

Herefordshire Council

Report of Internal Audit Activity

September 2026

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Internal Audit Definitions

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

- **No**
- **Limited**
- **Reasonable**
- **Substantial**



Audit Framework Definitions

Control Assurance Definitions

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.
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.
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.
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.

Non-Opinion – 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. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Internal Audit Definitions

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.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.



Audit Framework Definitions

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.

	Categorisation of Recommendations
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.

Definitions of Risk

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

Audit Plan Progress 2026/27

Audit Type	Directorate	Audit Area	Status	Opinion	No of Agreed Actions	Priority			Comment
						1	2	3	
Follow-Up	Community Wellbeing	Court of Protection (2025/26)	Final Report	Low Reasonable	4	-	3	1	Reported in July
Core Financial	Corporate Services	Payroll (2025/26)	Final Report	Low Reasonable	6	-	1	5	Reported in July
Operational	Economy and Environment	Licensing – TENS (2025/26)	Final Report	High Reasonable	1	-	1	-	Reported in July
Follow-Up	Economy and Environment	Transport Hub (2026/27)	Final Report	N/A	0	-	-	-	Report Included
Core Financial	Corporate Services	Treasury Management (2025/26)	Final Report	Low Substantial	2	-	-	2	Report Included
Operational	Economy and Environment	Public Protection (2025/26)	Final Report	High Reasonable	3	-	-	3	Report Included
Core Financial	Corporate Services	Accounts Receivable (2025/26)	Draft Report						
Operational	Community Wellbeing	Emergency Planning (2025/26)	In Progress						
Follow-Up	Children and Young People	Foster Care Follow Up (2025/26)	In Progress						
Operational	Corporate Services	Crisis Resilience Fund (2026/27)	In Progress						
Operational	Economy and Environment	Public Realm Change Management (2026/27)	In Progress						
Operational	Children and Young People	Schools in Deficit	Ready to Start						
Operational	Community Wellbeing	Adults Social Care Payments							Waiting for confirmation of audit

Audit Plan Progress 2026/27

[illegible]

Audit Plan Progress 2026/27

Audit Type	Directorate	Audit Area	Status	Opinion	No of Agreed Actions	Priority			Comment
						1	2	3	
Follow-Up		Follow-Up of Agreed Actions (not included in an audit above)	On Going						
Other Audit Involvement		Management of the IA Function and Client Support	On Going						
Other Audit Involvement		Contingency – Provision for New Work based on emerging risks							

Action Tracking

Action Tracking

There are currently 50 open agreed actions for Herefordshire Council.

39 of the open actions are historic and include:

- 6 for All Ages Commissioning – Use of Spot Purchasing (2024/25)
- 10 for Foster Care Placements (2024/25)

These actions will be followed during the audits planned in 2026/27

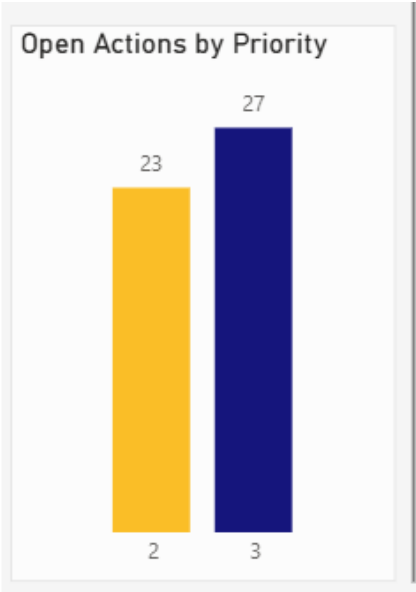
We have closed 5 of the 2025/26 actions, leaving 18 actions open.

We have raised 16 actions in the audits concluded during 2026/27.

All open actions are either priority 2 or 3, it is pleasing to note there are no priority 1s.

Work will continue to gain an update from responsible officers, and report updates to this Committee.

Any actions not remediated, will be discussed with officers and where appropriate, a revised timescale agreed.



Open Agreed Actions, by due date, are shown below.

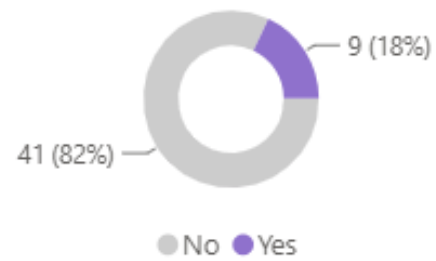
Not yet due	Due within 30 days	1-30 days overdue	31-60 days overdue	61-90 days overdue	91+ days overdue	Total Actions
17	4	7	1	(Blank)	21	50

Action Tracking

- Action Tracking – Revised Timescales

Open Agreed Actions, with a revised timescale has increased to 9 from 6

Open Actions with Extended Dates



Open Actions by Priority



The following are the Internal Audit reports, of each audit review finalised,
since the last Committee update

Transport Hub Follow-Up – Final Report – June 2026

Objective

Follow-Up report of 2025/26 Transport Hub audit actions to assess if they have been implemented to improve the management of the project

Progress Summary

Priority	Complete	In Progress	Not Started	Summary
Priority 1				0
Priority 2	2	3		5
Priority 3	2			2
Total	4	3	0	7

Interim Assessment.

