Appendix A

Herefordshire Council

Report of Internal Audit Activity

- Plan Progress 2020/21– as of 27 May 2021
- Plan Progress 2021/22– as of 27 May 2021
- Proposed 2021/22 Quarter 2 Plan
- Counter Fraud Update

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Unrestricted

Contents

The contacts at SWAP in connection with this report are:

Dave Hill
Chief Executive
Tel: 01935 848540
david.hill@swapaudit.co.uk

Jacqui Gooding
Assistant Director
Tel: 07872500675
jacqui.gooding@swapaudit.co.uk

Amy Probert
Principal Auditor
Tel: 07840019584
amy.probert@swapaudit.co.uk

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Internal Audit Plan Progress 2020/2021 and 2021/22

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 16 March 2021.

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

Outturn to Date

Internal Audit Work Programme

The schedule provided at Appendix C contains a list of:

- all audits as agreed in the Revised Annual Audit Plan 2020/21 presented to this Committee at its meeting on 14th October 2020; and
- all audits agreed for the quarter 1 2021/22 plan presented to this committee at its meeting on 16th March 2021.

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.

Unrestricted

Outturn to Date

Internal Audit Work Programme

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.

2020/21 Progress
This is the progress report as of 27 May 2021. Since my last update eighteen audits have been completed, four audits are at report and there are nine audits in progress, in addition to this two follow up audits have been completed – details outlined further in the report.

The audits completed since my last update have the following assurance:

Audit	Assurance
Accounts Payable	Reasonable
Accounts Receivable	Reasonable
Council Tax	Reasonable
NNDR	Reasonable
Housing and Council Tax Benefits	Substantial
Commercial/Strategic Investments	Reasonable
Property Flood Resilience Support Scheme (Bellwin /Resilience Management)	Substantial

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Page 6

Outturn to Date

➡ Internal Audit Work Programme

Audit	Assurance
S106 Agreements	Limited
Baseline Assessment for Maturity of Fraud	Advisory
Supporting Families Q4 (previously referred to as Troubled Families)	Reasonable – Grant Certification
Education Health Care Plans – Annual Reviews	Limited
Support for young people not in education, employment or training (NEET)	Reasonable
Emergency Active Travel Measures Tranche 2	COVID 19 – Advisory
Additional Dedicated Home to School and College Transport – Autumn Term	Reasonable – Grant Certification
Additional Dedicated Home to School and College Transport – Spring Term	Reasonable – Grant Certification
Revenue Grant Determination (Ring-Fenced COVID-19 Local Authority Compliance and Enforcement Grant for Lower Tier and Unitary Authorities Determination 2020: No 31/5216.	Reasonable – Grant Certification
Supervision Practices	Substantial
Cyber Security Framework Review	Advisory

2021/22 Progress

This is the progress report as of 20 March 2021. This is the first update for the 21/22 audit plan. Two audits have been completed, and there are three audits in progress. The audits completed since my last update have the following assurance:

Audit	Assurance
Funding for Travel Demand Management 2020/21 – No 31/5127	Reasonable – Grant Certification
Property Flood Resilience Support Scheme (Bellwin /Resilience Management) Quarterly Review – Quarter 1 (Yearly Report)	Reasonable – Grant Certification

SWAP
INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Page 7

Summary of significant High corporate risks

➡️ ## 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.

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)

2020/21
Of the eighteen audits completed this quarter two had a limited assurance (S106 Agreements and Education Health Care Plans – Annual Reviews) with three priority 2 findings and two had a reasonable assurance (Commercial Investments, Accounts Receivable) with three priority 2 findings.

S106 Agreements – Limited Assurance – two priority 2 actions

Finding 1: Management Board require a holistic view of the status of all received S106 agreements contributions, to permit discussion and challenge to promote expenditure to maximise the benefits to residents. Testing identified:
- gaps in information were identified that may be useful to senior management.
- there is no simple way of identifying the status of the S106 agreements.
- as of July 2020, there was unspent received monies which exceeded the repayment date of the S106 agreement.
- Some S106 records (contained within spreadsheets) had no expiry date.
- That whilst it is recognised in some instances there are valid reasons as to why monies have not been spent it must be acknowledged that inflation erodes the value of the S106 agreement monies unspent.
- that the culture towards spending S106 agreement contributions by some officers is one of only needing to spend by the repayment date.

SWAP INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Page 8

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)

Agreed Action: Planning Obligations Manager – 08 February 2022

It is agreed that information in relation to section 106 monies held by council should be reported on a biannual basis to senior management. The council produces an Authority Monitoring Report, and this report could provide the basis for a new Management Board report which would offer a more holistic view of the status of all S106 agreements expenditure and activity. The report could also include the following information:

- Existing balances for all Section 106 agreements with monies exceeding the expiry date clearly identifiable.
- Date money received.
- Repayment date for money received.
- Number of years unspent money held.
- Action outstanding for each S106 agreement contribution received, including known reason for money unspent.

The councils Project Management Team (within Corporate Services) are in the process of reviewing the Management Board structure and processes of the council. The Planning Obligations Manager will contact the Head of Project Management to draw to their attention to the need to report corporately on the status of section 106 contributions so that they can consider which management board would be appropriate for the information to be reported to. A virtual meeting has been arranged for 18 February 2021 with lead officers in all the service areas to discuss who may report to the Board and how information is populated for the report.

