



Herefordshire Council

Report of Internal Audit Activity
Plan Progress 2015-16 Quarter 3

Contents

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Summary:

Role of Internal Audit
Overview of Internal Audit Activity

Page 1

Internal Audit Work Plan 2015/16:

Report on Significant Findings
Audit Plan Progress

Pages 2-7
Pages 8-10

Added Value }
Future Planned Work }
Conclusions }

Pages 11-12

APPENDICES:

2015-16 Annual Plan Progress
Audit Framework Definitions

Appendix 'B'
Appendix 'C'



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 a “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 – 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’ corporate risk, I will provide further detail to inform Members of the key issues identified. For the audits completed since my last report two audits - Use of Agency and Modern Records have been assessed as Partial assurance (some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives). Neither audit was assessed as a ‘High’ corporate risk.

Use of Agency Staff

Six priority 4 findings - important findings that need to be resolved by management and eight priority 3 findings - accuracy of records is at risk and requires attention were identified during this review.

Agency staff are used by the Council where permanent recruitment has been either unsuccessful or is not appropriate. In particular, agency workers make up a large proportion of the workforce within the Children’s Wellbeing Directorate, 50% of Social Workers. The scope of the audit reviewed whether the management of agency staff is adequate. The report also covers a number of other issues relating to the agency staff contract across the council with a total spend of £7m in 2014/15.

The following were assessed as significant service findings. Each finding has a management update:

1) The contract underlying the use of agency workers does not demonstrate good governance - Although a novation to Hoople has now taken place, the contract with the provider dating from 2012 was not signed and key information including the agreed rates are missing from the draft version. Routine arrangements to monitor service standards on the agency contract and verify that the charges meet the contracted rates have not been established.



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Report on Significant Findings/Risk

The council has agreed to review and add addendum to the existing contract. Hoople will provide a detailed costing for analysis of all 2015-16 agency supply to justify the charges to the council were made on a cost-recovery basis.

Management Update 12-1-16 Hoople are in the process of signing up a new Neutral Vendor (NV) for the provision of T2 and T3- Agency staff from April 2016 and is planning to transfer the payroll over to Hoople from April 2016. The Head of Commercial Services has advised that the original contract will not be signed as it is out of date and has been superseded by the novation to Hoople. The new contract will cover all the requirements and will be signed off as appropriate. Contract monitoring will be in place through Hoople and the relationship manager from the NV.

Hoople provided a detailed costing for analysis of all 2015-16 agency supply to justify the charges to the council were made on a cost-recovery basis.

2) The Service Level Agreement with Hoople Ltd. has not been varied to take account of the contract novation from the provider in March 2015. This will be addressed as part of the Hoople and Council SLA refresh and will be in place for April 2016.

Management update 12-1-16 - An amended SLA is being put together by Hoople, ready for April 2016. This will incorporate utilising a new agency NV contract. Any previous SLA docs will be out of date as of April 2016 so will not be amended.

3) There is no mechanism to identify contracts that have not been signed after the procurement process has ended. To prevent a reoccurrence the date a contract was signed will be included in the updated contracts register and will be updated to reflect all future awarded contracts. The commercial services team will include this date as part of the process in finalising all future tender processes.

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Report on Significant Findings/Risk

Management update 12-1-16 – The contracts register has been updated and all other actions have been completed as requested. New process to be monitored on a regular basis through commercial services

4) There is a backlog of 400 unapproved expense claims totalling £14,749. The HR team will contact the provider for a summary of outstanding expenses and progress contacting individual managers to action these accordingly.

Management update 12-1-16 – An immediate action was taken to follow up with all managers with outstanding expenses. The current report in the first week of January had a revised figure of £5.5k in outstanding expenses. A report is now provided by the NV on a monthly basis to identify expenses which have not been approved and these are followed up. This has resulted in a reduction of unapproved expenses to date.

5) The draft contract has a service standard that 100% of agency staff should have two independent references and 80% background screening checks. However, the Tier 1 agency does not evidence qualifications, and sampling found some workers have unexplained gaps in employment history and three workers did not have any references. The responsibility for pre-employment screening checks is with the provider and this will be tightened up in the new contractual arrangements.

Management update 12-1-16- Confirmation received from Hoople resourcing that the safeguarding process has been tightened to prevent this issue occurring again and is fit for purpose.



