

Appendix A

Herefordshire Council

Report of Internal Audit Activity

Plan Progress 2020/21 - July 2020

Contents

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Internal Audit Plan Progress 2020-/21

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 05 May 2020.

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 2020/21

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 2020-21. 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 2020/21

Outturn to Date



Internal Audit Work Programme

This is the progress report for the 2020-21 audit plan at 6 July 2020. One audit has been completed, two audits are at report and there are nine audits in progress. The audit completed is an Advisory audit report.

The following audit has been completed since my last update:

Audit	Assurance
Troubled Families – monthly review – quarterly report quarter 1	Advisory

As reported in my Annual Plan report to the Committee in May it was expected that there would be some disruption to the 2020-21 Internal Audit Plan which would result in a need to review and reassess the 2020-21 plan. There were 12 audits planned for quarter 1 and we have only been able to progress three at this stage. We have however progressed four additional pieces of work as a result of new or changed processes due to COVID - 19 and two additional audits requested by the Chief Finance Officer. Of these six one is at Draft Report. The remaining five are currently in progress.

Below is a brief overview of the additional work to date for the four audits as a result of new or changed processes due to COVID-19:

Audit Name	Brief Overview of work
Grant Funding Schemes Small Business Grant Fund / Retail, Hospitality and Leisure Grant Fund	Phone calls to businesses, post payment checks, data analysis of payments. Support on application detail for Discretionary grants.
Transport Contracts	Review of the monthly declaration submitted by Providers in line with the temporary variation to passenger transport contracts issued on 20th April 2020.
Emergency Decisions - Decision Making	Review of the new Emergency Decision Making process introduced during the COVID-19 pandemic.

Internal Audit Plan Progress 2020/21

Outturn to Date

Procurement Cards	Review of processes around usage of procurement cards, and their anticipated usage increase during the COVID-19 pandemic.
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The additional audits (not COVID-19) are detailed in my report on Page 13.

2019-20 audits

In my last 2019-20 progress update I reported where audits had been delayed due to the impact of COVID 19. The table below shows the current status of the audits which will be included and reported in my Internal Audit Opinion report to the Committee in September.

Audit	Report Stage
South Wye Transport Package – Phase 2	Complete
Contracts - Public Realm, Waste and Balfour Beatty (review of actions from vfm review)	Complete
Compliance with Financial Regulations	Completed
RNCB Site for FE College	Draft Report
Troubled Families (Qrt 4 monthly review of claims)	Complete
Integrated Short-Term Support and Care Pathway – Delayed Transfers of care (DToC) plan – process of hospital discharges, Front door redirected.	Discussion Document
Facilities Management	In progress
Homepoint	Draft Report
Housing Provision	Final Report

Internal Audit Plan Progress 2020/21

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 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.

Internal Audit Plan Progress 2020/21

SWAP Performance - Summary of Limited 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 Limited Assurances and Significant Service Findings (Priority 1 and 2)

There are none to report for the audit completed.

Internal Audit Plan Progress 2020/21

Corporate Risk Register

Assessment of the alignment of the audits in the Internal Audit Plan to the Corporate Risks in the Corporate Risk Register



Assessment of the alignment of the audits in the Internal Audit Plan to the Corporate Risks in the Corporate Risk Register

The Corporate Risk Register (March 2020) was presented to the Audit and Governance Committee at the June Meeting.

The audit plan Appendix C links each audit to the relevant risk in the Corporate Risk Register. Where a risk is not linked to an audit within the audit plan I have provided the detail of each risk in the table below. It is not expected that every risk will be covered annually and where the risks below have been audited in a previous year I have indicated below.

