

In partnership with



Appendix A

Herefordshire Council

Internal Audit Update Report As @ 30th September 2023

Publication Date: 13th October 2023


Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Unrestricted






Internal Audit Update Report @ end of Quarter 2 2023/24

As part of our update reports, we will provide an ongoing opinion to support our end of year annual opinion. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness.

Indicative Rolling Opinion

	There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.	Action Priority	Description	Actions
		Priority 1	Fundamental	1
		Priority 2	Important	14
		Priority 3	Requires Attention	16

The Headlines for audits completed or planned to date for 2023/24

	Coverage – The coverage maps show a clear alignment with corporate goals. More coverage maps are on the horizon and the outputs will mature as the team further integrates the new audit management system.
	Activity -38 assignments are complete or in progress at the end of Quarter 2 The delivery of internal audit work is on track to deliver an annual opinion.
	Outcomes – 92% of the opinion related work found the control environment to be either Substantial or Reasonable assurance. There are no significant corporate risks to be reported.
	Issues – 55% of the issues identified were associated with a root cause of the design of systems, policies and processes.
	Quality – Internal Audit work either met or exceeded expectation in 92% of audits completed.

Assurance Opinions as @ Q2

Substantial	1
Reasonable	11
Limited	1
No Assurance	0
Special/ Advisory	9

Progress/ Plans as @ Q2

Complete	22
In Progress	16
Waiting to Go Live	5
Future Proposed	18

Internal Audit Update Report @ end of Quarter 2 2023/24

The assessment of none, some, and good is based on the number of audits in these areas and the scope of the audits. This gives the Committee assurance that internal audit is aligned to the corporate risks although we would not expect all audits to align to all corporate risks.

A new risk assessment for 2023/24 has been undertaken that maps internal audit work to corporate priorities and risks. This will ensure that internal audit coverage is focused into key areas.

Differing views of coverage will be presented to future meeting of the Audit & Governance Committee.

Internal Audit Work Programme and Coverage

We have assessed internal audit coverage based on the corporate priorities taken from Herefordshire Council's County Plan 2020-24. Please note as future proposed audits are not scoped yet there is potential for coverage to increase.

In partnership with  **ROLLING AUDIT PLAN as at:** 13/10/2023 

Corporate Priority	Coverage (Completed Audits)	Average Opinion of Completed Audits
HC P01 - Environment - Protect and enhance our environment and keep Herefordshire a great place to live	Adequate	Reasonable
HC P02 - Community - Strengthen communities to ensure everyone lives well and safely together	Good	Reasonable
HC P03 - Economy - Support an economy which builds on the county's strengths and resources	Adequate	Reasonable

Assurance	Description
Substantial	Sound system of governance, risk management and controls exist
Reasonable	Generally sound system of governance, risk management and control in place
Limited	Significant gaps, weaknesses or non-compliance were identified
No Assurance	Fundamental gaps, weaknesses or non-compliance identified

Coverage	Description
Good	Good audit coverage completed
Adequate	Adequate audit coverage completed
Some	Some aspects of audit coverage completed
In Progress	Some aspects of audit coverage in progress
None	No audit coverage to date

NB

- Hover over the description for further details

NB

- Only includes audits completed within past 2 years from current date
- Audits completed over 1 year from current date have a reduced impact on audit coverage

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- Substantial
- Reasonable
- Limited
- No

The schedule provided in Annex B contains a list of those audits completed, in draft, and in progress.

We also undertake Advisory / Non-Opinion work on a consultancy basis where we have been asked to look at a specific area of potential concern

