

In partnership with



Appendix A

# Herefordshire Council

## Report on Internal Audit Activity

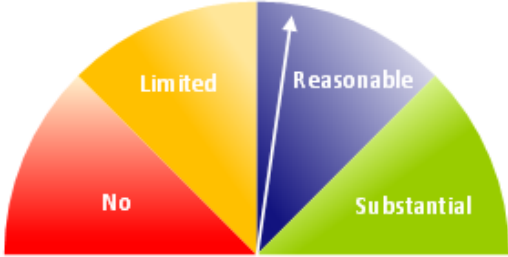
Quarter 2 2022






**Internal Audit ■ Risk ■ Special Investigations ■ Consultancy**

Unrestricted

# Internal Audit Progress Report Quarter 2 2022/23

As part of our update reports, we will provide an ongoing opinion to support our end of year annual opinion. Internal Audit provides an independent and objective opinion on the Authority’s control environment by evaluating its effectiveness.

Rolling Opinion	
	<p>There is generally a 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.</p>
	<p><b>Corporate Risks</b></p> <p>No corporate risks identified to date.</p> <p><b>High Priority Findings</b></p> <p>No high priority findings to date.</p>

The Headlines for audits completed to date for 2022/23	
	<p>15 audits complete, 3 at draft report stage. The coverage and delivery of internal audit work is on track to deliver an annual opinion.</p>
	<p>The planning pipeline outlines the intended work programme until the end of Quarter 3. Engagement continues with Senior Management to ensure audit work is focused on Council priorities. The rolling pipeline of audits will provide the Committee with a sufficient, strategic view of potential future audits.</p>
	<p>Internal Audit activity in Quarter 2 focused on the delivery of special investigations and the certification of government grants for 21/22. This pattern is not unusual given the prescribed accounting deadlines. Quarters 3 and 4 have a more system and control-based profile of audit activity.</p>
	<p>SWAP is providing counter fraud services to the Council and are currently undertaking a complex special investigation. In addition, coordination and dialogue is in place to ensure internal audit work supports the mitigation of fraud risk.</p>
	<p>SWAP is contributing to the taskforce helping to deliver the actions arising from the Inspection of Children’s Services</p>

Assurance Opinions as @ Q2	
Substantial	0
Reasonable	10
Limited	1
No Assurance	0
Special/ Advisory	4
Progress/ Activity as @ Q2	
Complete	15
Draft	3
In progress	9
<b>Total</b>	<b>27</b>

# Internal Audit Progress Report Quarter 2 2022/23

## Internal Audit Work Programme and Coverage

Primarily the work programme includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grant Assurance Work
- Other Special or Unplanned Review

The assessment of none, some, and good is based on the number of audits in these areas and the scope of the audits. This gives the Committee assurance that internal audit is aligned to the corporate risks although we would not expect all audits to align to all corporate risks.

Based on the corporate risks presented to Committee in April 2022, we have assessed internal audit coverage. This includes audits completed in 2020/21, 2021/22 and the current financial year (2022/23) and also future planned audits. Please note as future audits are not scoped yet there is potential for coverage to increase or decrease.

Risk Ref.	Audit Coverage	Future Coverage	Risk Narrative
CRR.60	None	Some	Development of Sufficiency strategy to support best value model. IF: the sufficiency strategy is not effective in a timely manner to meet outcomes for C&YP. THEN: high costs demands in order to meet service need will continue within the budget
CRR.61	Good	None	Market workforce economy. IF: the current limited capacity within the social care workforce continues. THEN: there will be a significant impact on availability of services – this is currently affecting the Domiciliary care sector in particular and qualified nurse and management and other roles amongst care homes
CRR.63	Good	Some	Hereford City Centre Transport Package. IF: the balance of land payments and costs for Business A and associated interests is higher than the allocated budget. THEN this could result in the land budget being exceeded which would further reduce the budget available for the remaining scheme elements. If this further education was too significant then it may not be possible to meet the objectives of the business case without further capital funding. This increase would arise from both an increase in value of the claim and also possible costs associated with the matter being referred to the upper land tribunal.
CRER.64	None	Some	Inability to recruitment and retain social care staff and other key roles within the service. IF: Unable to retain and recruit social care staff and other key roles. THEN: Retention and recruitment to critical key roles of experienced staff will not be achieved
CRR.66	None	Some	Ofsted inspection. IF: There is an adverse Ofsted inspection outcome. THEN: This will have an impact on staffing and the progress on improvement
CRR.67	None	None	Ash Dieback (Chalara). IF: An action plan is not adopted to deal with the onset of Ash Die Back within the County boundaries. THEN: the authority faces significant unplanned financial burden linked to removal of a significant percentage of tree stock and an increased liability linked to personal injury and third party damage claims.