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Report on Significant Findings/Risk

6) Leavers forms are not retained; discrepancies between different systems indicate data quality concerns for worker end dates. The Council will ensure that the leaver process for agency workers is reviewed as part of the new recruitment operating model that will be in place for April 2016.

All the findings and recommendations have been accepted by management and all are planned for completion by 31 March 2016. Improvements are already underway in educating Service Managers on how to recruit effectively. DBS checks had been undertaken in the sample of workers where appropriate.

Management update 12-1-16 - There is still work underway to tighten up the leaver process this includes working with managers to make sure they follow the defined leaver process which will enable the removal of agency workers from the system and associated technology and building access, etc. as soon as they leave the organisation



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

Report on Significant Findings/Risk

Modern Records

One priority 4 (significant service) finding and ten priority 3 findings were identified as part of this review. Although there was only significant finding due to the high number of priority 3 findings this audit was assessed as Partial. The Modern Records Unit (MRU) is situated within Hereford but in a separate building from Herefordshire Council’s (the Council) main office in Plough Lane. The Council also has the use of additional storage facilities from a third party service provider in Wiltshire, who also provide the disposal of records service. Records are a key resource for the organisation and are essential to the delivery of high quality public services. The MRU team provide a professional service to officers of the Council and were very receptive to the findings identified as part of this audit.

The one significant service finding identified that there is no future strategic plan in place for the MRU. The funding for the employment of qualified records management staff and the ability to provide an Electronic Document Record Management System (EDRMS) service at the MRU ceased as part of the budget cuts in April 2015. Until April 2015, the records management team were working towards the EDRMS Business Case dated May 2012 alongside the High Level Plan 2014-15.

A strategic plan will provide a strategy for the systematic and planned approach to records management covering records from creation to disposal. Without a strategic plan the Council cannot provide assurance that it has agreed an approach to ensure that the aims of the Council in relation to records management can be achieved.

Management Update 12-1-16 – The Information Governance Principal Officer have drafted a strategy and is due to meet with the Assistant Director Communities and Director Economy, Communities & Corporate to go through the revised draft which includes some further detail on options for storage with HARC, storage with the external storage company, and further document scanning.



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

Report on Significant Findings/Risk

The following areas (priority 3 findings) also require the introduction or improvement of internal controls:

- review of the Records Management policy
- Service Level Agreements should be in place for all external bodies that use the MRU services
- monitoring of records checked out of the MRU
- assigning of responsibility for the investigation into missing files held by staff
- individuals who are authorised to directly access files at the MRU are supervised at all times
- all bags due for destruction are tied securely
- instigate an audit trail for the disposal of records

The following were identified as well controlled areas:

- Comprehensive procedures and guidance is available to all staff.
- Departmental retention schedules are held for departments.
- Disposals have been made in line with retention schedules.
-

All the findings and recommendations have been accepted by management and all are planned for completion by 31 October 2016.



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:

- Complete, 5 review - (3 – Reasonable; 2 – Partial)
- Draft Report, 1 review
- Discussion Document, 1 review
- In Progress, 5 reviews
- Not Started, 14 reviews

Governance, Fraud and Corruption:

- Complete, 2 reviews (Non-Opinion)
- In Progress, 2 reviews
- Contingency, 1 review

Follow Up Reviews: (Non-Opinion)

- Complete, 3 reviews
- Draft Report, 1 review
- In Progress, 1 review
- Not Started, 2 Reviews



Completed Audit Assignments in the Period

Audit Plan Progress

School Themes –: Pupil Premium

- Complete - 6 reviews (1 Substantial, 5 Reasonable)
- Complete - Themed review

Key Control:

- Draft Report , 1 review
- Discussion Document, 1 review
- In Progress, 2 review
- Not Started, 1 review

ICT Reviews:

- Complete, 2 review (1 Non-opinion, 1 Reasonable)
- In Progress, 3 reviews
- Not Started, 3 reviews

Grants:

- Complete, 3 Claims,
- In progress, 1 Claim

Removed:

- 1 review (Elections)

Deferred to 2016-17

- Incident and Problem Management (approved by Audit and Governance Committee – 24-11-15)



Completed Audit Assignments in the Period

Audit Plan Progress

Audits completed to final report since my last update are:

Operational

- Use of Agency – Partial (reported above)
- Modern Records – Partial (reported above)
- HALO Contract – Reasonable
- Coroners Service – Reasonable

Grants

- Gypsy and Traveller Site - Openfields Bromyard – Home and Communities Compliance Audit check
- Repair and Renew Grant Scheme - reasonable assurance that the invoices submitted by the Authority for Claims and Authority Costs fairly represent expenditure under the Scheme made in accordance with the terms of the MoU.