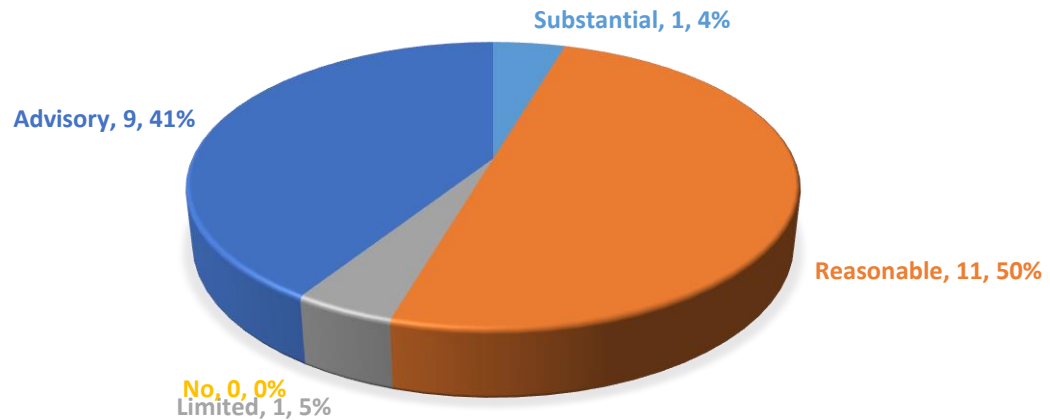


Internal Audit Progress and Outcomes

It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to deliver an annual opinion. Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of agreed actions that have been raised with management. The assurance opinion ratings have been determined in accordance with the “Audit Framework Definitions” as detailed in Annex 1 of this document.

38 assignments have been completed or are in progress. A special investigation is still being in progress at the end of Quarter 2. These are shown in more detail in Annex 2.

SPLIT OF AUDIT OPINIONS AS AT Q2 23/24



Internal Audit Plan Progress 2022/23

There are no significant corporate risks that should be brought to the Committees attention for Quarter 2.



Significant Corporate Risks 2023/24

In this update, there are no final reports included with 'High' corporate risks or "No/Limited" assurance opinions.

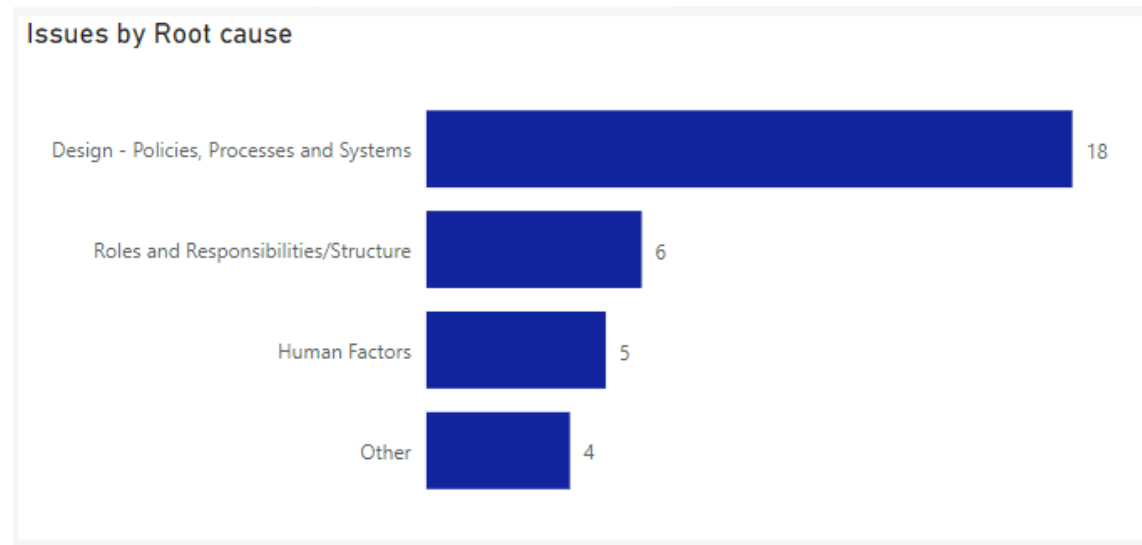
Root cause is defined as the fundamental reason for the cause of the occurrence. The graphic categorises the issues found into root causes.

It is not unexpected that the majority of issues fall into the category of policies, processes and systems as this is an area of internal audit focus.

Further analysis will be reported to Members that splits root cause by Directorate and by a Healthy Organisation.