Initial contact has been made with the Business World support team to look at the reporting functions within Business World to see if there is the capability to hold information on section 106 that is currently held on numerous spreadsheets. Initial discussions appear promising as other areas of the council report in Business World. The Planning Obligations Manager will formally ask the Business World support team to commence a piece of work to review the functionality of Business World. This piece of work will need to be built into their development programme and will incur a cost. We will need to consider who bears the cost of the work, whether it is a corporate requirement or a service area requirement.

S W A P
INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Page 9

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)

Finding 2: A Record of Officer's Decision (RoOD) is not consistently applied, where necessary to approve S106 agreement contribution expenditure. Without a consistent governance approach members and senior management may not be assured that adequate controls are in place. The Council requires openness and transparency, and inadequate governance has been identified in the past.

Agreed Action: Planning Obligations Manager – 08 May 2021
It is agreed that information in relation to section 106 spend by the council should be reported in an open and transparent manner, irrespective of the value. This can be done through the production of a Record of Officer Decision produced through Mod.Gov and published to the council website. A virtual meeting has been arranged for 18 February 2021 with lead officers in all the service areas to advise of the need to produce a Record of Officer Decision for all section 106 spends and to discuss whether this is reported individually or on a monthly basis with information on what has been spent that month.

With regards to reporting on the section 106 monies paid to external organisations, the Planning Obligations Manager will write to those organisations on a biannual basis outlining what money they have received and asking them to advise the council on what the monies have been spent. This information can be held in Civica against the planning application and published to the web against the planning application record. We could also consider how this information can be published to the decision- making section of the website.

Education Health Care (EHC) Plans – Annual Reviews – Limited Assurance – one priority 2 action

Finding: Of the 93 EHC Plans issued between 1 April 2019 and 31 October 2019, data analysis demonstrated there is no record on the Synergy system that 47 of the EHC Plans have a completed annual review process since being first issued. The Head of Additional Needs advised this may be because of a number of reasons e.g., review not highlighted as due, school not informed review due, information not requested, school did not complete the review, review completed but not forwarded to the Council and further work needs to be undertaken to investigate.

Agreed Action: Senior SEN Officer – 31 July 2021
Further investigation is to be undertaken by the service area on the 47 EHC Plans not recorded on the Synergy system as having an annual review.

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Page 10

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)

<u>**Commercial Investments**</u> – Reasonable Assurance – Two priority 2 actions

Finding 1: Monitoring of income and expenditure for Maylord shopping centre.
The shopping centre is managed by an agent under a contractual agreement which commenced in July 2020. The agent makes payments and collects income on behalf of the Council and should pay the net amount to the Council on a quarterly basis.

The following issues and control weaknesses were identified:
- Council checking of the entries in the agent's statements requires improvement.
- The agent did not pay the quarter three payment until it was chased by the Council in March 2021. The contract states that payments should be made quarterly.
- The agent's statement received in March 2021 did not include any dates to indicate the period it covered.
- Some expenditure items on the statements do not identify the shop or unit, so are difficult to check.
- The statement is sent in a PDF format, so it is more difficult to analyse costs. Additional information is provided by the agent in spreadsheet format, but this is not user-friendly.
- There is no financial plan or budget for the income and expenditure.
- The most recent payment from the agent included a significant deduction - £172k - for expenditure paid on behalf of the Council. Because this expenditure is deducted from the payment to the Council, the usual invoice authorisation process is not used.

Agreed Action:
- Assistant Director Technical Services – 31 July 2021 - Work has already started to address the issues identified and meetings have taken place with the agent and Finance officers. We will work with Finance to introduce or expand processes as required to ensure these issues are corrected – support from Finance will be necessary. The additional issues identified in the work by the Strategic Finance Project Manager will be included in this.
- Head of Corporate Finance – 30 September 2021 - A check will be performed by the Head of Corporate Finance to ensure corrective action is in place and working.

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Page 11

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)

Finding 2: Payment process control issue
A control issue was identified in the Council's payments process. The usual payments authorisation process can be by-passed if Council expenditure is deducted from a payment to the Council and there is no purchase order or invoice. The finding in paragraph 1 is an example of this and effectively £172k of Council expenditure was not authorised.

Agreed Action: Head of Corporate Finance – 31 January 2022
This will be addressed at the next review and update of the Council's Financial Procedural rules and processes updated as required.

Accounts Receivable - Reasonable Assurance – one priority 2 action

Finding: The Debt Recovery Policy and monthly reporting procedure are not up to date. These documents need to be updated to ensure that staff have the necessary detailed guidance to be able to complete tasks. In addition, little progress has been made to agree arrangements for referring cases for court action; there are outstanding issues around whether this can sit within the Revenues Team as previously done or needs to be referred to Legal Services. This needs to be agreed and set out within the Debt Recovery Policy, in order for the Revenues Team to be able to progress cases where further action may be required over the coming year.