Ref:	Risk Description
CRR.01	Children's Operational Staffing / Workforce IF/AS: We are unable to recruit and maintain a stable, experienced social care workforce THEN: Caseloads for social workers will be higher than wanted and may affect the quality of casework for children
CRR.02	Market workforce economy IF: the current limited capacity within the social care workforce continues THEN: will there be an impact on availability of services - this is particularly true of Registered Managers and Nurses
CRR.04	Human Rights claims IF: a result of high court decisions regarding children's social care cases THEN: Herefordshire council may face Human Rights claims.
CRR.07 audited in 2015/16 follow up 2017/18	Deprivation of Liberty IF: The authority does not meet the statutory requirements for Deprivation of Liberty Safeguards and individuals are unlawfully deprived of their liberty THEN: The authority faces a risk of being taken to the Court of protection, increasing the risk of Costs and Financial penalties for the Local Authority
CRR.19	NMITE IF: there is a lack of critical infrastructure such as teaching space and student accommodation to meet NMITE's forecast growth THEN: would be unable to reach the critical mass of student numbers to become self-sustaining.
CRR.30	Litigation IF: disputes with contractors arise there is potential exposure to litigation THEN: the Council may lose and be liable for costs in excess of £M (effecting budget position) and incurring reputational harm.

Internal Audit Plan Progress 2020/21

Corporate Risk Register

Assessment of the alignment of the audits in the Internal Audit Plan to the Corporate Risks in the Corporate Risk Register



Assessment of the alignment of the audits in the Internal Audit Plan to the Corporate Risks in the Corporate Risk Register

Ref:	Risk Description
CRR.31 audited in 2019-20	South Wye Transport Package IF: scheme costs increase as a result of changes to programme THEN: they will exceed current approved budget and it will significantly affect ability to drawdown grant funding within funding window.
CRR.33 audited in 2019-20	South Wye Transport Package IF: The Marches LEP require existing growth funding to be repaid based on any change in approach to the SWTP THEN: Funding will need to be allocated for repayment of the growth funding, impacting on other budgets.
CRR.34	Response to police investigation IF: there is an uncoordinated response THEN: there may be disruptions to casework, unsettled staff and service users and the council may not respond effectively to the outcome of the investigation.
CRR.35	Phosphate Pollution in Lugg Catchment IF/AS: A way forward cannot be found in relation to the moratorium on housing development in the River Lugg catchment arising from elevated phosphate levels THEN: the 5 Year Housing Land Supply figure will fall further which will have a severe impact upon the weight of Neighbourhood Development Plans and the outcome of planning appeals, leading to an increased potential for unplanned development in areas of the county not affected by the phosphate issue.
CRR.37	5 year Housing Land Supply/Housing delivery test IF: We do not actively address the current lack of five year land supply and the under delivery of housing (according to the national Housing Delivery Test) THEN: it will continue to be difficult to resist applications for planning permission for housing on sites not currently identified in the Local Plan which would undermine the plan led approach, lead to development of sites which are locally considered inappropriate and potentially affect the deliverability of identified strategic sites and associated infrastructure.
CRR.40	Ofsted Outcomes IF/AS: We are unable to assure the Ofsted Inspectors of sustained improvements of childrens operational safeguarding Then: This may result in a re-alignment of council activity in order to ensure effective delivery of services and have a significant financial and reputational impact on the authority.

Internal Audit Plan Progress 2020/21

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



Follow Up Audits

Follow Up audits are completed where the auditor could only provide limited 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 2019-20 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.

No follow up audits have been completed this quarter.

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”.

Herefordshire Council - Schools Exclusions – overarching report of findings issued to all schools.

SWAP has also been assisting with Counter Fraud work completing post payment checks and data analysis on payments for the Grant Funding Schemes - Small Business Grant Fund / Retail, Hospitality and Leisure Grant Fund.

Fraud Bulletins – We send out regular fraud bulletins highlighting where there are attempted frauds and what officers need to be on the lookout for.

Partners Newsletters – We produce quarterly partner newsletters that provides information on topical areas of interest for public sector bodies. We have increased the frequency of our newsflash to weekly during Covid-19 to provide relevant information.

Data Analytics – We are increasing the use of data analytics across all audits to provide a greater level of assurance and insight to trends and themes.

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
- Limited
- No

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.