Root Cause



Design – policies, processes, systems can be a root cause when the processes management have designed with which to control risk have been somewhat ineffective in controlling, or even failed to control, the material risks presented. Our recommendation therefore helps to strengthen, or even replace, the incumbent risk control processes/framework.

Internal Audit Progress Report @ Q2 2023/24

Follow-Up audits are completed where the auditor could only provide limited assurance.



Follow Up Audits

The follow-up audit is to provide assurance to the Director, Senior Management and the Audit and Governance Committee that the key risks have been mitigated to an acceptable level. The table below shows the follow-up position:

Audit Name	Status	Outcome
Section 106	Complete	Actions remediated - No significant risks
Pool Cars	Complete	Significant progress- Minimal risk
Building Maintenance & Cleaning	Complete	Significant Progress- Minimal risk
Education Healthcare	Complete	Actions Remediated – No significant risks
Disaster Recovery	Complete	Actions Remediated – No significant risks
Disaster Recovery, Public Realm Contracts	In Progress	
Registration Service, Housing- Financial Processes	Planned Q3 & Q4	

The client feedback shows that internal audit work adds value.



Quality Assurance

At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the Service Manager or nominated officer. The aim of the questionnaires is to gauge satisfaction against timeliness, quality, and professionalism. A score of 92% reflects the fact that the client agreed that the review was delivered to a good standard of quality i.e., agreed with the statement in the questionnaire and satisfied with the audit process and report.

Audit Scope	Auditor Professionalism and Conduct	Communication, Timeliness and Findings	Audit Value	Demonstrating our Values
100%	92%	90%	100%	100%

Internal Audit Progress Report @ Q2 2023/24

Contact Information

SWAP is an internal audit partnership covering 22 organisations. Herefordshire Council is a part-owner of SWAP, and we provide the internal audit service to the Council.

The contacts at SWAP in connection with this report are:

Ian Halstead

Assistant Director

ian.halstead@swapaudit.co.uk

Janine Davies

Principal Auditor

Amy.Probert@swapaudit.co.uk

For further details see: www.swapaudit.co.uk

ANNEX 1

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- Substantial
- Reasonable
- Limited
- No

In addition, to our opinion-based work we will provide consultancy services. The advice offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance.

Recommendations are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.



Audit Framework Definitions

ANNEX 1

Control Assurance Definitions

Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Actions	Reporting Implications
	In addition to the corporate risk assessment, it is important that management know how important the issue 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. Each action has been given a priority rating at service level with the following definitions:
Priority 1	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

In partnership with  **Herefordshire Council** **ROLLING AUDIT PLAN as at:** 13/10/2023  **SWAP**
INTERNAL AUDIT SERVICES
Helping Organisations to Succeed

Filter by Audit Period

All ▼

'COMPLETED' audits

Audit Title	Assurance Opinion	Number of Actions & Priority			Corporate Risk Assessment	Final Report Date
		1	2	3		
HC - Local Transport Capital Block Funding Grant 2022/23	Reasonable (Medium)				Low	29/09/2023
HC Bus Subsidy Grant 2022/23	Grant Certification	1	1		N/A	29/09/2023
HC Education Health Care Plan Follow Up	Follow Up				N/A	29/09/2023
HC Supporting Families Q2 2023/24	Reasonable (Medium)			1	Low	29/09/2023
HC - Biodiversity Net Gain Grant Determination 2022/23, Grant No.:31/6499	Reasonable (Medium)				Low	28/09/2023
HC Disaster Recovery - Follow Up	Follow Up				N/A	20/09/2023
HC Housing England Compliance Audit 2023/24	Grant Certification				Low	20/09/2023
HC Whistleblowing	Reasonable (High)		3	1	Low	28/07/2023
HC Home Upgrade Grant HUG 1 - 31/5775	Reasonable (Medium)				Low	27/07/2023
Audit #1382						25/07/2023
HC Green Homes Grant HUG 2 Mobilisation- 31/6400 - 2022/23	Reasonable (Medium)				Low	21/07/2023
HC Supporting Families Q1 2023/24	Reasonable (Medium)				Low	17/07/2023
HC S106 Agreement Follow up	Follow Up			1	N/A	20/06/2023
HC Whitbourne S106 Follow Up	Follow Up				N/A	16/06/2023
HC Building Maintenance and Cleaning Agreement Follow Up	Follow Up				Low	15/05/2023
HC DFG 2021/22	Reasonable (High)				Low	15/05/2023
HC Main Accounting	Reasonable (High)		1		Low	25/04/2023