Agreed Action: Revenues Manager and Head of Corporate Finance – 30 November 2021
Reporting procedure – the actual process for reporting is a historic one and needs a complete review. The Revenues Manager will look to utilise a new report that has been produced for aged debt that provides debts by cost code rather than collection code, giving more reliable figures; therefore, more precise. Once checked the Revenues Manager will produce a new procedure note with a more simplified process.

Debt Recovery Policy – Covid response work has delayed the scheduled update of this policy until November 2021. This will be dealt with by Head of Corporate Finance.

Court Process – Discussions have started, and the agreed process will be included in the Debt recovery Policy as this too has been delayed due to Covid response work.

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Page 12

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 (previously 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 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 or substantial 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.

Follow up audits have been completed this quarter as identified below:
- Treasury Management
- Homepoint.

Summary of findings for actions not started/in progress:

Treasury Management
Agreed Action: The Head of Corporate Finance agreed to contact the HR Services Manager in order to facilitate the provision of monthly payroll figures when the payroll is run.
Follow Up Assessment: The Head of Corporate Finance stated that her team is still not receiving the monthly payroll figures from the payroll team. This will be addressed again, both by the Corporate Finance Manager, and also SWAP Internal Audit, as part of the ongoing payroll audit.
Original Agreed Target Date: 30th June 2020   **Revised Target Date:** 30th June 2021

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Page 13

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

Follow Up Audits

Homepoint

Agreed Action: Verto system is being reviewed to ensure system guidance and functionality is made available to ensure recording of relevant key project decisions.

Follow Up Assessment: The Head of Programme Management Office (PMO) advised that the functionality of Verto is sufficient for the Councils needs going forward, however the elements / boxes / terminology will be updated as part of the roll out of the standardised PMO process. Meetings are currently being held within the PMO team to agree the updates required to Verto. The new project management process will help bring more projects under the corporate regime and provide greater visibility. A suite of guidance and support documentation is part of the new PMO system to ensure that a consistent and standardised approach takes place. All new documentation will be placed on the project management Intranet site when complete.

Priority: 2   Original Agreed Target Date: 31st December 2020   **Revised Target Date:** 31st May 2021

Agreed Action: Agreed that good practice would be that all meetings have an agenda and a set of action notes. Capacity and priorities may be such that full minutes are not taken but agree that agenda, action points and decisions are captured at all project boards (regardless of whether capital or revenue projects). Use of VERTO provides a template for actions and decisions or action logs can be stored in the document store. Agreed that Project Boards should have a Terms of Reference (template is available).

Follow Up Assessment: The review of the PMO system is nearing completion with a suite of documentation being developed ready for issue on the Project Management intranet site. The new PMO process and documentation will ensure a standardised approach to meetings including Terms of Reference, Roles & Responsibilities, Agenda and minutes. Where the PMO team have been allocated to a project, the governance of the project and meetings will be managed by the PMO. All projects added to Verto will be required to comply with the corporate approach and use new standardised documentation. Training sessions on the new capital programme process have been held with the PMO Task & Finish Group, Members, Directors and officers. An e-Learning package is in development expected for June 2021. Please note that revenue service improvement/ transformational projects are to be incorporated into this wider management and process later in 2021 once the process is embedded within the organisation. It is anticipated that the roll out and embedding of the new process will take 12-18 months.

Priority: 3   Original Target Date: 31st December 2020   **Revised Target Date:** 31st May 2021

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Page 14

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

Follow Up Audits

Agreed Action: A process will be put in place to review and clear down the historic dormant online complete applications. This process will then be formally implemented for all new applications and reflected in the Allocations Policy. The Housing Solutions and Home Point Team Leader will investigate how the online incomplete cases can be managed/closed in the system.

Follow Up Assessment: The historic dormant online complete applications have been reviewed and cleared down. New reporting provisions are now in the process of being actioned as it was identified that to enable the correct procedures to be put in place there would need to be additions made to the current ABRITAS system and a small works order has now been raised with ABRITAS. The work will take up to three months. The changes will enable the team to run specific reports relating to bandings, waiting list reviews and bedroom eligibility. KPI's relating to monitoring of Band A – time limited status will also be available. The Home Point Team Leader explained the Council are currently able to report on the numbers registered on the system as live, those who are on-line complete awaiting documentation, those on-line incomplete, numbers housed, numbers of homelessness cases that have been prevented and the number of homeless cases that are in the relief stage.

Review of the Allocation policy is planned to be undertaken after 12 months of its implementation date, which is 22 June 2020.

Priority: 2   Original Target Date: 31st March 2018   **Revised Target Date:** 31st July 2021

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Page 15

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 following cross comparison reports have been shared across the Partnership:

Management of Fraud and Reporting
The objective of the cross-partner comparison report was to demonstrate how SWAP's Partners manage fraud and the reporting processes.

