

In partnership with



Appendix A

Herefordshire Council

Internal Audit Update Report

As @ 17th May 2024

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Unrestricted

Internal Audit Progress Report Q1 2024/25

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.





Summary of high corporate risks, limited or no assurance opinions and high priority actions agreed.

No High organisational risks identified.

14 Priority 2 Findings identified.

3 Limited Assurances identified.

The Headlines for audits completed or planned to date for 2024/25.

	<p>Ongoing coverage of internal audit work is aligned to the corporate priorities, the Council's corporate risks, SWAPS sector wide top 10 risk areas and the 8 strands of our 'Healthy Organisation' framework to demonstrate coverage across these key areas.</p> <p>Links to corporate risks are limited at present due to the influx of new corporate risks identified in March 2024.</p>
	<p>34 assignments are complete for 2023/24 and have fed into the annual opinion.</p> <p>11 assignments have been completed since our last progress report. The audit reports for the limited assurances are included at the end of the report.</p> <p>8 audits are currently in progress for 2024/25, one of these is at draft report stage.</p>
	<p>SWAP has recently agreed responsibility for the tracking of internal audit actions and will bring the first update to committee in July 2024.</p>
	<p>Audit Management dashboards provide oversight on internal audit activity. This functionality has been rolled out to Senior Officers and Members.</p>

Assurance Opinions

Substantial	1
Reasonable/Certified	2
Limited	3
No Assurance	0
Advisory	4
Follow Up	1
Investigations	0

Internal Audit Agreed Actions

Priority 1	0
Priority 2	14
Priority 3	7

Internal Audit Progress Report Q1 2024/25

A risk assessment for 2024/25 has been undertaken which maps internal audit work to the Councils Corporate risks and SWAPs Top 10 Organisation Risks. This will ensure that internal audit coverage is focused into key areas.

A continuous risk assessment will be undertaken throughout 2024/25 which will inform the 2024/25 internal audit work programme.

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 priorities and risks although we would not expect all audits to align to all corporate risks.

Definitions of coverage and average opinion shown below.

Internal Audit Work Programme and Coverage

We have assessed internal audit coverage based on the corporate risk registers taken from Herefordshire Council's Corporate Risk Register presented to committee in March 2024 and SWAPs top 10 risks.

The risk coverage will be updated as and when the risk register and SWAP Top 10 risks are updated as part of rolling plan approach. Please note as future proposed audits are not scoped yet there is potential for coverage to increase.

Coverage against the Councils Corporate Risks is very limited at present as there was an influx of new risks to the risk register in March 2024. As part of the rolling plan, we hope to see coverage increase over the year.

Strategic Risk	Coverage	Average Opinion
HC R64 - Inability to recruitment and retain social care staff and other key roles within the service	None	
HC R74 - School Assets	None	
HC R75 - SEND Inspection - Risk of adverse inspection	None	
HC R77 - Increase in out of county educational placements	None	
HC R80 - Supply chain capacity	None	
HC R81 - Reviews - capacity, timeliness and statutory duty of care	None	
HC R82 - Contract Fleet Lease Expiry	None	
HC R83 - BBLP Payment Mechanism Value for Money	None	
HC R84 - Contract Management Software	None	
HC R85 - Waste Management services contract	None	
HC R86 - Insufficient range and quantity of placements for children in our care and care experienced young people	None	
HC R87 - Lack of pace in development of Performance	None	
HC R88 - Lack of pace in development of Mosaic	None	
HC R89 - Business Support	None	
HC R90 - EYFS Sufficiency	None	
HC R91 - Secondary School Places	None	
HC R92 - Special School Demand	None	

Top 10 Risks	Coverage	Average Opinion
Planning, Housing, Environment and the Local Economy	None	
Governance	In Progress	
Sustaining Care	In Progress	
Finance	In Progress	
Health & Safety	None	
Education	None	
Contracts, Procurement and Commissioning	None	
Workforce	None	
Technology, Digital and Security	None	
Strategic Asset Management	None	

Internal Audit Plan Progress Q1 2024/25

A risk assessment for 2024/25 has been undertaken which maps internal audit work to Corporate Priorities, the Council Directorates, and Healthy Organisation Theme. This will ensure that internal audit coverage is focused into key areas.

