

In partnership with



Appendix A

Herefordshire Council

Report of Internal Audit Activity

Plan Progress 2019/20 January 2020

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Unrestricted

Contents

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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 Chartered 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 19 March 2019.

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 2019/2020

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 2019/20. 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 findings (priority 1 or 2), a summary of the key audit findings 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 2019/2020

Outturn to Date



Internal Audit Work Programme

This is the quarter 2 update for 2019-20. Twenty-one audits have been completed since my last update and there are four audits at Report and sixteen audits in progress. One audit has been deferred to quarter 4 at the request of the Client. For the audits completed two audits were assessed as Substantial assurance, six as Reasonable assurance, two were Advisory audit reports, one was a Special Investigation, two were grant certification audits and eight were follow up audits.

The following audits have been completed since my last update:

Audit	Assurance
Transport / Highways policy setting	Reasonable
Environmental Health / Trading Standards	Reasonable
Troubled Families quarter 2	Advisory Report <i>(an advisory report is issued for each quarter – an audit opinion will be given at the conclusion of the quarter 4 audit)</i>
Property Maintenance - Schools	Reasonable
Pupil Referral Unit	Reasonable
Loss of Monies	Special Investigation
Bus Subsidy grant	Grant Certification
New Model in Technology and Engineering (NMiTE) Project (University) quarter 2 review	Advisory Report
Council Reserves	Substantial
Local Transport Block Funding	Grant Certification
Cemeteries / Crematoriums	Reasonable
Local Enterprise Resources team	Reasonable

Internal Audit Plan Progress 2019/2020

Outturn to Date



Internal Audit Work Programme

Audit	Assurance
Health and Safety	Follow Up
Capital Accounting follow up	Follow Up
NNDR	Substantial
Housing and Council Tax Benefit	Follow Up
Council Tax	Follow Up
Major Transport Schemes - financial reporting	Follow Up
Special Educational Needs transport	Follow Up
IT Access Controls – Mosaic and other systems used by AWB and CWB	Follow Up
ICT Cloud and Externally Hosted Services	Follow Up

Significant Corporate Risks



Significant Corporate Risks

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

We provide a definition of the 3 Risk Levels for Corporate risk 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 'High' corporate risks.

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 and Governance Committee.



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

I provide a summary of the significant service findings for audits where the findings have been assessed as priority 1 or 2. For each finding the detail of the finding, the recommendation, agreed action by management and the target date for completion of the agreed action is provided. The target date for implementation is agreed with the manager at the conclusion of the audit and is the date for completing the agreed action. For some actions this date may not be met and these agreed actions will be reported to this Committee with a revised target date as part of the Tracking of Audit Recommendations report which is presented to this Committee by the Directorate Services Team Leader.

For the 2019-20 audits completed since my last update no audits have been assessed as Partial. One audit assessed as Reasonable (Pupil Referral Service) had one priority 2 finding and there were a number of significant findings for the Special Investigation – Loss of Monies.

Pupil Referral Unit – Reasonable

The objective of the audit was to provide assurance the Pupil Referral Unit operating within Herefordshire is compliant with statutory requirements in the provision of education for pupils. The audit evaluated statutory compliance with regulations in respect of both Pupil Referral Unit Centres: Aconbury Centre– Key Stage 3 and St David's Centre– Key Stage 4.

The audit found the following areas to be well controlled:

- Policies have been drawn up for all areas reviewed. They are made available to and discussed with staff.
- A good governance framework was in place, with a Management Committee and Sub-Committees. Terms of Reference have been drawn up for all of the Committees.
- A good system was in place for ensuring that staff are subject to DBS checks; these are carried out every three years. In instances where a DBS check is not current (i.e. within the three-year limit) for staff employed by the Service, Risk Assessments are carried out for the staff and are held on file.

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 Interim Executive Headteacher of the Herefordshire Pupil Referral Service has drawn up and is implementing a Child Exploitation Action Plan.
- The Council has a representative who sits on the Management Committee and reports back to the Assistant Director on progress / issues of note.