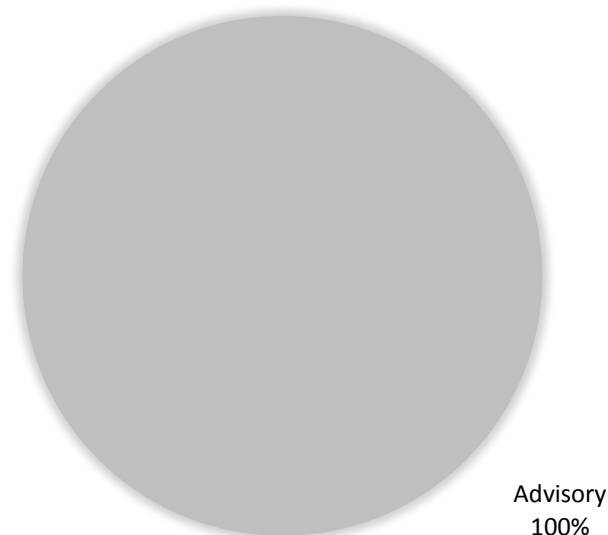
Where we follow up on a previous adverse audit opinion the opinion is stated as follow up.



Summary of Audit Opinion

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

Control assurance by category 2020/21 Q1



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

No recommendations have been made for 2020-21 to date.

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.

As outlined earlier in my report there has been some disruption to the 2020-21 audit plan due to COVID -19. I have provided a brief overview of the additional audits as a result of new or changed processes due to COVID – 19 above.

There has also been a request from the Chief Finance officer for three additional audits, two in quarter 1 and one in quarter 2.

Quarter 1

Gypsy and Traveller Sites – Special Investigation Audit
Hereford City Centre Transport Package – Governance Review Audit

Quarter 2

Contract Management – BBLP – Operational Audit

Currently no audits have been deferred or removed to accommodate the additional audits or the COVID -19 audit work. This will be discussed with the Chief Finance officer when the full impact of additional COVID-19 work has been assessed.

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



Conclusion

One audit has been completed for the 2020-21 audit plan and two audits are at report and there are nine audits in progress.

For the audit completed this was an Advisory report and there were no significant corporate risks or significant findings 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 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 2020-21 there has been no feedback to date.

Although the progress on completing audits in quarter 1 is low this has been due to finalising 2019-20 work that was delayed due to COVID-19 and officers redeployed to support the changing requirements as a result of COVID-19 and the requirement for additional COVID-19 work.

Discussions are currently ongoing with the Director of Adults and Communities and Children's and Families to establish which audits planned can commence and when this will be. Audits have progressed for the Corporate Centre and Economy and Place.

Due to the additional work requested the audit plan will need to be reassessed for work that can still be completed in 2020-21. I will bring an amended plan to the Committee in September.

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

- Substantial
- Reasonable
- Limited
- No
- Advisory



Audit Framework Definitions

Control Assurance Definitions

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

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.

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 Area	Corporate Risk	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium		
						Recommendation		
						1	2	3
Corporate Centre (including ICT)								
Accounts Payable	CRR10, CRR23	3	Not Started					
Main Accounting Follow Up	CRR10, CRR23	3	Not Started					
Payroll	CRR10, CRR23	3	Not Started					
Accounts Receivable	CRR10, CRR23	3	Not Started					
Council Tax	CRR10, CRR23	3	Not Started					
NNDR - Business rates avoidance	CRR10, CRR23	3	Not Started					
Treasury Management Follow Up	CRR10, CRR23	3	Not Started					
Housing and Council Tax Benefits	CRR10, CRR23	3	Not Started					
NMITE Project (University)	Accountable Body Requirement	1	Draft report					
MTFS	CRR.24	4	Not Started					
Commercial Investments	CRR.21	2	Not Started					
Balfour Beatty Contract 1 year (minor to major repairs)	CRR.23	4	Not Started					
Councillor Allowances Overspend	CRR.23, CRR.24	4	Not Started					
Voting restrictions for Members	CRR.20	1	Not Started					
Staff Car Parking - Business passes	CRR.10, CRR.23	1	In progress					