Internal Audit Progress Report @ Q2 2023/24



ROLLING AUDIT PLAN as at:

13/10/2023



Filter by Audit Period

'COMPLETED' audits

All

Number of Actions & Priority

Audit Title	Assurance Opinion	Number of Actions & Priority			Corporate Risk Assessment	Final Report Date
		1	2	3		
HC Supporting Families Q4 2022/23	Reasonable (Medium)				Low	25/04/2023
HC Housing Solutions Team Financial Processes	Limited (Medium)		5	5	Medium	13/04/2023
HC Pool Cars Follow Up	Follow Up				Low	11/04/2023
HC NNDR 2022/23	Reasonable (High)			4	Low	06/04/2023
HC Treasury Management	Substantial (Low)			2	Low	03/04/2023



SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Internal Audit Progress Report @ Q2 2023/24



ROLLING AUDIT PLAN as at:

13/10/2023



All 'IN PROGRESS' audits

Audit Progress

Audit Title	Fieldwork Complete				Draft Report Issued	Final Report Issued	Type of Work	Fieldwork Start Date
	25%	50%	75%	100%				
HC Direct Payments Support Services: Managed Accounts							Assurance	01/10/2023
HUG2 (Ph.2) Grant - Contract Status Review	█	█	█				Advisory	12/09/2023
HC Destination Bid Lessons Learned (Hereford (DBID))	█						Assurance	11/09/2023
HC ICT Backup	█	█	█				ICT	09/08/2023
HC Green Homes Grant LAD 3 31/5775	█	█	█				Grant Certification	01/08/2023
HC Payroll	█	█	█	█			Assurance	25/07/2023
HC Blue Badge	█	█	█	█	█		Assurance	18/07/2023
HC - Data Breaches	█						Assurance	22/05/2023
HC Follow up of Public Realm/BBLP Related Audits	█	█	█	█			Follow up	21/04/2023
HC Budgetary Control Forecasted Costs for Placements	█	█	█	█			Assurance	13/04/2023
HC - Fraud Advice Code 2023-24	█	█					Advisory	01/04/2023
HC Taskforce -Commissioning & Resources Delivery Board 2023/24	█	█	█				Advisory	01/04/2023
HC Taskforce Service and Practice Delivery Board 2023/24	█	█	█				Advisory	01/04/2023
HC Taskforce Workforce Delivery Board 2023/24	█	█	█				Advisory	01/04/2023
HC - P- Card Proactive Fraud Review	█	█					Proactive fraud work	13/03/2023
HC Accounts Payable	█	█	█	█			Assurance	19/01/2023



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Internal Audit Progress Report @ Q2 2023/24



ROLLING AUDIT PLAN as at:

13/10/2023



'WAITING TO GO LIVE' audits

Audit Title	Type of Work	Background
HC - Herefordshire Enterprise Zone (HEZ)	Assurance	As the Herefordshire Enterprise Zone
HC All Ages Commissioning - Use of Spot Purchasing (was HC All Ages Services - Commissioning)	Assurance	Scoping in progress, audit brief to be drafted. To review the processes and procedures in place regarding the use of spot purchasing in Childrens and Young People's and Adults and Community, provide assurance the Council has a robust control framework in place ensuring spot purchasing is only utilised when other commissioning routes are not viable.
HC Commissioning All Ages - Performance and Monitoring	Assurance	Scoping in progress, audit brief to be drafted. Provide assurance that robust processes are in place to allow for effective contract management.
HC Safeguarding Checks	Assurance	Scoping in progress, audit brief to be drafted. Review control framework regarding safe recruitment and working practices, role of the Local Authority Designated Officer and referrals to Disclosure and Barring Service.
HC Supporting Families Q3 2023/24	Grant Certification	Grant work requiring quarterly review and sign off for DLUHC



SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.