There were 4 priority 3 findings and one priority 2 finding.

Priority 2 finding

Personal / sensitive information was found to be on display on notice boards in the office at both PRU Centres, which is non-compliant with the General Data Protection Regulation.

Recommendation:

We recommend that a comprehensive check of the offices at both St. David's Centre and the Aconbury Centre is carried out to ensure that personal / sensitive information is only accessible to authorised personnel and is locked away when not required.

Agreed Action:

Herefordshire Pupil Referral Service will ensure all personal / sensitive information is only accessible to authorised personnel and or locked away.

Target Date: 31 December 2019

Loss of Monies – Special Investigation

A special investigation was completed following the loss of monies totalling £1,093.36 across five sites managed by the Council and one site managed by Hoople Ltd. The total included £275.82 loss to Hoople Ltd and £215 from a staff Christmas Fund with the total loss to the Council of £602.54. In the 2018/2019 financial year the total cash collected by the Council was £3.309M.

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)

Whilst the total cash loss is small compared to the total cash collected by the Council it is still a loss of public money and the investigation has identified some significant control weaknesses that need to be addressed. All the recommendations have been accepted by management and are being progressed. As this was a special investigation, I have only provided a summary of the findings for the Committee so that you are aware of the control weaknesses and can take assurance that actions are being taken to address the weaknesses.

- Keys for safes, tills and access to where cash is secured were not always held securely
- Cash-ups of the petty cash and cash floats was not always undertaken weekly and petty cash expenditure was not always documented or receipted.
- Other sums of money were held at one site in addition to Council monies
- Not all sites had a safe
- Cash was not always in a secure location
- Not all monies received were recorded on accounting records
- Access to safes was not always restricted to relevant staff

All recommendations have been accepted by management and all recommendations will be completed by 31 January 2020. Some recommendations were addressed promptly during the investigation and most recommendations had been addressed by 4 December 2019. A recommendation was made to the Council to review whether it would be possible for services currently using cash across the Council to go cashless. This is currently being considered and has a target date for completion of 31 January 2020.

Internal Audit Plan Progress 2019/2020

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 2018-19 priority 1 and 2 recommendations. For the priority 3 recommendations progress reported is based on self-assessment by relevant officers. Where a key control audit received Reasonable assurance, the key control is included in the plan to follow up on all recommendations to provide assurance that action has been taken to address the recommendations. For key control follow up audit evidence is obtained to demonstrate implementation and progress for all recommendations. The following table demonstrates progress against agreed actions at the time the follow up audits were completed.

Priority of recommendation	Complete	Overdue	Not yet due	In Progress	Superseded
Health and Safety					
2	2	0	0	0	0
3	4	0	0	0	0
Capital Accounting					
2	0	0	0	0	0
3	2	0	0	0	0
Council Tax					
2	0	0	0	0	0
3	2	0	0	0	0
Housing and Council Tax Benefit					
2	0	0	0	0	0
3	2	0	0	0	0

Internal Audit Plan Progress 2019/2020

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



Follow Up Audits

Priority of recommendation	Complete	Overdue	Not yet due	In Progress	Superseded
Special Educational Needs transport					
2	4	0	0	0	0
3	3	0	0	0	0
IT Access Controls –Mosaic and other systems used by AWB and CWB –					
2	0	2	0	0	0
3	3	1	0	0	0
ICT Cloud and Externally Hosted Services					
2	2	0	0	0	1
3	3	0	0	0	0
Major Transport Schemes - financial reporting					
2	0	1	0	0	0
3	4	0	0	0	0

Where a recommendation is overdue a revised target implementation date has been agreed.

Internal Audit Plan Progress 2019/2020

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:

Traffic Regulation Order Prioritisation Process - this was an opportunity to identify ways other councils use a map base schedule to manage TROs, the prioritisation process in operation and what steps are implemented to reduce any backlogs.