A continuous risk assessment will be undertaken throughout 2024/25 which will inform the 2024/25 internal audit work programme.

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 priorities and risks although we would not expect all audits to align to all corporate risks.

Definitions of coverage and average opinion shown below.

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, the Council Directorates and Core Areas of Recommended Assurance (Healthy Organisation Theme).

Corporate Priority	Coverage	Average Opinion
HC P01 - Environment - Protect and enhance our environment and keep Herefordshire a great place to live	In Progress	
HC P02 - Community - Strengthen communities to ensure everyone lives well and safely together	In Progress	
HC P03 - Economy - Support an economy which builds on the county’s strengths and resources	In Progress	

Council Directorate	Coverage	Average Opinion
HC - Children and Young People	In Progress	
HC - Community Wellbeing	In Progress	
HC - Corporate Services	In Progress	
HC - Economy and Environment	In Progress	

Healthy Organisation Theme	Coverage	Average Opinion
Corporate Governance (incorporating performance management, culture & ethics, fraud, & climate change)	In Progress	
Financial Management	In Progress	
Risk Management	In Progress	
Contract Management, Commissioning, and Third Party Resilience	None	
Information Management (incorporating data protection & cyber security)	None	
Programme & Project Management	None	
Workforce (incorporating recruitment/ retention, staff health & safety, and staff wellbeing)	None	
Asset Management	None	

We are aware the Council is currently in the process of updating the corporate plan and coverage will be updated to reflect any changes to the corporate priorities.

Please note as future proposed audits are not scoped yet there is potential for coverage to increase.

Internal Audit Progress Report Q1 2024/25

Definitions of coverage and average opinion.



Internal Audit Work Programme and Coverage

Description of coverage and the assurance are outlined here.

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

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

High corporate risks are brought to the Committee's attention.

Limited Assurance Audits are brought to the Committee's attention.



Significant Corporate Risks 2024/25 and Limited Assurance Opinions

There are no high corporate risks identified.

Since our last progress update there have been 3 limited assurance reports. These are:

- Hereford Enterprise Zone- Sales,
- Destination Business Improvement District (DBID), and
- Procurement Card Proactive Fraud Review.

The one-page reports for these limited assurance audits are included at the end of this report.

Internal Audit Progress Report Q1 2024/25 – In Progress and Waiting to go Live



ROLLING AUDIT PLAN as at:

17/05/2024



Filter by Directorate

All 'IN PROGRESS' audits

All

Audit Progress

Audit Title	Fieldwork Complete				Draft Report Issued	Final Report Issued	Type of Work	Fieldwork Start Date	Notes
	25%	50%	75%	100%					
HC Foster Care Placements	█	█	█	█	25/04/2024		Assurance	13/04/2023	Draft report with client to comment and agree.
HC Planning Benchmarking	█						Advisory	18/01/2024	
HC ICT Security Assurance Framework Review (SAFR)	█						ICT	08/04/2024	
HC Planning Enforcement	█	█					Assurance	14/04/2024	
HC Registration Service Follow Up	█	█	█	█			Follow up	23/04/2024	
HC Supporting Families Q1 24/25	█						Grant Certification	26/04/2024	April claims complete. May due to be completed 31st May.
HC Court of Protection 2024-25	█						Proactive fraud work	01/05/2024	
Risk Management Consultancy							Advisory	03/05/2024	Advice and consultancy work to support the Council with their risk management processes.

