in view and reviewed on a quarterly basis, for example these risks may relate to resource availability to maintain BAU activities and provide appropriate professional input to the project; undertaking required process redesign / service change activity and specific business readiness activity such as data cleansing.

### **4.3 Highways & Streetscene**

#### WYCA Grant Verification

Work has concluded in auditing 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.

### **4.4 People Services**

#### Construction Industry Scheme

HMRC expressed concern that the Council may not be fulfilling its obligation to apply the Scheme as an employer, whereby payments to registered contractors are made net of corporation tax. Sample testing of higher risk suppliers found that the large majority were exempt from the Scheme and a small number of queries are still being resolved with HMRC.

### **4.5 Corporate**

#### Review of Project Management arrangements of Capital Project.

The Annual Governance Statement for 2024/25 identified that the council needs to consider if its Project Management arrangements represent best practice, so an internal audit was carried out during 2025/26 to seek to identify the project management practices - in relation to capital projects such as construction and IT- that operate across the council and to identify if there is scope to better deliver projects in a timely and cost effective way. The council also uses project management to review organisations and operations ("Transformation") projects, which is well documented but involves at some stages different techniques. The aim was to assess governance, project delivery, the role of project managers, compliance, financial control and Training.

The overall assessment is that the council has an inconsistent approach to delivery of capital projects and this can lead to poor risk management and cost control. The work has resulted in recommendations about greater clarity of scope and objectives, better business planning and budgeting, enhanced project management and governance with advice about key areas that every capital project should have. The key messages and action required are to be discussed at the Capital Assurance Board.

## **4.6 Learning & Support**

### **Schools Financial Value Standard**

Maintained school submissions have been compiled and validated into an annual assurance statement to the DfE by the Director of Finance. These self-assessments also provide assurance and a starting point for further enquiry into aspects of school audits noted above and reported in private.

## **4.7 Family Help, Safeguarding & Permanence**

### **Adult Services Provider Investigation**

This was an attempt by a fraudulent actor to change banking details to fraudulently extract funds from the Council. A positive outcome resulted as procedures and training addressed this threat

## **4.8 Culture & Visitor Economy**

### **Woven25 Grant Claim 2025/26**

Confirmation was provided to the Arts Council that grant monies had been paid to the preferred supplier to deliver this project.

## **4.9 People Services**

### **Resourcing process review**

A review of the existing 'Request to Fill' resourcing process was requested by the Head of People Services, to ensure planned revisions to the process addressed areas of weakness or dissatisfaction. Interviews with a range of stakeholders from across the council were undertaken and feedback identified four core findings. The revised Resourcing Panel was launched in April 2026, addressing the key finding of lack of process clarity and transparency, through publication of process flow charts, exception lists, updated templates, Resourcing Panel meeting dates etc. Additional findings related to the required level of corporate oversight, which will be considered as part of ongoing assessment of the adequacy and performance of budget management controls, and opportunities to ensure that there is engagement with senior management to consider recruitment challenges and strategic responses at a corporate level.

## **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	12	3	11	-	4	0	0
Tenancy Fraud	19	4	18	-	2	0	3
Multi-Agency/Service Cases	3	0	3	-	0	0	0

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 seems to be increasing, and 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 investigations suggest fraud is being committed in other aspects of the suspects lives, resulting in increasing referrals to the Police and other government agencies. Overall, the year to date position for properties returned equates to a total of 7 (Q1: 1 property, Q2: 3 properties, Q4: 3 properties) and highlights effective housing fraud prevention and detection methods being utilised by the Investigation Team.

### **5.2 Council Tax and Business Rate 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</b>	<b>Closed: Referred to Other Government Agency</b>
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	Q4	YTD	Ongoing	YTD Fraud Attempted	YTD Fraud Successful	YTD Monies Reclaimed
Payment Fraud	1	3	0	4	0	-

### **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	3	3	0	-	103,041

### **5.5 Blue (Parking) Badge Fraud**

Cases Brought Forward	New Referrals	Ongoing	Closed - Prosecutions	Closed: No Fraud Proven or Warning Issued
48	40	50	22	16

### **5.6 Other Investigative Work**

Investigation Type	YTD
Money Laundering Cases	0
HR Investigations	2

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

None this period.