Voluntary Sector - Cross Comparison - this was an opportunity to identify ways other councils support the voluntary sector; and to determine both their alignment to other local authorities and consider other practices beneficial to employ.

Property Maintenance – Schools – the cross comparison reviewed compliance services, condition services, funding for maintenance work.

Internal Audit Plan Progress 2019/2020

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.

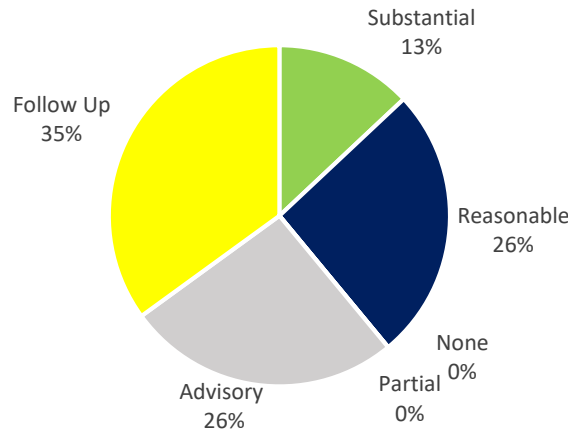
Where we follow up on a previous adverse audit opinion the opinion is stated as follow up.



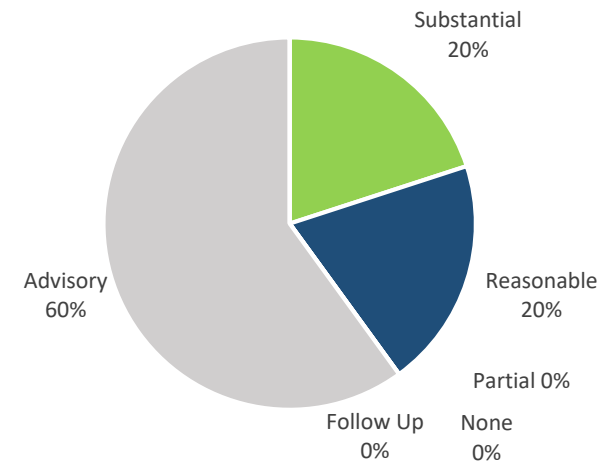
Summary of Audit Opinion

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

Control Assurance by Category
Quarter 2



Control Assurance by Category
Quarter 1



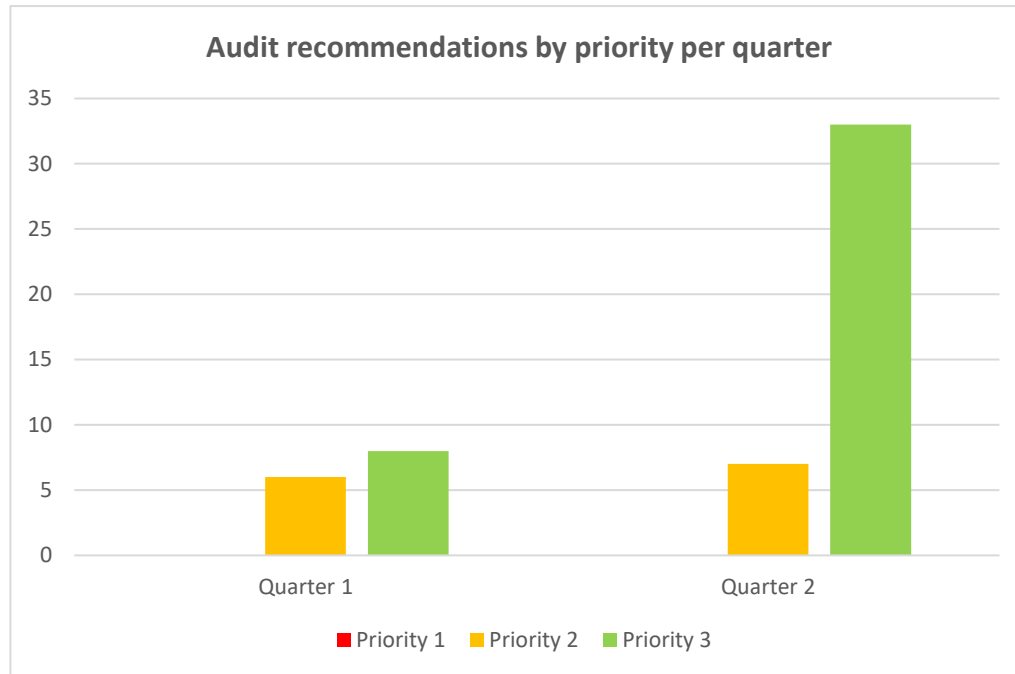
Internal Audit Plan Progress 2019/2020

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



Internal Audit Plan Progress 2019/2020

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.

Two audits Development Regeneration Programme and Strategic Partnerships have been deferred to 2020-21 to accommodate the two additional pieces of work reported in my last update.



Conclusion

Twenty-one audits have been completed since my last update and there are four audits at Report and sixteen audits in progress. One audit has been deferred to quarter 4 at the request of the Client. For the audits completed two audits were assessed as Substantial assurance, six as Reasonable assurance, two were Advisory audit reports, one was a Special Investigation, two were grant certification audits and eight were follow up audits. There have been no significant corporate risks identified however it should be noted that there have been significant findings identified for the Loss of Monies review.

