SWAP

SOUTH WEST AUDIT PARTNERSHIP

Delivering Audit Excellence

Herefordshire Council

Report of Internal Audit Activity

Plan Progress 2015-16 Quarter 2

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

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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.

One significant finding at service level has been reported and this is covered in the Safer Recruitment audit below.

Completed Audit Assignments in the Period	Audit Plan Progress

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:
- Complete, 1 review - (Reasonable)
- Draft Report, 2 reviews
- In Progress, 7 reviews
- Not Started, 16 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, 5 reviews (1 Substantial, 4 Reasonable)
- Draft Report, 1 review

Completed Audit Assignments in the Period	**Audit Plan Progress**
	Key Control: • Discussion Document 1 review • In Progress, 1 review • Not Started, 3 reviews **ICT Reviews:** • Complete, 2 review (1 Non-opinion, 1 Reasonable) • • In Progress, 2 reviews • Not Started, 5 reviews **Grants:** • Complete, 1 Claim, • In progress, 1 Claim **Removed:** • 1 review (Elections)

Audit Plan Progress

Progress against the plan has improved since my last report.   Audits completed to final report since my last update are:

The Buchanan Trust (Non-Opinion) – The auditor was able to provide reasonable assurance that the transfer of the Fund's balance on externalisation was accurate and had been accounted for appropriately in line with the Council's Constitution.

Completed Audit Assignments in the Period	**Audit Plan Progress**
	Local Transport Block Funding/Pothole Fund (Non-opinion) - The auditor concluded that in all significant respects the conditions attached to Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance) Specific Grant Determination 2014/15 No 31/2273, and also the Pothole Fund: Specific Grant Determination Ref: 2014/15 No 31/2391 have been complied with. Safer Recruitment (Reasonable) - The objective of the audit was to assess the procedures and controls in place to ensure individuals are subject to pre-employment vetting; background checks and continued monitoring where relevant to their role in the Children's Services Directorate. There were four priority 3 recommendations and one priority 4 recommendation. Generally there were good processes and procedures in place however improvement is needed in record keeping of documentation provided or checked as part of the recruitment process. There was one significant finding in relation to volunteers. There is no known control list of volunteers within the Council or a nominated officer who is in charge of overseeing volunteers. There is a list of volunteers that have been subject to a DBS check but this does not provide a list of all volunteers and as such it is difficult to provide assurance that all volunteers that should have been subject to a DBS check have been identified. The lead auditor is collating information from the SWAP Partners to establish how other Councils manage the use of volunteers.
	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.

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

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) with removal or deferral of audits to be formally agreed by the Audit Committee.

There has been two requests for additional work since my last report:

Gypsy and Traveller Site - Openfields Bromyard – annual audit of the Grant Agreement and Affordable Housing Capital Funding

LAC and Fostering FWi Projects – review of the project arrangements

To accommodate the LAC and Fostering FWi Projects review I recommend that the audit reviewing the strategy for resolving incidents and managing problems - Incident and Problem Management is deferred to 2016-17.

This was included as a high level review to ensure that appropriate strategies and policies are in place to ensure incidents and problems are resolved and users suffer no loss or disruption of their ICT service.

Conclusion

I am pleased to report that to date no audits have received Partial or No assurance. Overall assurance has either been substantial or reasonable for the audits completed where an opinion has been assessed. Five audits have been completed as Non-Opinion reviews.

The school themed review of Pupil Premium has been concluded and a summary report issued to all schools via Spotlight on Children identifying areas of good practice.

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	_	_	_	_	_	_	_
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	_	_	_	_	_	_
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	This work is ongoing throughout the year	0	0	0	0	0	0
Economy Communities and Corporate	ICT	Hardware Asset Management	1	Completed	Reasonable	3	0	0	2	1	0
*Information and communication technology	ICT	Public Services Network (PSN) code - assurance compliance	1	Completed	Non Opinion	_	_	_	_	_	_
Economy Communities and Corporate	Key Control	Payroll 2015-16	1	Discussion Document		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
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	Completed	Reasonable	5	0	0	4	1	0
Children's Wellbeing Service	Operational	Use of Agency Staff 2015-16	1	Draft Report		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	Draft Report		0	0	0	0	0	0
Economy Communities and Corporate	Operational	Home to School Transport	1	Drafting report		0	0	0	0	0	0
Children's Wellbeing Service	School	Pupil Premium - school theme report	1	Completed	Non-opinion	_	_	_	_	_	_
Children's Wellbeing Service	School	Trinity Primary School	1	Completed	Substantial	2	0	0	2	0	0
Children's Wellbeing Service	School	The Aconbury Centre	1	Draft Report	Reasonable	0	0	0	0	0	0
Children's Wellbeing Service	School	Much Marcle C of E Primary School	1	Completed	Reasonable	8	0	0	8	0	0
Children's Wellbeing Service	School	Madley Community Primary School	1	Completed	Reasonable	8	0	0	8	0	0
Children's Wellbeing Service	School	St Marys Church of England Primary School	1	Completed	Reasonable	2	0	0	2	0	0
Children's Wellbeing Service	School	Blackmarston School	1	Completed	Reasonable	4	0	0	4	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
Economy Communities and Corporate	Grant	Local Transport Block Funding/Pothole Fund	2	Completed	Non-Opinion	0	0	0	0	0	0
Economy Communities and Corporate	ICT	Incident and Problem Management	2	Request to defer to 2016-17		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	Operational	Shaw care provider contract	2	Not Started		0	0	0	0	0	0
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	In Progress		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
Children's Wellbeing Service	ICT	LAC and Fostering FWi Projects	3	In Progress		0	0	0	0	0	0

Directorate/Service	Audit Type	Audit Name	Quarter	Status	Opinion	No. of recs	Recommendations				
							1	2	3	4	5
Economy Communities and Corporate	Grant	Gypsy and Traveller Site - Openfields Bromyard	3	In Progress		0	0	0	0	0	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	Governance, Fraud & Corruption	Troubled Families	3	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	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	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
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	ICT	Corporate Services - Digital Channels Project	4	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

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.