Filter by Directorate

All 'WAITING TO GO LIVE' audits

All

Audit Title	Type of Work	Notes
HC All Ages Commissioning - Use of Spot Purchasing	Assurance	Audit brief provided to client for comment 09/04/24. Meeting with client rearranged for 20/05/2024.
HC Safeguarding in Recruitment Processes	Assurance	Audit brief issued 16/05/2024
HC Waste Contract Mobilisation	Assurance	Client agreed brief 15/05/2024
Local Authority Designated Officer (LADO) and Referrals to the DBS		Audit brief issued 16/05/2024



Full details of our audit approach, as well as our assurance framework and definitions can be found here (www.swapaudit.co.uk/audit-framework-and-definitions). 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 @ Q1 2024/25 – Limited Assurance Audits

Hereford Enterprise Zone - Sales – Final Report – May 2024

In partnership with



Audit Objective

To provide assurance that the Council and Herefordshire Enterprise Zone Ltd exercised due diligence and operated open and transparent processes during the plot sales negotiations and the sales transactions, to certify that best value have been achieved for the Local Authority.

Executive Summary

	Assurance Opinion		Management Actions		Organisational Risk Assessment	Medium
	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.		Priority 1	0	The audit work included areas considered to have a medium organisational risk and potential impact.	
			Priority 2	3		
			Priority 3	1	The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.	
			Total	4		

Key Conclusions

	Assurance that market value was achieved cannot be provided for 1 of the 7 plot sales sampled. Whilst valuations were evidenced by the Council, the sale price differs and there is limited audit trail to explain the difference.	Audit Scope The audit aimed to sample contracts from the HEZ Sales receipt records between 2013/14 to 2023/24 (a minimum of one per financial year). Due to delays in obtaining documentation, seven samples were tested.
	Improvements to governance processes are required: <ul style="list-style-type: none"> The Council to review whether its expectations have been clearly outlined to the HEZ Board in sufficient detail to ensure the success of the delivery. A terms of reference outlining roles and responsibilities for HEZ Board members is required. 	
	The HEZ Board will ensure all discussions and decisions are consistently recorded in board meeting minutes with sufficient detail ensuring an audit trail is available for decisions made.	
	Regular review of the Placement Statement Criteria would ensure a comprehensive outline of suitable businesses and criteria is maintained that supports the aim of the enterprise zone. Two businesses are to be re-reviewed to provide assurance they meet criteria.	
	The Council to consider whether additional due diligence checks are beneficial prior to business approval to purchase land.	

Other Information

Enterprise Zones were created by the Government to attract new companies with high growth businesses looking to expand, offering simplified planning rules and super-fast broadband. Hereford Enterprise Zone, Skylon Park, was designated by the Government as one of 48 Enterprise Zones in 2012, designed to boost local growth and create jobs. To date 32 plots have been disposed of or otherwise developed with a remaining 20 plots available for purchase. The audit should provide lessons learnt opportunities for the remainder of this project and future business ventures.



Full details of our audit approach, as well as our assurance framework and definitions can be found here (www.swapaudit.co.uk/audit-framework-and-definitions). 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 @ Q1 2024/25 – Limited Assurance Audits

Destination Business Improvement District (DBID) Final Report – April 2024

In partnership with



Audit Objective

To review the processes, governance and decision making in place across key stages of the Destination Business Improvement District (DBID) to ensure satisfactory due diligence was undertaken to support informed Council decisions. The audit will focus on areas where the Council held responsibility in the process.

Executive Summary

	Assurance Opinion	Management Actions	Organisational Risk Assessment	Medium
	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.	Priority 1	0	Our audit work includes areas that we consider have a medium organisational risk and potential impact.
		Priority 2	5	
		Priority 3	1	The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.
		Total	6	

Key Conclusions

	Increased oversight, governance, and management of future BIDs (including re ballots) and similar initiatives is required. There was no project plan, roles and responsibilities were not outlined and communication across the Council was ineffective with a lack of input from relevant teams at key points. Project documentation was not reviewed by the Council and there were substantial delays in agreeing an operating agreement that then had an operational impact on delivery.
	The rate payer information was taken from the Council's website, it was not clear at the time that this was not a full record of business rate payers. There is no audit trail to support the decision, made by the external task force group, to include the exemption: Retail businesses with a rateable value greater than £100,000 as it was initially identified to be exclusion of supermarkets only. Council can advise sufficient minutes are recorded for external groups they are involved in.
	The Council needs to ensure there is a clear agreed approach regarding nonpayment of the BID levy by ratepayers. The Council may wish to understand reasons for non-payment and may need further legal advice for clarity regarding issuing summons to ratepayers.
	The potential risk of the DBID failing has not been identified on the relevant risk register. Risk registers were not maintained by the task force group or the Council during the development of the BID.
	Although the Business Case included the proposal, the Council could have requested a separate proposal and business case from the BID. This would have outlined key information at an earlier stage.

