SWAP

SOUTH WEST AUDIT PARTNERSHIP

Delivering Audit Excellence

Herefordshire Council

Report of Internal Audit Activity

Plan Progress 2015-16 Quarter 1

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

The contacts at SWAP in connection with this report are:

Gerry Cox
Chief Executive
Tel: 01935 385906
gerry.cox@southwestaudit.co.uk

Ian Baker
Director of Quality
Tel: 07917628774
ian.baker@southwestaudit.co.uk

Jacqui Gooding
Assistant Director
Tel: 01432 260426 or 07872500675
Jacqui.gooding@southwestaudit.co.uk

Our audit activity is split between:

- **Operational Audit**
- **School Themes**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**

Role of Internal Audit

The Internal Audit service for Herefordshire Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting on 19 March 2015.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- School Themes
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Other Special or Unplanned Reviews

Overview of Internal Audit Activity

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Director of Resources (Section 151 Officer) following consultation with the Senior Management Team. This year's (2015/16) Plan was presented to this Committee on 19 March 2015.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

These are actions that we have identified as being high priority or corporate risks that have been assessed as "Very High" or "High" and that we believe should be brought to the attention of the Audit Committee '

Report on Significant Findings/Risk

Appendix B is a summary of the Annual Plan for 2015/16 – a list of all audits as agreed in the Annual Audit Plan 2015/16. It is important that Members are aware of the status of audits as this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Where a review has a status of 'Completed' and has been assessed as 'Partial' or 'No Assurance' or with a 'High' or 'Very High' corporate risk, I will provide further detail to inform Members of the key issues identified. For the audits completed to date for 2015-16 none have been assessed as 'Partial' or 'No Assurance' and no 'High' or 'Very High' corporate risks identified. .

Completed Audit Assignments in the Period	**Audit Plan Progress**

The summary of the Annual Plan for 2015/16 (Appendix B) highlights progress to date. Based on the findings of each review, an overall control assurance is offered. For a summary of Control Assurance Definitions, Categorisation of Recommendations and Risk Levels, please refer to Appendix 'C'.

As can be seen from Appendix 'B', the following audits have been progressed to date:
Operational:
- Discussion Document, 2 reviews
- Fieldwork completed, 1 review
- In Progress, 6 reviews
- Not Started, 17 reviews

Governance, Fraud and Corruption:
- Complete, 2 reviews (Non-Opinion)
- In Progress, 1 reviews
- Not Started, 1 review
- Contingency, 1 review

Follow Up Reviews: (Non-Opinion)
- Complete, 1 Reviews
- In Progress, 1 review
- Not Started, 5 Reviews

School Themes –: Pupil Premium
- Complete, 1 reviews (Reasonable)
- Draft Report, 5 reviews

Completed Audit Assignments in the Period

Audit Plan Progress

Key Control:
- In Progress, 2 Reviews
- Not Started, 3 reviews

ICT Reviews:
- Complete, 1 review (Non-opinion)
- Draft, 1 review
- In Progress, 1 review
- Not Started, 5 reviews

Grants:
- In Progress, 1 Claim,

Removed:
- 1 review (Elections)

Completed Audit Assignments in the Period	**Audit Plan Progress**
	Progress against the plan has been good in the number of audits underway however there has been slow progress in moving some audits to the report stage. The audits have had to be reallocated due to a resourcing issue and these audits have now been prioritised for completion. I hope to provide you with a more positive outturn in my next report.
	Of the audits completed three have been Non-Opinion reviews - the completion of the Fraud and Corruption Survey, follow up of Main Accounting and review of the Public Services Network pre-submission. There were no significant findings from these three reviews.
	The themed review of Pupil Premium has been positively received by the six schools visited. The Pupil Premium was introduced by the Coalition Government in April 2011 to provide additional support for looked after children and those from low income families. The extra funding is made available to schools to help them narrow the attainment gap that may exist between pupils from disadvantaged and more affluent backgrounds.
	The Pupil Premium Grant (PPG) is available for disadvantaged pupils from reception to year 11. Pupils are viewed as being disadvantaged if eligible for free school meals at any point during the previous 6 years (free school meals are a measure of deprivation), in care or adopted from care, or if the child of service personnel.
	One report is at Final with a Substantial audit opinion and the remaining five reports are all at Draft. A themed report will be issued once all reports have been agreed to Final however the positive findings of the review are: • All schools had a Pupil Premium Policy • The required information is published on the website • Governors are engaged and given sufficient information to be able to contribute and provide challenge • Pupil progress is monitored and benchmarked with children of similar needs