## Internal Audit Plan Progress 2022/23

The pipeline of audits for the next 12 to 18 months is shown in Annex B

Risk Ref.	Audit Coverage	Future Coverage	Risk Narrative
CRR.68	None	None	Waste Collection Vehicles – lead time for supply of new vehicles. IF: Supply chain issues continue. THEN: there is a risk that we will not be able to secure the required new waste collection vehicles in time for the mobilisation of the new waste collection service in Nov 23.
CRR.69	Good	Some	CRR.69 – Hereford City Centre Improvement (HCCI) Programme. IF Delivery of HCCI is not delivered to programme. THEN this could increase revenue pressure on Public Realm

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

- Substantial
- Reasonable
- Limited
- No

The schedule provided in Annex B contains a list of those audits completed, in draft, and in progress.



### Internal Audit Progress and Outcomes

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 deliver an annual opinion. Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of agreed actions that have been raised with management. The assurance opinion ratings have been determined in accordance with the “Audit Framework Definitions” as detailed in Annex A of this document.

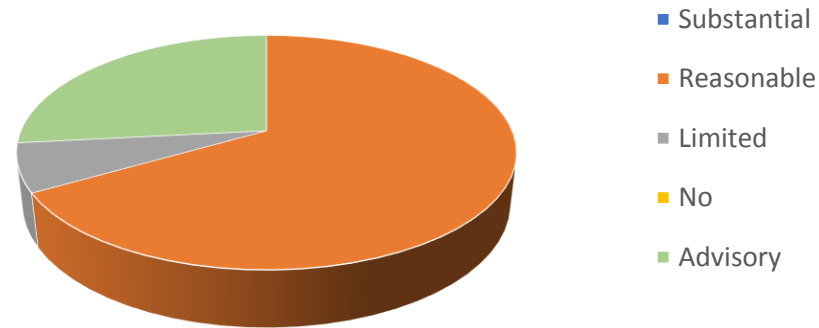
Fifteen audits have been completed and three audits are at draft report stage by the end of Quarter 2. A further 9 audits are in progress and will conclude in Quarter 3. These are shown in more detail in Annex B.

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. The feedback score for the previous 12 months is 100%.

## Internal Audit Plan Progress 2022/23

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

Split of Audit Opinions as at Q2 2022/3



There are no significant corporate risks that should be brought to the Committees attention for Quarter 2.



### Significant Corporate Risks 2022/23

No priority 1 or 2 findings have been agreed to date and there are no significant corporate risks identified.

In this update, there are no final reports included with 'High' corporate risks.

These are areas that we have identified as being significant control issues that should be brought to the attention of the Audit and Governance Committee.



### Summary of significant concerns Q2

Internal Audit reviewed two grants on Homeless Prevention in quarter 2. The grant was submitted after the deadline, together with documents that were unable to support the full list of expenditure and eligible activity. As a result, the grant was returned to the Housing Solutions Team for further validation and evidence. A second submission has since been submitted and audit examination found inaccuracies in amounts, misallocations, and transactions outside of the timeframe. This will result in a repayment of grant of £25,121 to the Department of Levelling-up and Communities.

## Internal Audit Plan Progress 2022/23

Following the audit process, the Service has outlined a number of measures including improved cost coding. However, weakness identified in administrative processes are concerning and therefore an audit of financial processes is included in the Quarter 3 work programme.

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



### Follow Up Audits

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. Evidence is obtained to demonstrate implementation and progress made in relation to all 2020/21 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 audits evidence is obtained to demonstrate implementation and progress for all recommendations.