Audit Scope

Key areas/points of the process included in the audit review were:
<ul style="list-style-type: none"> • Due diligence, risk assessments, financial impact considered/completed by the Council of the initial proposal from DBID; • Governance and financial impact in place regarding the Council funding the feasibility study and development of the business case; • Due diligence completed by the Council of the drafting of the business case being (responsibility of this was with the DBID task group with Council representation in attendance); • Due diligence/risk assessment/financial impact completed by the Council regarding the business case prior to decisions being made and the governance of such decisions; • Information sources used to compile the list of ratepayers subject to the DBID, what assurances the Council had that the list of ratepayers was a full list; and • Review of the DBID Task Group including terms of reference and minutes.

Other Relevant Information

The Herefordshire County Business Improvement District (BID) commenced on 01 January 2022 and is for a period of five years. Once the five-year period ends the BID will automatically cease, if the Business Improvement Company wants to extend the [BID](#) then the ballot has to be re-run. There is also a City BID which is currently in its third term. Whilst the actions outlined in this report may not be able to be implemented in the current delivery phase of the BIDs the actions should be considered to ensure any re ballots are done with these agreed actions in consideration.



Full details of our audit approach, as well as our assurance framework and definitions can be found here (www.swapaudit.co.uk/audit-framework-and-definitions). 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.

In partnership with



Procurement Card Proactive Fraud Review – Final – March 2024

Audit Objective

Review procurement card transactions from 1st April 2021 to date to identify those non-compliant with Policy and to consider the risks of fraudulent use.

Executive Summary

	Assurance Opinion 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.	Management Actions	Organisational Risk Assessment	Medium
		Priority 1	0	Our audit work includes areas that we consider have a medium organisational risk and potential impact. The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.
		Priority 2	2	
		Priority 3	2	
		Total	4	

Key Conclusions

	11 transactions across 2 procurement cards require further review by the Council to confirm they are appropriate spend. We were not able to gather this assurance due to lack of receipts and information from officers. Reviewing these transactions will provide assurance there has been no fraudulent spend or circumvention of the policy (e.g., split transactions).
	Availability and retention of receipts (23 transactions) is an issue, and 12 transactions were identified to be non-compliant with policy (purchase of fuel, subsistence and carparking).
	Approval of procurement card spend both pre and post purchase requires a review to ensure the Council has appropriate controls in place to reduce the risk of fraud in procurement card spend. The Council should consider the use of the systems preapproval functionality as well as ensuring any specific preapproval that is required, as per the policy, is in place.
	Cardholder approvals were found to be non-complaint with policy. Some forms were undated by the cardholder and there were two without finance signatory approval on file. This increases the risk of unauthorised and inappropriate transactions.
	Internal movers within the Council require the use/need of a procurement card to be reviewed when they change role, any movers in the last 6 months have been checked. A further review is to take place of those movers pre this period.

Audit Scope

The scope of the audit included:

- Using data analysis, we will identify 'red flags' and select a proportionate sample of transactions to identify instances of non-compliance with policy or where spend is considered fraudulent.
- Review of the policies and procedures governing the use of procurement cards and how users are made aware of this.
- Monitoring, reporting and management oversight of procurement cards.

A follow-up on the actions raised in the Procurement Card audit issued in 2020 will be conducted.

This review will focus on procurement card transactions from the 1st of April 2021 to date.

Other Information

Procurement cards can be convenient and efficient tools for organisations to streamline the purchasing process, but they also come with inherent fraud risks. Recognising and addressing these risks is crucial to maintaining a secure and efficient procurement card program. SWAP has provided a list of sampled transactions to the Council so that the detail can be considered when determining any appropriate action to be undertaken.