

Appendix A

Herefordshire Council

Report of Internal Audit Activity

Plan Progress 2018/19 Quarter 2/3

Contents

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Internal Audit Plan Progress 2018/19

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 SWAP Internal Audit Services (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 the CIPFA Local Government Application Note. The Partnership is also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting on 21 March 2018.

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
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Other Special or Unplanned Review

Internal Audit Plan Progress 2018/2019

Outturn to Date



Internal Audit Work Programme

The schedule provided at Appendix C contains a list of all audits as agreed in the Annual Audit Plan 2018/19. 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 complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed in Appendix B of this document.

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in the audit receiving a ‘Partial Assurance Opinion’ is given as part of this report.

In circumstances where findings have been identified which are considered to represent significant corporate risks to the Council, due to their importance, these issues are separately summarised.

Internal Audit Plan Progress 2018/2019

Outturn to Date



Internal Audit Work Programme

This is the quarter 2/3 update for 2018-19. Sixteen audits have been completed since my last update and there are two audits at Draft report and eleven audits in progress. Two audits were assessed as Partial assurance and six priority 2 findings were identified across the two audits. One audit returned a Substantial assurance, with five audits returning a Reasonable assurance opinion. Four were Advisory audits and there were four follow up audits.

The following audits have been completed since the last update:

Audit	Assurance
SEN Transport	Partial
Records Management	Reasonable
NMiTE July 18	Advisory
Health and Safety	Partial
Integrated Short term Support and care Pathway – Front Door Customer Service – Redirected	Reasonable
Accounts Payable	Reasonable
Main Accounting	Substantial
Capital Accounting	Reasonable
NMiTE October 18	Advisory
Treasury Management Counterparty	Advisory
Blue Badges	Reasonable
Market Intelligence	Follow Up
Social care Workforce Performance	Follow Up
Data Quality – Decision Making Reports and Corporate Budget Performance Reports	Follow Up
CHC Funding	Follow Up
Joint Use Agreement – Ledbury Rugby Club	Advisory

Internal Audit Plan Progress 2018/2019

Significant Corporate Risks

Identified Significant Corporate Risks should be brought to the attention of the Audit and Governance Committee.



Significant Corporate Risks

We provide a definition of the 3 Risk Levels applied within audit reports. For those audits which have reached report stage through the year, I will report risks we have assessed as 'High'.

In this update there are no final reports included with significant corporate risks.

Internal Audit Plan Progress 2018/2019

SWAP Performance - Summary of Partial Opinions

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.



Summary of Partial Assurances and Significant Service Findings (Priority 1 and 2)

Two audits finalised in the period were awarded Partial assurance. The significant findings from both audits have been summarised below.

SEN Transport – Partial

The audit assessed the adequacy of the current policy, and provision of transport services for SEN children in Herefordshire. Due to the nature of service provision and the corresponding budget and policy, the audit also briefly included transport provision for looked after children (LAC), children requiring transport to Pupil Referral Units (PRU), and transport provision for Adult Social Care.

At the time of review, transport was being provided for 234 SEN children, 6 looked after children, 84 children who travel to Pupil Referral Units, and around 50 adults with special needs. The Transport Team are in the process of re-tendering for schools' transport service provision. The new contract is due to commence in September 2018.

A cross-partner comparison was also requested as part of this audit, in order to compare aspects of the policy, and the level of service provision and corresponding budget.

There is a School Transport Policy in place which staff should refer to when requesting transport and processing requests. However, the policy requires review, update and reissue. Requests for transport are submitted via a form to the Transport Co-ordinator by a member of the SEN Team or by email for LAC cases. The Transport Co-ordinator arranges the transport with the provider, raises and issues a purchase order and informs the SEN Team member of the transport arrangements. Cost of transport is monitored by the Transport Team, who hold the budget, and the Economy and Place Finance Team.

There were four priority 2 findings:

Policy owner

Following staffing changes in 2017, no agreement had been reached between the Children's Wellbeing Directorate and the Economy, Community and Corporate Directorate as to who is responsible for review and update of the Home to School Transport Policy.