Follow-up work is currently ongoing on the payroll audit. A future follows-up is programmed for the fraud baseline maturity assessment.

**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.

A bench-marking exercise on Direct payments has gained information from across the Partnership as part of our audit work. Also, SWAP regularly produces a newsletter and other relevant updates for partners such as fraud bulletins, which provide information on topical issues of interest.

## Internal Audit Progress Report Quarter 2 2022/23

### Contact Information

SWAP is an internal audit partnership covering 27 organisations. Herefordshire Council is a part-owner of SWAP, and we provide the internal audit service to the Council.

The contacts at SWAP in connection with this report are:

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



Audit Framework Definitions

Control Assurance Definitions

- Substantial
- Reasonable
- Limited
- No

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.

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.

<b>Substantial</b>	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.
<b>Reasonable</b>	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.
<b>Limited</b>	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.
<b>No</b>	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.

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:
<b>Priority 1</b>	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management.
<b>Priority 3</b>	Finding that requires attention.



Table of Audits by Status								
Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope.	Status	Opinion	No of Rec	Recommendation 1 = Major 3 = Medium		
						1	2	3
Property Flood Resilience Support Scheme (Bellwin/ Resilience Management) - Quarter 1	Economy and Place	To provide assurance that Herefordshire Council has complied with DEFRA Property Flood Resilience Recovery Support Scheme (2020) Local Authority Guidance April 2020, in the authorisation of owner's expenditure on their property.	Complete	Reasonable	0	0	0	0
S106 Holmer Road - Special Review	Economy and Place	SWAP Internal Audit Services was commissioned by the Chief Finance Officer to complete a special review in relation to concerns raised by the Chief Executive regarding how the decision was made that there is no legal basis for the council to request the payment of part of the section 106 Transport Contribution assigned to the Holmer West Link.	Complete	Special Investigation	1	0	0	1
Local Authority Community Testing Funding Grant Determination 2020/21: January, February, March	Corporate Centre	To provide assurance that the conditions of the Local Authority Community Testing Funding Grant Determination 2020/21: Nos 31/6054, 31/6097, and 31/6147 are adhered to and that all expenditure claimed is eligible within the scheme.	Complete	Reasonable	0	0	0	0
Payment Authorisation outside of Financial Management System	Corporate	The Interim Head of Corporate Finance (Deputy 151 Officer) requested that SWAP Internal Audit Services verify the controls in place within service areas, for requests received for payment approval outside of the financial management system (Business World).	Complete	Advisory	0	0	0	0
Protect and Vaccinate Grant Determination 2021/2022 No 31/5912	Adults and Communities	To provide assurance that the terms of the Protect & Vaccinate Grant Determination (2021/22) (No.31/5912) have been adhered to.	Complete	Reasonable	0	0	0	0

Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope.	Status	Opinion	No of Rec	Recommendation 1 = Major 3 = Medium		
						1	2	3
Court of Protection – Special Review Phase 1	Adults and Communities	Restricted Disclosure - Authorised by S151 officer. Will be reported to Committee when appropriate.	Complete	Special Investigation	n/a	n/a	n/a	n/a
Court of protection- Additional Work Phase 2	Adult and Communities	Restricted-Additional request for work from the CFO. Will be reported to Committee when Appropriate.	Complete	Special Investigation	n/a	n/a	n/a	n/a
Supporting Families – Quarter 1 22/23	Children and Families	Grant Certification (Monthly Review with Quarterly Report)	Complete	Reasonable				
Local Authority Test and Trace Support Payment Scheme Funding Grant Determination 2020/21: No:31/5789 - October, November, and December	Corporate Centre	To provide assurance that the conditions of the Local Authority Support Payment Grant are applied	Complete	Reasonable				
Local Authority Test and Trace Support Payment Scheme Funding Grant Determination 2020/21: No:31/5789 (January, February, March)	Corporate Centre	To provide assurance that the conditions of the Local Authority Community Testing Funding Grant are applied	Complete	Reasonable				
Local Authority Covid 19 Test and Trace Contain Outbreak Management Fund Grant Determination 2021/22: No 31/5518	Corporate	To provide assurance that the conditions of the Local Authority Community Testing Funding Grant are applied	Complete	Reasonable				
Property Flood Resilience Support Scheme (Bellwin/ Resilience Management) Quarter 2	Economy and Place	Grant Certification (Quarterly Review with End of Scheme Report).	Complete	Reasonable				
Local Transport Block Funding	Economy and Place	To ensure that grant funding spend to 30/6/22 has been accordance with the grant terms and conditions.	Complete	Reasonable				

Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope.	Status	Opinion	No of Rec	Recommendation 1 = Major 3 = Medium		
						1	2	3
Supporting Families – Quarter 2	Children and Families	Grant Certification (Monthly Review with Quarterly Report)	Complete	Reasonable				
Homelessness Prevention Grant (HPG) GRANT DETERMINATION (2021/22) [No. 31/5546] & [No. 31/5863]	Adults and Communities	To ensure that grant funding spend has been accordance with the grant terms and conditions.	Interim	Limited	n/a	n/a	n/a	n/a
Green Homes Grant- Phase 1	Corporate Centre	Audit report issued 2021/22. Evidence and documentation reviewed. Results are with the legal team for determination	Draft					
Homelessness Prevention Grant (HPG) GRANT DETERMINATION (2021/22) [No. 31/5546] & [No. 31/5863]	Adults and Communities	To ensure that grant funding spend has been accordance with the grant terms and conditions.	Draft					
Public Health	Adults and Communities	Request of Chief Finance Officer to provide assurance that funding has been spent and achieved intended objectives/outcomes.	Draft					
Direct Payments	Adults and Communities	To provide assurance that the Council has processes and procedures in place to appropriately deal with potential fraud or mis use of direct payment funds via direct payment cards and that supporting processes and procedures are in place across adult social care teams to assist in identifying and dealing with fraud.	In Progress					
Payroll Follow Up	Corporate Centre	To provide assurance agreed actions have been implemented.	In Progress					

Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope.	Status	Opinion	No of Rec	Recommendation 1 = Major 3 = Medium		
						1	2	3
Infection Control and Testing	Adults and Communities	Assurance that the grant monies have been spent correctly and achieved desired outcomes (note: not grant certification work).	In Progress					
Green Homes Grant – Phase 2	Corporate Centre	To ensure that grant funding spend has been in accordance with the grant terms and conditions.	In Progress					
Technology Framework Review	Corporate (ICT)	Identified as an area for further work via the Cyber Security Framework audit.	In Progress					
Registration Service	Corporate Centre	Financial and procedural review of registration of Births, Deaths, and Marriages	In Progress					
School Governance- Thematic Review	Children and Families	Review the effectiveness of governance arrangements in schools	In Progress					
Grant Administration – Working Group	Corporate Centre	Support grant administration and control arrangements to be more efficient and effective.	In Progress	Advisory				
Data Quality/Data Management	Corporate Centre	Response from CLT to thematic issue raised in Internal Audit Progress Reports 2021/22.	In Progress					
Leavers Process	Corporate Centre (ICT)	Provide assurance control framework operating effectively between service areas, HR and IT. Ensuring Councils assets are accounted for.	In Progress					
Drug Treatment: Universal Grant Funding (31/5494)	Public Health	SWAP was informed on 26/8/22 that this grant funding required CIA sign off. Funding of £220,000 had been provided by PHE.	In Progress					

Pipeline Audits								
Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope.	Status	Opinion	No of Rec	Recommendation 1 = Major 3 = Medium		
						1	2	3
Court of Protection- Special Investigation -Phase 3	Adults & Communities							
Housing Solutions Team Financial Processes	Communities	New area following concerns raised during grant certification process about admin and financial processes	Planned					
Condition Funding Grant Determination (2021): No 31/5501	Children and Families	Grant Certification	Planned					
Disabled Facilities Grant Capital	Adults and Communities	Grant Certification	Planned					
Supporting Families – Quarter 3	Children and Families	Grant Certification (Monthly Review with Quarterly Report)	Planned					
Baseline Assessment for the Maturity of Fraud – 2 <sup>nd</sup> Phase	Corporate	Follow up of baseline assessment to demonstrate progress in fraud maturity.	Planned					
Green Homes Grant Phase 2	Economy and Place	Grant Certification	Planned					
Provider Portal Implementation	Adults and Communities	Provide assurance that previous actions agreed as part of the Provider Payments and Client have been actioned and that the new provider portal is operating and embedded to improve the control framework.	Planned					
Accounts Payable	Corporate	Key Financial Controls – Full Audit	Planned					
Council Tax & NNDR	Corporate	Key Financial Controls – Full Audit Liability and Billing including discounts and exemptions.	Planned					
Main Accounting System	Corporate	Key Financial Controls- Self Assessment	Planned					
Public Realm Contract	Economy and Place	Provide assurance regarding historic changes to the public realm contract and work carried outside of the	Planned					