Follow Ups

- Council Tax 2015-16 - follow up
- Housing and Council Tax Benefit – follow up



Completed Audit Assignments in the Period

Added Value

Primarily Internal Audit is an assurance function and will remain as such. However as we complete our audit reviews and through our governance audit programmes across SWAP we seek to bring information and best practice to managers to help support their systems of risk management and control. The SWAP definition of “added value” is “it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost”.

As part of the Coroners audit and Modern Records audit a cross partnership review was completed for each audit to assist the Service Manager in identifying areas of good practice or potential for improvement.

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) 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: Repair and Renew grant Scheme, and Redundant Building Grant.

The days to deliver both reviews have been accommodated in the Contingency budget for planned days.



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

Conclusion

Since my last update we have completed eight audits. Where low to medium control or administrative weaknesses are identified normal expectation is for reviewed areas to be assessed into the 'Reasonable' category of assurance. However, where the assessed area falls below 'Reasonable', management is expected to address the risks identified as a matter of priority and monitor their progress against the agreed action plan. Of the eight audits completed two have been assessed as Partial assurance and the significant findings have been reported above.

Steady progress continues to be made against the 2015/16 plan and there have been a lot more reviews completed since my last update. As reported to you previously we have experienced a resource gap due to some long term sickness. To ensure delivery of the plan to meet the target in our legal agreement we have appointed some additional resource to backfill the gap to meet the target for the 2015/16 plan.

At the end of each audit review, a Customer Satisfaction Questionnaire is sent out to the service manager or nominated officer. The aim of the questionnaire is to gauge satisfaction against timeliness; quality; and professionalism. As part of the Balanced Scorecard presented to the SWAP Management Board, a target of 80% is set where 75% would represent a score of good. The current accumulative feedback for Herefordshire Council is 86%.



Herefordshire Council 2015-16 Audit Plan

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	Draft Report		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	Issued 11 nov - request for further work by client - delay to final report	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	Completed	Partial	14	0	6	8	0	0
Adults Wellbeing Service	Operational	Delivery of Projects funded by the Skills Funding Agency 2015-16	1	Discussion Document		0	0	0	0	0	0
Economy Communities and Corporate	Operational	HALO contract	1	Completed	Reasonable	4	0	1	3	0	0
Economy Communities and Corporate	Operational	Home to School Transport	1	Draft Report	Partial	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	Completed	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	–	–	–	–	–	–
Economy Communities and Corporate	Grant	Local Transport Block Funding/Pothole Fund	2	Completed	Grant Certification	–	–	–	–	–	–
Economy Communities and Corporate	ICT	Incident and Problem Management	2	Deferred to 2016-17		–	–	–	–	–	–
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	Completed	Reasonable	4	0	1	3	0	0
Economy Communities and Corporate	Operational	Democratic Services 2015 -16	2	In Progress		0	0	0	0	0	0

APPENDIX B

Directorate/Service	Audit Type	Audit Name	Quarter	Status	Opinion	No. of recs	Recommendations				
							1	2	3	4	5
Economy Communities and Corporate	Operational	Modern Records	2	Completed	Partial	0	0	1	10	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
Economy Communities and Corporate	Grant	Gypsy and Traveller Site - Openfields Bromyard	3	Completed	Grant Certification	-	-	-	-	-	-
Economy Communities and Corporate	Follow Up	Council Tax 2015-16	3	Completed		0	0	0	0	0	0
Economy Communities and Corporate	Follow Up	Housing and Council Tax Benefit	3	Completed		0	0	0	0	0	0
Economy Communities and Corporate	Follow Up	Treasury Management 2015-16	3	In Progress		0	0	0	0	0	0
Children's Wellbeing Service	Governance, Fraud & Corruption	Troubled Families	3	In Progress		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	Draft Report		0	0	0	0	0	0
Economy Communities and Corporate	Key Control	NNDR	3	In Progress		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	In Progress		0	0	0	0	0	0
Economy Communities and Corporate	Grant	Repair and Renew (RRG) Grant Scheme	3	Completed	Grant Certification	-	-	-	-	-	-
Economy Communities and Corporate	Grant	Redunant Building Grant	3	In Progress		-	-	-	-	-	-
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	In Progress		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.