Key Findings:
- All council's had policies in place (available on internet and intranet) outlining how to report fraud, however some Council' s used a range of other mediums including social media, newsletters and awareness campaigns. Not all Councils had a confidential reporting line in place.
- There were quite significant differences in terms of fraud training, some Councils provided training to all members and staff, some Councils had targets or were targeting specific groups and other Councils had not yet provided any training.
- All Councils had an Anti- Fraud and Corruption Strategy although there were variations in the names of this document and its content. Some Councils had a strategy and policy others had one document encompassing all information. Councils must ensure policies are up to date and are regularly reviewed.
- Majority of councils had a single point of contact with a central recording system, other Councils managed this in document/spreadsheet. Some Councils presented an annual fraud report to Audit Committee or equivalent, whereas others report to senior management.
- All Councils had a fraud response plan although it was noted some of these required an update. None of the Councils had a portfolio holder/member with dedicated responsibility for fraud. Although it was noted in some Council's this fell within the remit of the finance portfolio holder. There were variations in the resources the council had, some councils had dedicated counter fraud teams, other had dedicated officers (counter fraud specialist officer) whereas some Councils encompassed fraud responsibility with risk for example.

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Page 16

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

Risk Management Survey
The survey set out to establish whether Council's:

- submit an update or progress report on risk management to Audit Committee (or equivalent). If yes, how frequently
- submit an annual report on risk management to your Audit Committee?
- use a software system to record and report on risks. If yes, what supplier do you use and how much is the annual charge
- have a group that meets to discuss enterprise risks e.g., cross-service corporate governance group or equivalent. If yes, how frequently do they meet to consider risk management.

These results have been shared with the Corporate Performance Manager.

Effectiveness of Audit Committees
Following a report presented to Herefordshire Audit and Governance Committee on Performance & Effectiveness, The SWAP Assistant Directors was asked to share whether they had 1) carried out a similar assessment and 2) obtained feedback on its performance from those interacting with the committee or relying on its work?

The following questions were asked as part of the work:

- Is the effectiveness of the Audit committee reviewed each year and when was the last assessment carried out?
- Has the Audit Committee obtained feedback on its performance from those interacting with the committee or relying on its work and what process is in place for feedback.

The report has been shared with officers and members.

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Page 17

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 2020/21

Of the eighteen audits (twenty including the 2 follow ups) reported at final report in this quarter (June 2021) for the 20/21 plan the opinions offered are summarised below.

Note: this information has not been provided for 2021/22 Q1 as to date 2 audits have been completed, both of which were reasonable grant certifications with no recommendations made.

ASSURANCE CATEGORIES FOR THE JUNE 2021 UPDATE

Advisory 10%
Substantial 15%
COVID 19 Advisory 5%
Follow Up 10%
Reasonable 30%
Limited 10%
Reasonable - Grant Certification 20%

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Page 18

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.
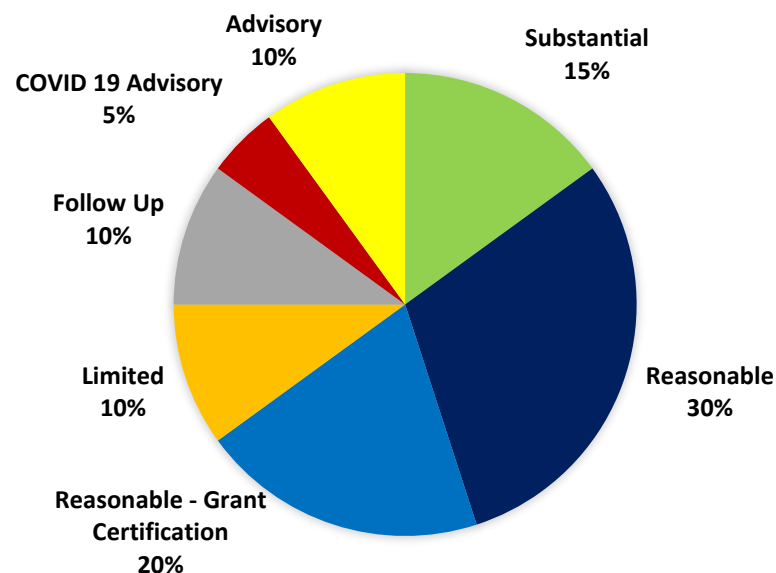
Summary of Audit Opinion 2020/21

Of the reviews that have a final report for 2020/21 plan, the opinions offered are summarised below.

CONTROL ASSURANCE BY CATEGORY 2020/21

Pie chart: COVID 19 Advisory 15%, Substantial 13%, Reasonable 21%, Grant Certification- Reasonable 10%, Limited 11%, Follow Up 8%, Advisory 15%, Special Investigation 4%