Better Ways of Working (BWOW)	CRR.15	4	Not Started					
Risk Management	All Risks	2	Not Started					
Strategic/Significant Partnerships	CRR.26	2	Not Started					
Brexit Preparedness	CRR.09	4	Not Started					
Cyber Security Framework	CRR.13 CRR.25	3	Not Started					
ICT Governance Risk Review	CRR.13 CRR.25	2	Not Started					
Schools Educational visit service	CRR.12	4	Not Started					
Staff benefit scheme	CRR.08, CRR.23	1	Not Started					
Employee Expenses	CRR.23 CRR.10	2	Not Started					
Leavers Process	CRR.13 CRR.29	2	Not Started					
Economy and Place								
Development Regeneration Programme	CRR.14 CRR.27	1	Not Started					
Local Transport Block Funding	Financial Governance	2	In Progress					
Bus Subsidy Grant	Financial Governance	2	Not Started					
Bellwin /Resilience Management	Financial Governance	2	In Progress					
Commercial Properties/Rents	–	1	Not Started					
Herefordshire Waste Contract	–	4	Not Started					

S106 Agreements	CRR.10 CRR. 18 CRR.20	2	In Progress					
Climate Change	CRR.41	1	Not Started					
Emergency Planning	CRR.11	4	Not Started					
Capital Programme/Capital Projects	CRR.18	4	Not Started					
Adults and Communities								
Care Providers - risk of fraud.	CRR.23 CRR.02	2	Not Started					
Care Panel.	CRR.17	1	Not Started					
Support to self-funders.	CRR.17	1	Not Started					
Integrated Short-Term Support and Care Pathway - Carers Assessment	CRR.17	2	Not Started					
Integrated Short-Term Support and Care Pathway phase 4 Housing Pathway	CRR.17	3	Not Started					
Client Finances	CRR.10, CRR.23	2	Not Started					
West Midlands Peer Review	-	3	Not Started					
Children's and Families								
Troubled Families – monthly review – quarterly report quarter 1	Financial Governance	1	Complete	Advisory Report				
Troubled Families – monthly review – quarterly report quarter 2	Financial Governance	2	Not Started					
Troubled Families – monthly review – quarterly report quarter 3	Financial Governance	3	Not Started					
Troubled Families – monthly review – quarterly report quarter 4	Financial Governance	4	Not Started					
Schools thematic audit	CRR.23 CRR.03	3 and 4	Not started					

Schools - Off rolling.	CRR.23, CRR.03	2	Not Started					
DP Pre Paid Cards	CRR. 23	3	Not Started					
Accommodation based support service for care leavers with complex needs	CRR.03	3	Not Started					
EHCP (Education, Health and Care Plans)	-	1	Not Started					
Looked after Children and Complex Needs Children's Placements	CRR.03	4	Not Started					
Support for young people not in education, employment or training (NEET)	-	3	Not Started					
Follow Up Audits								
Members Expenses Follow Up	-	3	Not Started					
CHC - Follow Up	-	4	Not Started					
SWTP Phase 1 - Follow Up	-	4	Not Started					
SWTP Phase 2 - Follow Up	-	4	Not Started					
Contingency - Follow Up	-	4	Not Started					
Additional Audits added to the plan for COVID 19								
Grant Funding Schemes - Small Business Grant Fund / Retail, Hospitality and Leisure Grant Fund	CRR.23, CRR.39	1	In Progress					
Transport Contracts	CRR.23, CRR.39	1	In Progress					
Procurement cards	CRR.23, CRR.39	1	In Progress					
HALO Leisure Centre – Financial review	CRR.23, CRR.39	1	Completed	Advisory Report				
Emergency Decisions	CRR.39	1	In Progress					

Additional Audits approved by the Chief Finance Officer								
Gypsy and Traveller Sites – Special Investigation	CRR.10	1	Draft Report					
Hereford City centre Transport Package – Governance Review	CRR.10	1	In Progress					
Contract Management – BBLP	CRR.38	1	Not started					