'FUTURE PROPOSED' audits

Audit Title	Type of Work	Priority	Background
HC - Financial Resilience Checks	Assurance	Higher priority	Following concerns raised during a recent grant aided project where issues were identified about the appointment of the main contractor who was subsequently found to have indicators of financial instability
HC - Management of Temporary Employees	Assurance	Higher priority	To review the the process of the appointment and management of longer term temporary employments
HC Grants Working Group	Advisory	Higher priority	
HC Polygamous/Dual Employment	Assurance	Higher priority	Review control framework around recruitment and management of staff to ensure the Council has controls in place to reduce the risk of dual employment.
HC - Procurement Frameworks	Assurance	Medium priority	To review to the Council create and review its framework contracts (DPS)
HC - Recruitment, Retention and Talent Management	Assurance	Medium priority	To ensure that the Council has a capable and resilient workforce by recruiting people with appropriate skills to key posts and promoting talent to retain key skills.
HC Data Maturity Assessment	Assurance	Medium priority	Request for audit from CLT in response to thematic issue raised in Internal Audit Progress Reports 2021/22.
HC Risk Management	Assurance	Medium priority	Concerns expressed around the lack of information on the Risk Registers, particularly around the mitigation of risks, lack of movement on risk rating and whether there is a consistent approach to risk management across directorates. Will also review the Council's approach to risk appetite
HC Supporting Families Q4 2023/24	Grant Certification	Medium priority	Grant work requiring quarterly review and sign off for DLUHC

Internal Audit Progress Report @ Q2 2023/24

'FUTURE PROPOSED' audits



Audit Title	Type of Work	Priority	Background
HC - Tender Evaluation Process	Assurance	Lower priority	government grants. To review the tender evaluation and scoring and decision process to ensure there is diligence around the appointment of contractors.
HC Active Travel Plans - Public Transport	Assurance	Lower priority	To review the controls and governance in the delivery of the active travel plans.
HC Debtors (Accounts Receivable)	Assurance	Lower priority	Key Financial Control Assurance Work
HC Main Accounting	Assurance	Lower priority	Key Financial Control Work
HC Planning Enforcement	Assurance	Lower priority	Review the effectiveness of the measures to control unapproved buildings.
HC School Establishment Audits	Assurance	Lower priority	Undertaken School self-assessment as pilot exercise to measure good governance and financial management
HC Security Assurance Framework Review (SAFR)	ICT	Lower priority	In order to provide assurance over the current high-level approach to security, SWAP will undertake a Security Assurance Framework Review which examines 18 high level key controls ranging from the security policy framework to controls protecting the network perimeter. No detailed testing is undertaken however a high-level assurance opinion on risk is stated which can be a useful reporting tool for committees and for ICT audit planning going forward. This can also highlight areas of security where a full risk-based assurance review by SWAP is required.
HC Sustainable Procurement	Assurance	Lower priority	To determine how the principles of sustainability are considered in procurement.
HC Waste Strategy Contract	Assurance	Lower priority	To review the controls and governance in the delivery of the waste management strategy

'DEFERRED' audits

Audit Title	Rationale for Deferment
HC - Proactive Fraud Work Tax Evasion	Temporarily deferred as HMRC are currently carrying out their own review at the Council.
HC - Social Care Reform: Follow Up of ADASS Readiness Review	Deferred to start of Q3, as per mtg.: H. Hall/J. Davies 27/7/23. See additional background notes. Slight change to scope.
HC Fostering	11/08/2023 - Agreed to pause audit temporarily until the Budgetary Control Forecasted Costs for Placements audit is completed as there is an overlap of scope.
HC Staff Car Parking Business Passes – Follow Up	Due to unforeseen circumstances this follow up is being deferred indefinitely. Partner has been emailed to continue working on the actions and keep audit informed with updates.