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Page 19
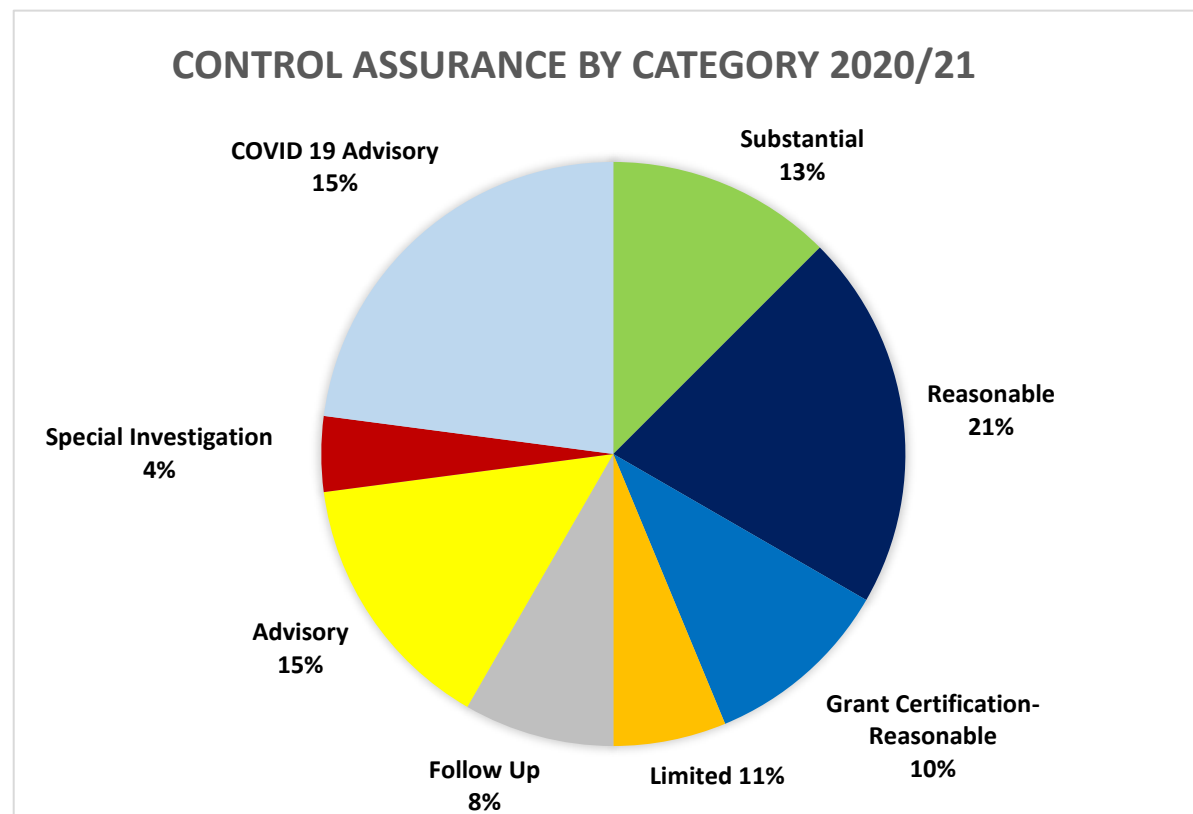
Summary of Audit Recommendations by Priority

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 by priority per quarter for 2020/21

Summary of Reccomendations by priority per quarter

Total Number of Recommendations per Priority for 2021/21

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Page 20

Internal Audit Plan Progress 2020/2021 and 2021/22

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.

2020/21 Plan
There have been a number of minor changes to the 2020/21 plan as follows:
- Client Finances is now being completed so as a result the proposed replacement audit 'Fraud Risk Assessment' will be completed in 2021/22.
- The ICT Governance Framework audit has been deferred with its days being used for the Cyber Security Framework review.

2021/22 - Q1
Since the Q1 Audit plan was presented and approved to the Committee on 16th March 2021 there have been requests for the following audits or Grant Determinations as a result of additional funding during the COVID -19 pandemic or due to the impact of COVID-19:
- Funding for Travel Demand Management 2020/21 – No 31/5127
- Local Authority Test And Trace Support Payment Scheme Funding Grant Determination 2020/21: No 31/5385.
- Local Authority Test And Trace Service Support Grant Determination 2020/21: No 31/5309 (originally identified in 2020/21 plan but moved in line with sign off requirements).
- Local Authority Community Testing Funding Grant Determination 2020/21: No 31/5389.

Other changes to the plan are as follows:
- Addition of the Property Flood Resilience Support Scheme (Bellwin /Resilience Management) Quarterly Review – Quarter 1 (Yearly Report) – Grant Certification
- Addition of the Car Park Procurement – at the request of the Chief Finance Officer
- Removal of the Members Voting Rights Audit – at the request of the Monitoring Officer as processes have recently been reviewed.

Conclusion

Conclusion

Since my last update eighteen audits and two follow ups have been completed for the 2020/21 audit plan bringing the total audits completed to forty-nine (including work completed outside of the plan). There are two audits at report stage and eleven audits in progress.

For the eighteen audits completed two audits returned a limited assurance, six were reasonable assurance, three were substantial assurance, four are Grant Certifications, one is a Covid-19 Advisory audit, and two are advisory audits.

There were two significant findings identified in the Limited assurance S106 audit which have been agreed by management with target dates for completion of 08 February 2021 and 08 May 2021, there was one significant finding in the limited assurance Education Health and Care Plan – Annual review audit which has been agreed by management with target dates for completion of 31 July 2021.

A further two significant findings were identified in the reasonable assurance audit, Commercial Investments. These were agreed by management and have target dates of 30th September 2021 and 31 January 2022. One significant finding was identified in the Accounts Receivable audit and the action has been agreed by management with a target date of 30 November 2021.

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 the feedback score is 100%.

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Page 22

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.

SWAP INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Unrestricted

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.