		annual plan in preparation for the contract ending. To include a follow up of the Contract Management BBLP, Commissioning and Value for Money (BBLP) agreed actions.							
Fraud Risk Assessment	Corporate	Ongoing advisory work to update and maintain the Fraud Risk Assessment	Planned						
Supporting Families – Quarter 4	Children and Families	Grant Certification (Monthly Review with Quarterly Report)							
Careleavers 16+	Children and Families	Assurance that control frameworks, processes and procedures are in place for the Council to complete its statutory duties.							
Homes for Ukraine	Adults and Communities	Assurance payments being made are appropriate and in line with outlined processes. Appropriate monitoring processes are in place once payments made.							
Accounts Receivable	Corporate	Key Financial Controls – Full Audit							
Housing and Council Tax Benefit	Corporate	Key Financial Controls – Full Audit							
Main Accounting Follow Up	Corporate	Follow up audit to provide assurance previously agreed actions have been implemented.							
Treasury Management	Corporate	Follow up audit to provide assurance previously agreed actions have been implemented. CIPFA published the revised 2021 Treasury Management Code and Prudential Code on 20th December 2021 – assurance that the Council are compliant with required changes.							
Capital Accounting Follow Up	Corporate	Follow up audit to provide assurance previously agreed actions have been implemented.							

Pipeline Audits								
Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope.	Status	Opinion	No of Rec	Recommendation 1 = Major 3 = Medium		
						1	2	3
Capital Programme/ Capital Projects	Corporate	Provide assurance that the newly implemented corporate processes are embedded and functioning effectively addressing previous control weaknesses.						
ICT Governance Framework Review	Corporate (ICT)	To support the future direction of the ICT Service by providing a focussed and targeted ICT audit plan, SWAP propose to undertake an outline ICT Risk and Governance advisory review of the Council's ICT Service's strategy, infrastructure, estate, and projects.						
Quality Assurance and Supervision Practices	Children's and Families	Assurance that quality assurance and supervision process are in place following the Councils high court judgement.						
Disaster Recovery Follow Up	Corporate (ICT)	Provide assurance previously agreed actions in the limited assurance report have been completed.						
Education Health Care Plans Follow Up	Children's and Families	Provide assurance previously agreed actions in the limited assurance report have been completed.						
Pool Cars Follow Up	Corporate	Provide assurance previously agreed actions in the limited assurance report have been completed. Data analysis of usage to be completed if data allows.						
Payment authorisations outside of the Financial Management System	Corporate	Following on from the advisory work completed at the beginning of the year assurance that implemented control frameworks are operating effectively.						
Petty Cash & Procurement Cards	Corporate	Identified as an area for potential further work from the Fraud Risk Assessment. Chief Finance Officer would like assurance that the appropriate checks and balances are in place for Petty Cash and Procurement Cards. To include follow up of previously agreed actions in these areas.						

Pipeline Audits								
Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope.	Status	Opinion	No of Rec	Recommendation 1 = Major 3 = Medium		
						1	2	3
Enterprize Zone - reflection/Lessons Learnt	Economy and Place	Assurance that the Council achieved what it set out to achieve and lessons learnt for future work (model farm).						
Building Maintenance and Cleaning Agreement Follow Up	Corporate	Provide assurance previously agreed actions in the limited assurance report have been completed.						
Staff Car Parking Business Passes – Follow Up	Economy and Place	Provide assurance previously agreed actions in the limited assurance report have been completed.						
S106 Follow Up	Economy and Place	Provide assurance previously agreed actions in the limited assurance report have been completed.						