Internal Audit Plan Progress 2018/2019

SWAP Performance - Summary of Partial Opinions

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.



Summary of Partial Assurances and significant service findings (Priority 1 and 2)

The recommendation was agreed, and Directors have met and agreed that responsibility for school transport policy will be taken over by the Head of Transportation and Access within the Economy and Place Directorate. A cross directorate Passenger Transport Board which will provide appropriate oversight and engagement with client directorates and will provide direction on policy review amongst other matters has been set up and a process will be set out and agreed by the Board for reviewing and publishing policy in line with government requirements. The target date for implementation is December 2018.

Policy guidance on nearest school

The policy contains limited guidance around transport entitlement. The policy around provision of transport is open to interpretation in some sections and allows for discretionary decision making by the Council. Although it is recognised that this can be of some benefit, there is currently a lack of detail, which can place too much responsibility on staff to make a judgement; this could lead to inconsistencies and may leave the Council open to challenge. We acknowledge that sometimes other factors need to be considered which it might not be possible to predict or list exhaustively in the Policy, however guidance criteria should be made as clear as possible for those officers assessing the cases.

The Head of Transportation has agreed that guidelines will be developed, reviewed by the Board and adopted for officers alongside outward facing policy. Where appropriate guidelines will be incorporated into the home to school transport policy. The target date for implementation is February 2019.

Transport request form and approval

The current forms for requesting free transport provision does not allow for sufficient information to be recorded in order for the Transport Team to ensure that the request is within the guidelines set out in the policy which may result in delays in the transport arrangement process.

The Interim Process and Procurement Manager has agreed to produce a revised form, taking into account the points raised in the audit will be agreed with the Head of Additional Needs prior to adoption and use. The target date for implementation is December 2018.

Internal Audit Plan Progress 2018/2019

SWAP Performance - Summary of Partial Opinions

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.



Summary of Partial Assurances and Significant Service Findings (Priority 1 and 2)

Disputed Cases

The Transport Team does not have a standard procedure in place for dealing with decisions disputed by parents / guardians.

The Head of Transportation and Access has agreed to develop a process for resolving disputed decisions relating to the allocation of transport provision which will be adopted, taking into account the best practice approach included in DfE 'Home to school transport and travel guidance' July 2014 and endorsed by the LGO 'Learning Lessons from Complaints – Navigating School Transport Issues' March 2017. The target date for implementation is February 2019.

Health and Safety – Partial

The objective of the audit was to establish whether the Council is compliant with Health and Safety legislation in respect of employees and all external parties occupying or visiting local authority premises.

At Herefordshire Council (HC) compliance with Health and Safety is taken seriously and is one of the risks on the corporate risk register. A significant failing could result in formal intervention by the Health and Safety Executive.

The audit identified the following good controls in place:

- The Health and Safety Policy and Health and Safety toolkit are accessible and easy to navigate on the Council's intranet.
- The process for reporting incidents/accidents is clear and well documented.
- The reporting of accidents is well monitored, trends are analysed and reported up to Management to maintain awareness.
- There are sufficient levels of officers trained as First Aiders and Fire Wardens.

Internal Audit Plan Progress 2018/2019

SWAP Performance - Summary of Partial Opinions

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.



Summary of Partial Assurances and Significant Service Findings (Priority 1 and 2)

- Two of the three service areas tested displayed a good understanding of the importance of Health and Safety with mechanisms to facilitate communication of issues within the area.
- The Health and Safety audit plan is reviewed annually, and audits are prioritised on higher risk areas.

There were two priority 2 findings:

Risk Assessments

No evidence was provided to demonstrate all service areas had completed risk assessments and very few were available on the intranet central repository within the Health and Safety toolkit. The sample size was small and gaps were identified in those tested.

The absence of all risk assessments prevented the monitoring of all service areas to identify high risks where action is required. The Head of HR and Organisational Development advised that fulfilment of Health and Safety responsibilities rest with the directorates and the Health and Safety function role within the Council is advisory and not one of policing to verify directorates have fulfilled their Health and Safety responsibilities.