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time.

Special Reviews

Unplanned work, special reviews or projects carried out on a responsive basis are requested by the Director of Resources (Section 151 Officer).

No reviews have been requested since my last update.

Future Planned Work

As new and emerging risks are identified, any changes to the plan will be subject to the agreement of the Director of Resources (Section 151 Officer). There have been three changes to the plan since my last report. One audit has been removed – Elections and the following additional work included in the plan:

The Buchannan Trust

Local Transport Block Funding/Pothole Fund.

Conclusion

As stated above progress against the plan has been good in the number of audits underway however there has been slower progress than I would like in moving some audits to the report stage. Some audits have had to be reallocated due to a resourcing issue and these audits have now been prioritised for completion. I hope to provide you with a more positive outturn in my next report.

Directorate/Service	Audit Type	Audit Name	Quarter	Status	Opinion	No. of recs	Recommendations				
							1	2	3	4	5
Economy Communities and Corporate	Deferred/Removed	Elections	1	Removed		0	0	0	0	0	0
Economy Communities and Corporate	Follow Up	Accounts Payable 2015-16	1	In Progress		0	0	0	0	0	0
Economy Communities and Corporate	Follow Up	Main Accounting 2015-16	1	Completed	Non- Opinion	0	_	_	_	_	_
Economy Communities and Corporate	Follow Up	Council Tax 2015-16	3	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	Follow Up	Housing and Council Tax Benefit	3	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	Follow Up	Treasury Management 2015-16	3	Not Started		0	0	0	0	0	0
Children's Wellbeing Service	Follow Up	Schools Prevention of Fraud	4	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	Follow Up	Road Maintenance Follow Up	4	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	Governance, Fraud & Corruption	Fraud Reviews	1	Contingency		0	0	0	0	0	0
Economy Communities and Corporate	Governance, Fraud & Corruption	NFI 2015-16	1	In Progress		0	0	0	0	0	0
Economy Communities and Corporate	Governance, Fraud & Corruption	Buchanan Trust	2	Completed	Non- Opinion	0	0	0	0	0	0
Economy Communities and Corporate	Governance, Fraud & Corruption	Fraud and Corruption Survey	2	Completed	Non-Opinion	0	0	0	0	0	0
Children's Wellbeing Service	Governance, Fraud & Corruption	Troubled Families	3	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	Grant	Local Transport Block Funding/Pothole Fund	2	In Progress							
Economy Communities and Corporate	ICT	Hardware Asset Management	1	Draft Report		0	0	0	0	0	0
*Information and communication technology	ICT	Public Services Network (PSN) code - assurance compliance	1	Completed	Non Opinion	_	_	_	_	_	_
Economy Communities and Corporate	ICT	Incident and Problem Management	2	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	ICT	Access Controls - CIVICA and CRM	2	In Progress		0	0	0	0	0	0
Economy Communities and Corporate	ICT	Council and NHS ICT	2	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	ICT	PCI Data Security Standard compliance	3	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	ICT	Mobile phone usage and strategy	3	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	ICT	Corporate Services - Digital Channels Project	4	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	Key Control	Payroll 2015-16	1	In Progress		0	0	0	0	0	0
Economy Communities and Corporate	Key Control	Pensions - Auto enrolment 2015-16	1	In Progress		0	0	0	0	0	0
Economy Communities and Corporate	Key Control	Accounts Receivable 2015-16	3	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	Key Control	Capital Accounting 2015-16	3	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	Key Control	NNDR	3	Not Started		0	0	0	0	0	0
Adults Wellbeing Service	Operational	Peer Challenge Benefits Realisation	1	In Progress		0	0	0	0	0	0
Children's Wellbeing Service	Operational	Safer Recruitment	1	Discussion Document		0	0	0	0	0	0
Children's Wellbeing Service	Operational	Use of Agency Staff 2015-16	1	Discussion Document		0	0	0	0	0	0
Adults Wellbeing Service	Operational	Delivery of Projects funded by the Skills Funding Agency 2015-16	1	In Progress		0	0	0	0	0	0
Economy Communities and Corporate	Operational	HALO contract	1	In Progress		0	0	0	0	0	0
Economy Communities and Corporate	Operational	Home to School Transport	1	Drafting report		0	0	0	0	0	0
Economy Communities and Corporate	Operational	Shaw care provider contract	2	Not Started		0	0	0	0	0	0