Unrestricted

Audit Area	Corporate Risk (July 2020 Register)	Planned Quarter	Status	Opinion	No of Rec	1 = Major ⟷ 3 = Medium Recommendation		
						1	2	3
Corporate Centre (including ICT)								
Accounts Payable	CRR10, CRR23	3	Complete	Reasonable	2	0	0	2
Main Accounting Follow Up	CRR10, CRR23	3	In Progress					
Payroll	CRR10, CRR23	3	In Progress					
Accounts Receivable	CRR10, CRR23	3	Complete	Reasonable	3	0	1	2
Council Tax	CRR10, CRR23	3	Complete	Reasonable	3	0	0	3
NNDR	CRR10, CRR23	3	Complete	Reasonable	2	0	0	2
Treasury Management Follow Up	CRR10, CRR23	3	Complete	Follow Up	-	-	-	-
Housing and Council Tax Benefits	CRR10, CRR23	3	Complete	Substantial	2	0	0	2
NMITE Project (University)	*Accountable Body Requirement*	*1*	*Complete*	*Advisory Report*	-	-	-	-
MTFS	CRR.24	4	Complete	Reasonable	0	0	0	0
Commercial/Strategic Investments	CRR.21	2	Complete	Reasonable	2	0	2	0
Balfour Beatty Contract 1 year (minor to major repairs)	CRR.23	4	In Progress					
Staff Car Parking – Business passes	CRR.10, CRR.23	1	Complete	Limited	6	0	1	5
Strategic/Significant Partnerships	CRR.26	2	Complete	Limited	5	0	3	2
Brexit Preparedness	CRR.09	4	Complete	Reasonable	4	0	1	3

S W A P
INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Cyber Security Framework	CRR.13 CRR.25	3	Complete	Advisory	-	-	-	-
ICT Governance Risk Review	CRR.13 CRR.25	2	Combined with above audit.	-	-	-	-	-
Economy and Place								
Local Transport Block Funding	Financial Governance	2	Complete	Reasonable – Grant Certification	-	-	-	-
Bus Subsidy Grant	Financial Governance	2	Complete	Reasonable – Grant Certification	-	-	-	-
Property Flood Resilience Support Scheme (Bellwin /Resilience Management)	Financial Governance	2	Complete	Substantial	1	0	0	1
Commercial Properties/Rents	_	1	Complete	Reasonable	6	0	1	5
S106 Agreements	CRR.10 CRR. 18 CRR.20	2	Complete	Limited	9	0	2	7
Baseline Assessment for Maturity of Fraud	CRR.11	4	Complete	Advisory	-	-	-	-
Capital Programme/Capital Projects	CRR.18	4	In Progress					
Adults and Communities								
Client Finances	CRR.10, CRR.23	2	In Progress					
West Midlands Peer Review	-	3	Complete	Substantial	0	0	0	0
Workforce Development	CRR.23, CRR.17, CRR.10	2	Complete	Substantial	0	0	0	0
The Quality Development Framework	CRR.23, CRR.17, CRR.10	3	In Progress					
Supervision Practices	CRR.23, CRR.17, CRR.10	3	Complete	Substantial	1	0	0	1
Children's and Families								
Troubled Families – monthly review – quarterly report quarter 1	Financial Governance	1	Complete	Reasonable – Grant Certification	-	-	-	-

SWAP INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

Troubled Families – monthly review – quarterly report quarter 2	Financial Governance	2	Complete	Reasonable – Grant Certification	1	0	0	1
Troubled Families – monthly review – quarterly report quarter 3	Financial Governance	3	Complete	Reasonable – Grant Certification	1	0	1	0
Troubled Families – monthly review – quarterly report quarter 4	Financial Governance	4	Complete	Reasonable – Grant Certification	-	-	-	-
EHCP (Education, Health and Care Plans) Annual Reviews	-	3	Complete	Limited	3	0	1	2
Support for young people not in education, employment or training (NEET)	-	3	Complete	Reasonable	3	0	0	3
EHCP (Education, Health and Care Plans) – Preparation for Adulthood	-	1	In Progress					
Follow Up Audits								
Members Expenses Follow Up	-	3	Completed	Follow Up	-	-	-	-
SWTP Phase 1 – Follow Up	-	4	Draft Report					
SWTP Phase 2 – Follow Up	-	4	Draft Report					
Homepoint – Follow Up	-	4	Complete	Follow Up	-	-	-	-
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	Completed	Covid 19 - Advisory	-	-	-	-
Transport Contracts	CRR.23, CRR.39	1	Completed	Reasonable – Grant Certification	2	0	0	2
Procurement cards	CRR.23, CRR.39	1	Completed	Limited	6	0	1	5
HALO Leisure Centre – Financial review	CRR.23, CRR.39	1	Completed	COVID 19 Advisory	-	-	-	-
Emergency Decisions	CRR.39	1	Completed	Reasonable	4	0	1	3
Local Transport Authority Covid-19 Bus Service Support Restart (Revenue) Grant (CBSSG) – Tranche 1	CRR.23, CRR.39	2	Draft Report	Combined report with tranches 2-5.				