The Health Safety and Resilience Manager that the H&S Team will attend each of the DMTs to raise awareness of the risk assessment process. DMT will be asked to review each service/team to establish what risk assessments are required. The H&S Team will provide training to Management Board. This will be arranged once the new H&S Advisor starts in the New Year. Bespoke and ad hoc briefings on risk assessment will be arranged according to need. The target date for implementation is July 2019.

Awareness of Health and Safety

There are inconsistencies in the awareness and prominence of Health and Safety across the service areas.

The Health, Safety & Resilience Manager has agreed the H&S Team will work with each directorate to put appropriate guidance and support in place. The focus of this support will be advice and documented guidance rather than training.

Internal Audit Plan Progress 2018/2019

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

Follow Up Audits

Follow Up Audits

Follow Up audits are completed where the auditor could only provide partial assurance. 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 of risk. Evidence is obtained to demonstrate implementation and progress made in relation to all 2017-18 priority 4 and 5 recommendations. For the priority 3 recommendations progress reported is based on self-assessment by relevant officers. The following table demonstrates progress against agreed actions at the time of the follow up audits completed and correct when this report was prepared on 21 December 2018. All overdue recommendations are scheduled to be completed by April 2019 apart from one priority 3. The completion of this recommendation is outside the control of the Council, who is awaiting approval from the CCG.

Priority of recommendation	Complete	Overdue	Not yet due	In Progress	Superseded
Market Intelligence					
4	4	2			
3	9	1			
Social care Workforce Performance					
4	1				
3	3	2			
Data Quality – Decision Making Reports and Corporate Budget Performance Reports					
4	2	1			
3	4	1		1	
CHC Funding					
4	1	1			
3	4	1			

Internal Audit Plan Progress 2018/2019

Added Value

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.



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”.

The followings audits have provided a cross comparison survey for the SWAP Partners:

Anti-Fraud and Corruption Policies & Strategies- A review of policies and Strategies was completed.

Adult & Community Services Debt Management & Debt Recovery - A benchmarking exercise was carried out with SWAP partners to establish the structure of A&CS debt recovery teams, policies in place and KPIs collected.

Revenues Debt Recovery - Comparisons were made against the different payment options offered, the recovery methods used, enforcement action undertaken, performance targets set and monitored, and the number and average value of repayment plans.

The findings of each survey have been shared with the SWAP Partners.