Directorate/Service	Audit Type	Audit Name	Quarter	Status	Opinion	No. of recs	Recommendations				
							1	2	3	4	5
Adults Wellbeing Service	Operational	Better Care Fund	2	In progress		0	0	0	0	0	0
Economy Communities and Corporate	Operational	Registrar and Coroners	2	In Progress		0	0	0	0	0	0
Economy Communities and Corporate	Operational	Democratic Services 2015 -16	2	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	Operational	Modern Records	2	In Progress		0	0	0	0	0	0
Economy Communities and Corporate	Operational	Public Health Investment and Outcomes	2	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	Operational	Road Maintenance	2	Not Started		0	0	0	0	0	0
Adults Wellbeing Service	Operational	Deprivation of Liberty (DOLs)	3	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	Operational	Licensing	3	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	Operational	Fastershire BDUK	3	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	Operational	Waste Collection Contract	3	Not Started		0	0	0	0	0	0
Children's Wellbeing Service	Operational	Education, Health and Care plans	3	Not Started		0	0	0	0	0	0
Adults Wellbeing Service	Operational	Direct Budgets	4	Not Started		0	0	0	0	0	0
Adults Wellbeing Service	Operational	Purchasing Strategy and Market Management - Care service	4	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	Operational	Commercial Rents	4	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	Operational	Income review - maximising income - income and charging guidance	4	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	Operational	Land Charges 2015-16	4	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	Operational	Planning Applications	4	Not Started		0	0	0	0	0	0
Children's Wellbeing Service	Operational	Contract Management - Children's Wellbeing	4	Not Started		0	0	0	0	0	0
Economy Communities and Corporate	Operational	Energy Supply Contract	4	Not Started		0	0	0	0	0	0
Children's Wellbeing Service	School	Pupil Premium - school theme report	1	Drafting Report		0	0	0	0	0	0
	School	Trinity Primary School	1	Completed	Substantial	2	0	0	2	0	0
	School	The Aconbury Centre	1	Draft Report	Reasonable	0	0	0	0	0	0
	School	Much Marcle C of E Primary School	1	Draft Report	Reasonable	0	0	0	0	0	0
	School	Madley Community Primary School	1	Draft Report	Reasonable	0	0	0	0	0	0
	School	St Marys Church of England Primary School	1	Draft Report	Reasonable	0	0	0	0	0	0
	School	Blackmarston School	1	Draft Report	Reasonable	0	0	0	0	0	0

Audit Framework Definitions

Control Assurance Definitions

Substantial	▲ ★★★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	▲★★★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲★★★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
None	▲★★★	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.

Priority 4: Important findings that need to be resolved by management.

Priority 3: The accuracy of records is at risk and requires attention.

Priority 2: Minor control issues have been identified which nevertheless need to be addressed.

Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.
Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.