Recommendations have been made for improvement at service level and all findings have been accepted by management and a target date agreed for implementation. Thirty-three priority 3 findings and seven priority 2 findings have been reported. The significant findings for the Loss of Monies review have mostly been actioned demonstrating the Councils willingness to promptly address issues identified in control weakness.

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 95% 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. For 2019-20 audits the feedback return is 100% for audits where feedback has been provided.

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 Report - 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.

Recommendation 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 ← 2 = Medium → 3 = Medium		
						Recommendation		
						1	2	3
Governance, Fraud & Corruption	New Model in Technology and Engineering (NMiTE) Project (University) quarter 1 review	1	Completed	Advisory Report	-	-	-	-
Advisory	South Wye Transport Package Phase 1 – Governance	1	Completed	Advisory Report	7	0	4	3
Operational	Coroners/Registrars	1	Completed	Substantial	1	0	0	1
Operational	Transport / Highways policy setting	1	Completed	Reasonable	4	0	0	4
Operational	Environmental Health / Trading Standards	1	Completed	Reasonable	2	0	0	2
Operational	Property Maintenance - Schools	1	Completed	Reasonable	5	0	0	5
Grant	Troubled Families (Qrt 1 monthly review of claims)	1	Completed	Advisory Report	0	0	0	0
Operational	Schools Exclusion Policy	1	Deferred to qrt 3	In Progress				
Operational	Children’s centres (changed to Pupil Referral Unit)	1	Completed	Reasonable	5	0	1	4
Operational	Facilities Management	1	In progress					
ICT	ICT Applications	1	Discussion Document					
Operational	Mandatory Training	1	Draft Report					
Operational	Disclosure and Barring Service	1	Completed	Reasonable	6	0	2	4
Special Investigation	Code of Conduct Complaint	1	Completed	Special Investigation	-	-	-	-
Special Investigation	Loss of Monies	2	Completed	Special Investigation	-	-	-	-
Governance, Fraud & Corruption	New Model in Technology and Engineering (NMiTE) Project (University) quarter 2 review	2	Completed	Advisory Report	-	-	-	-