Internal Audit Plan Progress 2018/2019

SWAP Performance - Summary of Audit Opinions

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

- Substantial
- Reasonable
- Partial
- None

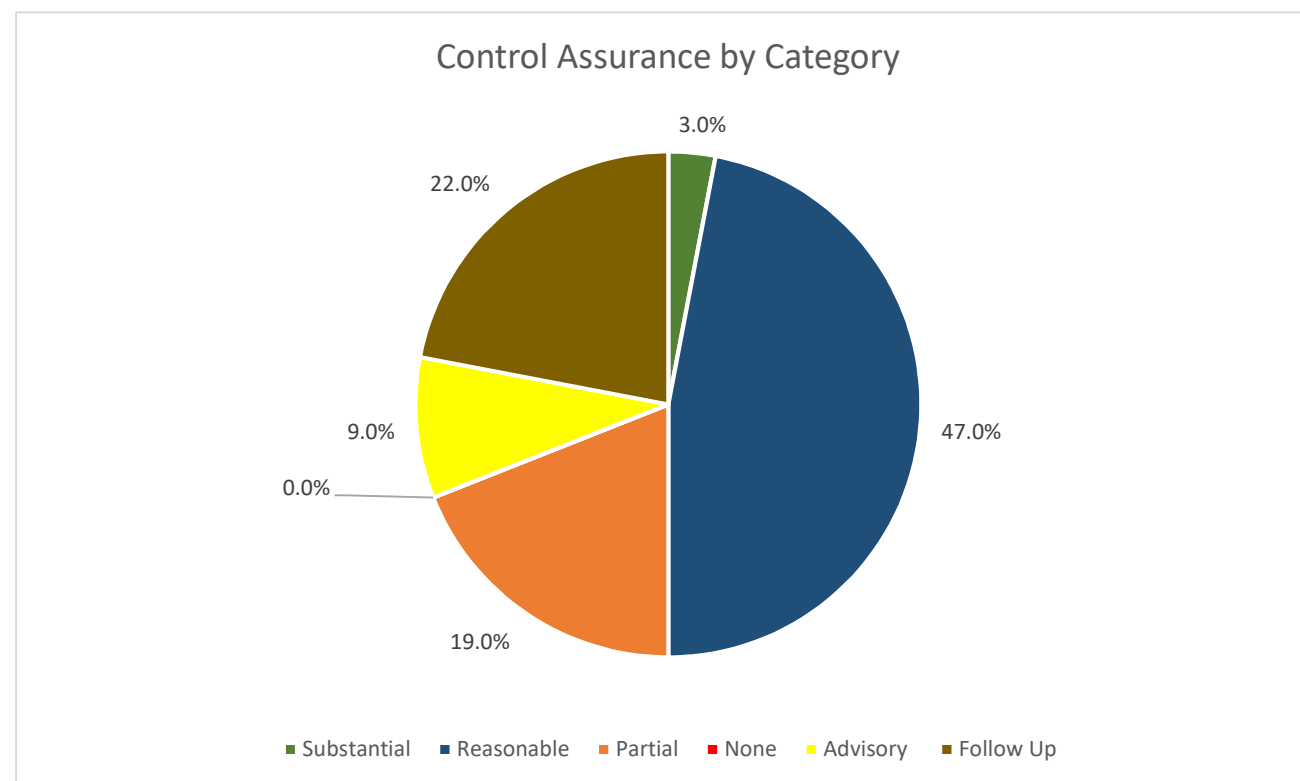
We also undertake Advisory / Non-Opinion work on a consultancy basis where we have been asked to look at a specific area of potential concern.

Where we follow up on a previous adverse audit opinion the opinion is stated as follow up.



Summary of Audit Opinion

Of the reviews that have a final report, the opinions offered are summarised below.



Internal Audit Plan Progress 2018/2019

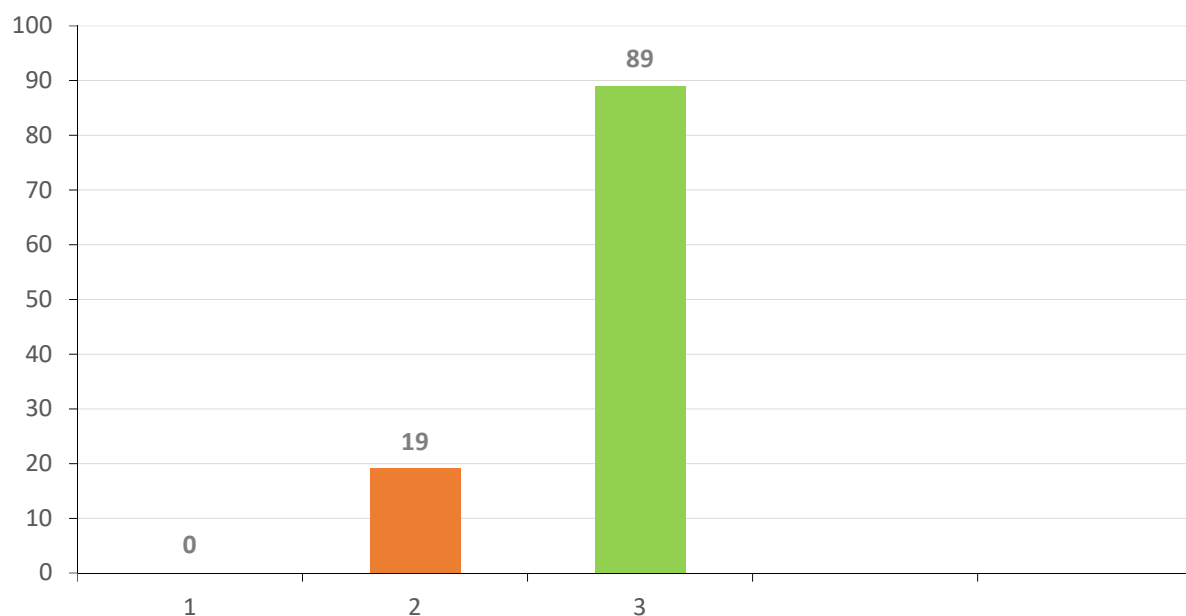
Summary of Audit Recommendations by Priority