We have prepared this Follow-Up report at the request of Audit and Governance Committee to provide an update of the progress of the agreed actions from our 2025/26 Transport Hub Audit, completed in January 2026.

Our findings have been summarised below; we have found four actions have been completed and three are in progress.

Key Findings Update.



Finding 1 – Key Contract Management – Part Complete

The points raised as being missed from the Contract Management Framework, for the Transport Hub, have been actioned. A template has been introduced for monthly meeting agendas, which includes items for discussing risk, and stakeholder feedback.

We were advised that contract management training has been delivered to the majority of project managers, and that bespoke training was to be delivered during June. Furthermore, Project Managers have been advised to ensure that the Contract Management Framework is being followed., We will need to test these areas before we are confident to mark the action as complete.



Finding 2 – Project Management – Separation of Risks and Issues - Complete

Evidence was supplied which confirms that the risk registers have been updated and include mitigations and risk owners, and issues have been removed from the risk register. Risks are being monitored and discussed at project meetings.



Finding 3 – Outdated Communications Plan – Complete

The Communications Plan has been updated and published; it includes all stakeholders, including third parties (government bodies etc) and identifies when project expertise is required. The Communication Plan runs through to the end of October 2026, when the project is due to be completed.



Finding 4 – Recording of Compensation Events – Part Complete

Cemar has been updated to ensure approval emails can be drafted, and all events, including approval emails, relating to the project are stored. Notes are included which state reasons for any delays, and the officer that raises the compensation event cannot approve a compensation event.

Further testing is required to ensure financial reconciliations are being undertaken between Cemar and Business World, and to ensure compensation events are being logged against the correct supplier.



Finding 5 – Budget Management – Part Complete

The risk register has been updated to include emerging risks and associated costs, and the cost status report has been updated to present the most up to date information.

Further testing is required not ensure financial reconciliations are being undertaken between Verto and Business World.

**Finding 6 – Project Management – Review of Decisions Register – Complete**

The original project schedule is available to ensure progress can be measured. Decision registers have been updated and include key information including reasons for the decisions and links to core objectives and risks. The data log lists the officers and the actions they have taken e.g. responded, decision made etc.

**Finding 7 – Software Management – Verto – Complete**

An officer has been made responsible for the Verto system. Discussions have taken place and the contract for Verto has been extended to 2027. Verto remains the Council's system of choice for tracking major projects.

Conclusion

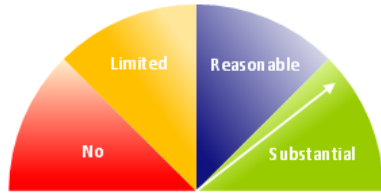
Our review found that good progress has been made to mitigate the weaknesses identified in our 2025/26 Transport Hub audit. However, a key area that needs further review is to ensure that regular and timely reconciliation between service area systems, i.e. Cemar and Verto and the Council's main financial system, Business World. This is important because budget monitoring is a key control which if not undertaken effectively could potentially result in project overspends, which are then hard to recover.

Treasury Management – Final Report – May 2026

Audit Objective

To provide assurance that key controls for Treasury Management are operating effectively and that treasury management arrangements are compliant with statutory regulations.

Executive Summary



Assurance Opinion

The review confirmed a sound system of governance, risk management and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives.

Management Actions

Priority 1	0
Priority 2	0
Priority 3	2
Total	2

Organisational Risk Assessment

Low

Our audit work includes areas that we consider have a low organisational risk and potential impact.

Key Conclusions



We understand Treasury Management (TM) training is offered when there is a new cohort of members or when there is sufficient interest. However, it is important to ensure those charged with TM, governance and scrutiny responsibilities are sufficiently skilled to effectively undertake their responsibilities as per The Treasury Code 2021 and the TM Practice Statement 10. Our review found TM training was last provided to Members in January 2024, and attendee records were not maintained. We suggest training should be provided at least annually to ensure new Members are trained in a timely manner and existing Members refresh their knowledge and skills. Records must also be maintained to provide assurances that Members are suitably skilled.



Review and approval of reconciliation processes are not in accordance with relevant procedure guidelines which were last reviewed in 2018 and 2020. If financial reconciliations are not independently reviewed or are only discussed verbally by exception, there is an increased risk that inaccuracies, control breaches, or emerging issues may not be identified.