SWAP
INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

Additional requests since revised audit plan approved October 2020								
Local Transport Authority Covid-19 Bus Service Support Restart (Revenue) Grant (CBSSG) – Tranche 2-5	CRR.23, CRR.39	3	Draft Report	Work completed. Waiting for notification of funding for tranche 5.				
Emergency Active Travel Measures Tranche 1	CRR.23, CRR.39	3	Completed	Substantial	1	0	0	1
Emergency Active Travel Measures Tranche 2	CRR.23, CRR.39	4	Complete	COVID 19 Advisory	-	-	-	-
Additional Dedicated Home to School and College Transport Grant	CRR.23, CRR.39	3	Completed	Reasonable – Grant Certification	1	0	0	1
Test and Trace Support Payments	CRR.23, CRR.39	3	Complete	COVID 19 Advisory	-	-	-	-
Test and Trace Discretionary Payments	CRR.23, CRR.39	3	Complete	COVID 19 Advisory	-	-	-	-
Local Restrictions Support Grant	CRR.23, CRR.39	3	Complete	COVID 19 Advisory	-	-	-	-
Revenue grant determination (Ringfenced) Local Authority COVID-19 Test and Trace Service Support Grant Determination 2020/21: No 31/5075	CRR.23, CRR.39	4	In Progress					
Revenue grant determination (Ringfenced) Local Authority COVID-19 Test and Trace Service Support Grant Determination 2020/21Revenue Grant funding Additional grant funding (31/5309)	CRR.23, CRR.39	4	Moved to 21/22 in line with sign off requirements	-	-	-	-	-
HALO Leisure Centre Financial Review 2	CRR.23, CRR.39	3	Complete	COVID 19 Advisory	-	-	-	-
Additional Dedicated Home to School and College Transport – Autumn Term	CRR.23, CRR.39	4	Complete	Reasonable – Grant Certification.	-	-	-	-
Additional Dedicated Home to School and College Transport – Spring Term	CRR.23, CRR.39	4	Complete	Reasonable – Grant Certification.	-	-	-	-
Revenue Grant Determination (Ring-Fenced COVID-19 Local Authority Compliance And Enforcement Grant For Lower Tier And Unitary Authorities Determination 2020: No 31/5216.	CRR.23, CRR.39	4	Complete	Reasonable – Grant Certification.	-	-	-	-
Additional Audits approved by the Chief Finance Officer								

SWAP INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

Gypsy and Traveller Sites – Special Investigation	CRR.10	1	Completed	Advisory Report	7	0	2	5
Hereford City centre Transport Package – Governance Review	CRR.10	1	Final Report	Briefing Paper (Advisory)	-	-	-	-
Contract Management – BBLP	CRR.38	1	In Progress					
Loss of Monies – Children's - Special Investigation	CRR.23	2	Final Report	Special Investigation	2	-	2	-
Audit work requested in addition to the 2020-21 audit plan by the Chief Finance Officer								
Commissioning and Value for Money (BBLP)		1	Completed	Limited	5	0	2	3

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Page 29

Audit Area	Corporate Risk	Planned Quarter	Status	Opinion	No of Rec	1 = Major 3 = Medium Recommendation		
						1	2	3
Corporate Centre (including ICT)								
Voting Restrictions for Members	CS.09 (July 2020)	1	Removed	-	-	-	-	-
Risk Management	Linked to all risks	1	July Start Date Agreed					
Economy and Place								
Development Regeneration Programme	EP.12 (July 2020)	1	Not Started					
Climate Change	EP.15 (July 2020)	1	Not Started					
Bus Service Support Grant Restart Scheme Traces 6 and 7 (funding to May 2021)	Grant Certification	1	Not Started					
Additional Dedicated Home to School and College Transport Grant – Spring Term	Grant Certification	1	In Progress					
Adults and Communities								
Oral Health Needs Assessment Plan	Request from Cllr Gandy & Director for Adults & Communities	1	Not Started					
Children's and Families								
Supporting Families – Monthly Review – Quarterly Report - Quarter 1 (previously referred to as Troubled Families)	Grant Certification	1	In Progress					
Schools Thematic Audit	To provide assurance of basic standards for good financial health	1	Not Started					

Unrestricted

Additional Audits for Quarter 1									
Local Authority Community Testing Funding Grant Determination 2020/21: No 31/5389.	Grant Certification	1							
Local Authority Test And Trace Support Payment Scheme Funding Grant Determination 2020/21: No 31/5385.	Grant Certification	1							
Local Authority Test And Trace Service Support Grant Determination 2020/21: No 31/5309 -	Grant Certification	1							
Funding for Travel Demand Management 2020/21 – No 31/5127	Grant Certification	1	Complete	Reasonable – Grant Certification	-	-	-		-
Car Park Signage Procurement	At request of Chief Finance Officer	1	In Progress						
Property Flood Resilience Support Scheme (Bellwin /Resilience Management) Quarterly Review – Quarter 1 (Yearly Report)	Grant Certification	1	Complete	Reasonable – Grant Certification	-	-	-		-

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Page 31

It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific terms of reference for the piece of work, which includes the objective and scope for the review.