We rank our recommendations on a scale of 1 to 3, with 3 being medium or administrative concerns to 1 being areas of fundamental concern requiring immediate corrective action.



Summary of Recommendations

Audit Recommendations by Priority



Internal Audit Plan Progress 2018/2019

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



Approved Changes to the Audit Plan

Unplanned work, special reviews or projects carried out on a responsive basis are requested through the Chief Finance Officer (Section 151 Officer). As new and emerging risks are identified, any changes to the plan will be subject to the agreement of the Chief Finance Officer (Section 151 Officer) and reported to this Committee.

The Chief Finance Officer has requested two additional audits - Honorarium, Market Forces, Standby and on call payments and Treasury Management Counterparty audit. The days will be allocated from the Local population forecast audit and Mandatory Training audit. The Mandatory Training audit will be included in the 2019-20 audit plan in quarter 1. The Local population forecast audit has been removed from the plan as the Council has already commissioned forecasting reports in this area.



Conclusion

Thirty- three audits have been completed and there are two audits at draft report and a further eleven audits are in progress. The completed audits are currently reporting 3% substantial assurance, 47% reasonable assurance and 19% partial assurance. There have been no significant corporate risks identified.

Recommendations have been made for improvement at service level and all findings have been accepted by management and a target date agreed for implementation. No areas of significant corporate concern have been identified.

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 80% would reflect 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. The current feedback score for the Council is 100%.

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

- Substantial
- Reasonable
- Partial
- None
- Advisory



Audit Framework Definitions

Control Assurance Definitions

Substantial	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	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	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	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.

Advisory - 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.

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

Risk	Reporting Implications
	In addition to the corporate risk assessment it is important that management 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. Each recommendation 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.

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.

Definitions of Risk

Risk	Reporting Implications
	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 Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
Governance, Fraud & Corruption	NMITE Project (University)	1	Completed	Reasonable	4	0	1	3
Governance, Fraud & Corruption	Joint Use Agreement - Ledbury Rugby Club	1	Completed	Advisory	2	0	0	2
Governance, Fraud & Corruption	Highways Projects - Capital Spend	1	Draft Report					
Operational	Building Control	1	Completed	Reasonable	7	0	0	7
Operational	Special Educational Needs Transport	1	Completed	Partial	7	0	4	3
Operational	Property Maintenance - Schools	1	Deferred to 2019-20					
Operational	Internal Communications	1	In Progress					
Operational	Records Management	1	Completed	Reasonable	3	0	0	3
Schools	Schools Financial Value Standard - School 1	1	Completed	Partial	13	0	5	8
Schools	Schools Financial Value Standard - School 2	1	Completed	Reasonable	5	0	1	4
Schools	Schools Financial Value Standard - School 3	1	Completed	Partial	8	0	2	6
Schools	Schools Financial Value Standard - School 4	1	Completed	Reasonable	7	0	0	7
Operational	Safer recruitment - Children's Wellbeing - Staff and Agency Staff	1	Completed	Reasonable	6	0	0	6
ICT	Patch Management	1	Completed	Reasonable	4	0	0	4
ICT	IT Access Controls –Mosaic and other systems used by AWB and CWB	1	Completed	Partial	6	0	2	4
Follow Up	Deprivation of Liberties	1	Completed	Follow Up	-	-	-	-
Key Control	Council Tax	2	Completed	Reasonable	2	0	0	2