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
						Grant	Bus Subsidy grant	2
Operational	South Wye Transport package Phase 2	2	In progress					
Grant	Troubled Families (Qrt 2 monthly review of claims)	2	Completed	Advisory Report	-	-	-	
Operational	Council Reserves	2	Completed	Substantial	2	0	2	
Grant	Local Transport Block Funding	2	Completed	Grant Certification	-	-	-	
Operational	EU Grant Funding	2	Draft Report					
Governance, Fraud & Corruption	Cemeteries / Crematoriums	2	Completed	Reasonable	3	0	3	
Operational	Healthy Lifestyle Service (was Development of Community Strategy)	2	In Progress					
Operational	Client finance System - Interface between all systems	2	Deferred to qrt4 at request of client					
Operational	Continuing Healthcare process	2	Draft Report					
Operational	Quality Assurance Panel Process (change of audit to Local Enterprise Resources team)	2	Completed	Advisory Report	4	0	4	
Operational	Independent review officer services	2	In Progress					
Schools	Schools Financial Value Standard	2	In Progress					
ICT	Data Centres	2	In Progress					
Operational	Project Delivery/project management	2	Not started					
Grant	Troubled Families (Qrt 3 monthly review of claims)	3	In progress					

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
Key Control	Council Tax follow up	3	Completed	Follow up	-	-	-	-
Key Control	Treasury Management	3	In progress					
Key Control	Accounts Payable follow up	3	In progress					
Key Control	Main Accounting	3	In progress					
Key Control	Payroll follow up	3	In progress					
Key Control	Accounts Receivable follow up	3	In progress					
Key Control	Capital Accounting follow up	3	Completed	Follow up	-	-	-	-
Key Control	NNDR	3	Completed	Substantial	1	0	0	1
Key Control	Housing and Council Tax Benefit	3	Completed	Follow up	-	-	-	-
Governance, Fraud & Corruption	New Model in Technology and Engineering (NMiTE) Project (University) quarter 3 review	3	In progress					
Governance, Fraud & Corruption	Contracts - Public Realm, Waste and Balfour Beatty (review of actions from vfm review)	3	In progress					
Operational	Income Charging	3	In progress					
Operational	Integrated Short Term Support and Care Pathway - Carers Assessment	3	Deferred to qrt 4 (client request)					
Operational	Workforce Development – Adults	3	Not started					
Schools	Prevention of Fraud in Schools audit – one school	3	In Progress					
Governance, Fraud & Corruption	Compliance with Financial Regulations	3	Not started					
ICT	Incident Management to include Ransomware	3	Not started					

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
						Operational	Service Planning	3
Governance, Fraud & Corruption	New Model in Technology and Engineering (NMiTE) Project (University) quarter 3 review	4	Not started					
Grant	Troubled Families (Qrt 4 monthly review of claims)	4	Not started					
Governance, Fraud & Corruption	Savings Targets	4	Not started					
Operational	RNIB Site for FE College	4	Not started					
Operational	Housing (Capital programme and spending)	4	Not started					
Operational	Development Regeneration Programme	4	Deferred to 2020-21	Days allocated to Loss of Monies SI	-	-	-	-
Operational	Integrated Short-Term Support and Care Pathway – Delayed Transfers of care (DToC) plan – process of hospital discharges, Front door redirected.	4	Initial meeting					
Operational	Integrated Short-Term Support and Care Pathway phase 4 Housing Pathway	4	Not started					
Operational	Homepoint - Review of new provider	4	Not started					
Governance, Fraud & Corruption	Members Expenses	4	In Progress					
Operational	Strategic Partnerships	4	Deferred to 2020-21	Days allocated to Code of Conduct Complaint SI	-	-	-	-
Follow UP	Health and Safety	4	Completed	Follow up	-	-	-	-
Follow UP	Major Transport Schemes - financial reporting	4	Completed	Follow up	-	-	-	-

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium		
						Recommendation		
						1	2	3
Follow UP	Special Educational Needs transport	4	Completed	Follow up	-	-	-	-
Follow UP	ICT Cloud and Externally Hosted Services	4	Completed	Follow up	-	-	-	-
Follow UP	IT Access Controls –Mosaic and other systems used by AWB and CWB –	4	Completed	Follow up	-	-	-	-
Follow Up	Follow Up Contingency	4	To be Assigned					