Link to Risk Register (May 2021).	Areas of Coverage	Brief Description	Requested/Agreed by or Rationale for audit
Corporate Centre (including ICT)			
Identified as a risk in previous risk registers.	Councillors Allowance Overspend	Review of allowances after budget overspend identified in the 2019/20 audit. Assurance that the Independent Remuneration Panel recommendations have been implemented correctly.	Deferred from 2020/21. Requested by the Monitoring Officer.
	Significant Partnerships	Follow up on findings from previous audit and a review of individual partnerships that have not provided the information to support the AGS.	At the request of the Assistant Director Corporate Support.
	Employee Expenses	Review of processes including proactive fraud element. New process, automatic approval of expenses < £100.	Deferred from 2020/21. Agreed by Assistant Director People and the Assistant Director Corporate Support.
Identified as a risk in previous risk registers.	Leavers Process (HR including ICT processes)	Recommendation made in the 2019/20 Mandatory Training Audit. Review of adequacy of process including the ICT elements.	Deferred from 2020/21. Agreed with Assistant Director People and Assistant Director Corporate Support
	Fraud Risk Assessment		
Economy and Place			
-	Property Flood Resilience Support Scheme (Bellwin/ Resilience Management) Quarterly Review – Quarter 2 (Yearly Report)	Grant Certification	Requirement of grant funding.
-	Additional Home to School Transport – Summer Term	Grant Certification	Requirement of grant funding.
-	Local Transport Block Funding	Grant Certification	Requirement of grant funding.
-	Bus Subsidy Grant	Grant Certification	Requirement of grant funding.

Adults and Communities			
	Customer Services	Assurance in regard to the receiving teams response rate and stakeholder feedback.	Agreed at by the Director for Adults and Communities.
	Infection Control and Testing Grants	Assurance in regard to the effectiveness of administration and distribution.	Agreed at by the Director for Adults and Communities.
Children's and Families			
-	Supporting Families – Monthly Review – Quarterly Report - Quarter 1 *(previously referred to as Troubled Families)*	Grant Certification	Requirement of grant funding.
CRR.04, CRR.52 *(CF.02, CF.03)*	Quality Assurance including Supervision Practices.		Agreed by the Interim Director for Childrens and Families.

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Page 33

To help raise awareness of the fraud risks on a National geographic level and to provide the committee with a quarterly summary update on corporate fraud prevention work undertaken across the Council.
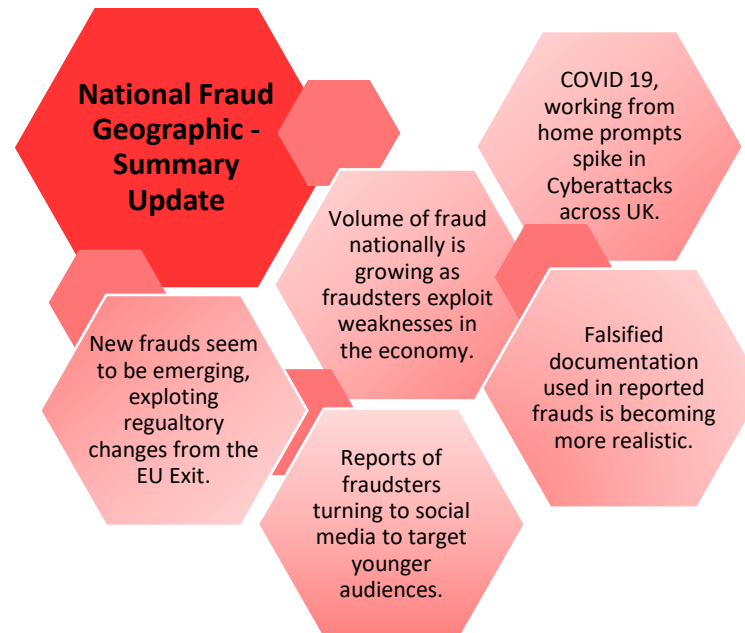
Joint update from the Counter Fraud Specialist (CFS) and Internal Audit.

There is a role for the audit committee to challenge activity, understand what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

- *Fighting Fraud Locally, 2020*

Quarterly Fraud Update (April to June 2021)

National Fraud Geographic - Summary Update

COVID 19, working from home prompts spike in Cyberattacks across UK.

Volume of fraud nationally is growing as fraudsters exploit weaknesses in the economy.

New frauds seem to be emerging, exploiting regualtory changes from the EU Exit.

Falsified documentation used in reported frauds is becoming more realistic.

Reports of fraudsters turning to social media to target younger audiences.

SWAP Fraud Alerts

Change of Bank Account Details (a mixtrue of both successful and unuccesful attempts)

Attempted Council Impersonation Fraud in regards to ordering goods.

Fraudulent texts claiming to be HMRC offering fake lockdown grants

Actions/ongoing work
- Regular reporting to central government and verification work undertaken for the Covid 19 Business Support Grant Schemes.
- The CFS has continued to work with the Adult Social Care directorate, with new processes and services under development to assist in the prevention and detection of fraud within this area.
- Direct Payments - proactive fraud internal audit planned for Q2.
- Baseline Assessment for the Maturity of Fraud completed.
- Mandatory E learning Fraud Course developed for all Council and Hoople Ltd staff to complete annually.
- Fraud awareness intranet page developed to ensure staff are clear on how to access resources (new articles, videos, general advice and relevant and how to report fraud.