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
Key Control	Housing Benefit and Council Tax Reduction	2	Completed	Reasonable	2	0	0	2
Governance, Fraud & Corruption	NMITE Project (University) End of July 18 assurance	2	Completed	Advisory		—	—	—
Governance, Fraud & Corruption	Corporate Peer Challenge	2	Not Started					
Governance, Fraud & Corruption	Internal Control Improvement Board	2	Completed	Follow up	-	-	-	-
Grant Certification	Local Transport Block Funding – Grant Certification	2	Completed	Reasonable	1	0	0	1
Governance, Fraud & Corruption	Effectiveness of programme Boards for major system changes/projects	2	Not Started					
Operational	Health and Safety	2	Completed	Partial	6	0	2	4
Operational	Compliance with contract and financial procedure rules – revenue	2	Draft Report					
Operational	Hoople	2	In Progress					
Operational	Integrated Short Term Support and Care Pathway - DToC plan – Front Door Customer Service – Redirected.	2	Completed	Reasonable	5	0	0	5
Operational	Client finance System - Interface between all systems –	2	Deferred to 2019-20					
Operational	Use of regional framework for foster care	2	In Progress					
ICT	Third Party Agreements (including Cloud)	2	Completed	Partial	6	0	2	4
Key Control	Accounts Payable	3	Completed	Reasonable	2	0	0	2
Key Control	Main Accounting	3	Completed	Substantial	1	0	0	1
Key Control	Payroll	3	Completed	Reasonable	4	0	0	4
Key Control	Accounts Receivable	3	In Progress					

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
Key Control	Capital Accounting	3	Completed	Reasonable	2	0	0	2
Key Control	NNDR - Business rates avoidance	3	In Progress					
Governance, Fraud & Corruption	NMITE Project (University) End of October 18 assurance	3	Completed	Advisory	-	-	-	-
Governance, Fraud & Corruption	Declaration of personal and business interests	3	Not Started					
Grant Certification	Redundant Building Grant Funding	3	Not Started					
Operational	Local population forecast using for future planning such as house building requirement	3	Removed					
Grant Certification	Troubled Families – Monthly assurance on claims to end of March 2019	3	In Progress					
Operational	Integrated Short Term Support and Care Pathway - County Teams	3	In Progress					
Governance, Fraud & Corruption	Children's centres – governance and financial control	3	Deferred to 2019-20					
Operational	Care Workforce Project – support to Domiciliary Care Agencies recruitment	4	Not Started					
Operational	Contract Monitoring	4	In Progress					
Governance, Fraud & Corruption	NMITE Project (University) End of January 19 assurance	4	In Progress					
Governance, Fraud & Corruption	EU General Data Protection Regulation	4	Not Started					
Operational	P- Cards	4	Not Started					
Operational	Mandatory Training	4	Deferred to 2019-20					
Governance, Fraud & Corruption	Treasury Management Counterparty	3	Completed	Advisory	-	-	-	-
Governance, Fraud & Corruption	Blue Badges	4	Completed	Reasonable	5	0	0	5

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium		
						Recommendation		
						1	2	3
Operational	Development Regeneration Partnership	4	Not Started					
Operational	AWB Contract Management	4	Not Started					
Governance, Fraud & Corruption	Quality Assurance Framework	4	Not Started					
Operational	Homepoint - Review of new provider	4	Not Started					
Follow Up	Internal Control Improvement Board	4	Not Started					
Schools	Prevention of Fraud (Schools)	4	Not Started					
Follow Up	Serious and Organised Crime Audit checklist	4	Not Started					
Follow Up	Data Sharing Protocols with partners and third parties	4	Completed	Follow Up				
Follow Up	Market Intelligence	4	Completed	Follow Up				
Follow up	Emergency Planning - Public Health	4	In Progress					
Operational	Honorarium, Market Forces and Standby and on call payments	4	In Progress					
Follow Up	Annual Care Assessment -Social Care Workforce Performance	4	Completed	Follow Up				
Follow Up	Short Breaks - Children's Wellbeing	4	Not Started					
Follow Up	Public Health Contracts	4	Not Started					
Follow Up	Data Quality - Decision Making Reports and Corporate Budget Performance Reports	4	Completed	Follow Up				
Follow Up	CHC Funding	4	Completed	Follow Up				