Audit Scope

The audit reviewed the following:

- Approval and review of the Treasury Management Strategy;
- Compliance of investments and loans with the Treasury Management Strategy including process for when a breach occurs;
- Cashflow forecasting and monitoring alongside BACS payment controls;
- Recording and reconciliation of transactions ensuring adequate separation of duties;
- Effectiveness of risk management practices including identification, measurement and mitigation of financial and ethical investment risks;



We confirm the following areas of good practice:

- The Treasury Management Strategy 2025/26 was approved by Council in February 2025.
- Investments and loans activity is in accordance with the Treasury Management Strategy and appropriately approved.
- Cashflow monitoring processes are sound; management have agreed to formalise administrative notes to ensure activity can continue in case of officer absence.
- There is separation of duties, but as reported above, verbal discussions do not provide evidence in case of challenge.
- Financial and ethical investments are discussed, and risk assessments undertaken.
- Quarterly reports are provided to Cabinet which include TM Outturn data.
- Prudential Indicators are included in the TM Strategy as per the Prudential Code 2021 and are used to direct how the Council wishes to operate.

- Reporting of activity to senior management and committee(s) as well as performance monitoring against indicators;

Other Relevant Information

Generally, sound processes are operated within Treasury Management activities. We did note some areas for consideration, which if introduced would improve the current control environment:

- Minor administrative errors within procedural guidance which management agreed to address;
- Records management of historic loans could be improved. There were several loans where evidence of approval was not in place.
- Consideration could be given to including specific legislation in the Treasury Management Practice Statements, e.g. TMP1 – Fraud, Error, Corruption and Contingency Management could include reference to the Economic Crime and Corporate Transparency Act 2023.
- Given the heavy reliance on Excel spreadsheets, consideration should be given to using the latest version of Excel. The current version used (which is an inherited spreadsheet) does not provide enough capacity and has led to data being duplicated.

Public Protection – Final Report – August 2026

Audit Objective	To provide assurance over the administration of the environmental complaints process.
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Executive Summary				
	Assurance Opinion	Management Actions		Organisational Risk Assessment
	The review highlighted a generally sound system of governance, risk management and control in place. We identified some issues, non-compliance or scope for improvement which may put at risk the achievement of objectives in the area audited.	Priority 1	0	Our audit work includes areas that we consider have a low organisational risk and potential impact.
		Priority 2	0	
		Priority 3	3	
		Total	3	
			Low	

Key Conclusions		Audit Scope
	A review of the new Nuisance and Anti-Social Behaviour procedure introduced in December 2025, was found to be clear with defined workflows and strong legislative context supporting case handling. However, defined training or set competency frameworks for staff is missing. Lack of training creates the risk that the procedure is not applied consistently in practice.	The original agreed audit scope was to cover all environmental complaints processes, but during further discussions with management as part of initial work, the scope was specified to just the Nuisance and Anti-Social Behaviour area.
	The Environmental Health Directorate initial response Key Performance Indicators (KPI), 5 working days 85% and 10 working days 98%, are combined and reported on as a collective service, with current figures showing comfortably over target. As requested, audit reperformed the Nuisance and Anti-Social Behaviour specific response data for the period December 2025 onwards, with results highlighting that targets were not being consistently met. Of the 110 cases reviewed, 5-day responses were 81.83% (90 cases) and 10 days 83.64% (92 cases). In addition to this, 12.73% (14 cases) of cases had no responses and 1.82% (2 cases) were more than 20 days. It would be beneficial for the service area KPI's to be individually analysed and reported.	The audit primarily reviewed whether nuisance cases are managed in line with the procedure introduced in December 2025, focusing on response timeliness and the quality of case records. This review is timely ahead of the services transition to Arcus system later in 2026/27.
	Case sampling highlighted a weakness in the administration of the case management system. Cases are not always formally closed; case actions are not raised to ensure follow up or review in a timely manner with key fields not being populated to aid reporting/monitoring. This reduces visibility over case status, limits effective oversight, and contributes to underperformance against KPIs.	While centred on the revised procedure, some testing extended to longer-running and historic open cases (including those over 180 days) to assess whether they remained appropriate to keep open. Analysis also included cases received and closed within the last six months,



Case records show that work is generally undertaken and appropriately documented. However, there is limited evidence of consistent oversight and review across all cases. While supervision may be taking place, this is not consistently evidenced within case records. This reduces assurance that cases are managed consistently and that decisions are appropriately supported and reviewed.

alongside performance data to assess trends following implementation.

The audit considered whether:

- complaints are managed in line with guidance, procedures, and timescales; and
- records are appropriately maintained and updated.



Testing identified a case with potential safeguarding concerns where there was no evidence that these were assessed, documented, or referred. Management advised that such issues would normally be referred appropriately. However, due to the initial validity and nature of information in initial complaints, reports to the corporate safeguarding team are not always escalated. As safeguarding is a corporate responsibility, it is essential for the service to have reporting and recording mechanisms in place to demonstrate compliance and evidence if needed.

Other Relevant Information

The procedure document was noted to be missing basic governance control, including document ownership, version control, and review details, which reduce overall clarity and accountability.

A small number of minor data quality issues were identified, including cases without a target address or response date, as well as some potential duplicate records. In addition, the closure reason field is not populated, representing a missed opportunity to capture valuable management information and strengthen performance insight.

