

In partnership with



## Appendix A

# Herefordshire Council

## Report on Internal Audit Activity

Quarter 4 2022/23

Publication Date: 15<sup>th</sup> June 2023


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

Unrestricted






# Internal Audit Progress Report Quarter 4 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

	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.	Action Priority	Description	Actions
		Priority 1	Fundamental	3
		Priority 2	Important	53
		Priority 3	Requires Attention	44

## The Headlines for audits completed to date for 2022/23

	46 assignments complete and 1 in progress at the end of Quarter 4 The delivery of internal audit work is on track to deliver an annual opinion. Overall, the indicative annual audit opinion for 2023/4 is “reasonable”
	Audit coverage for the year was “Good” or “Some” across most corporate risks. This coverage is sufficient to allow internal audit to give an annual opinion.
	There was continuing internal audit activity on advisory projects, special investigations, and grant certifications in Quarter 4.
	There were no high corporate risks identified in the quarter. However, there were “Limited” audit opinions issued for Registration Service, Housing Solutions, - Financial Process, and the Leavers Process. These reports will be presented in detail at the new meeting of the Committee.
	SWAP is migrating the Council to a new audit Management system in Quarter 2 2023/4. The system will provide real-time dashboards on the activity and outcome of our work to both Officers and Members.

## Assurance Opinions as @ Q4

Substantial	3
Reasonable	21
Limited	6
No Assurance	0
Special/ Advisory	16

## Progress/ Activity as @ Q4

Complete	46
Draft	0
In progress	1
<b>Total</b>	<b>47</b>

# Internal Audit Progress Report Quarter 4 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	Some	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 the ... garage 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	Some	Good	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

A new risk assessment for 2023/24 has been undertaken that maps internal audit work to corporate priorities and risks. This will ensure that internal audit coverage is focused into key areas.

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 1 of this document.

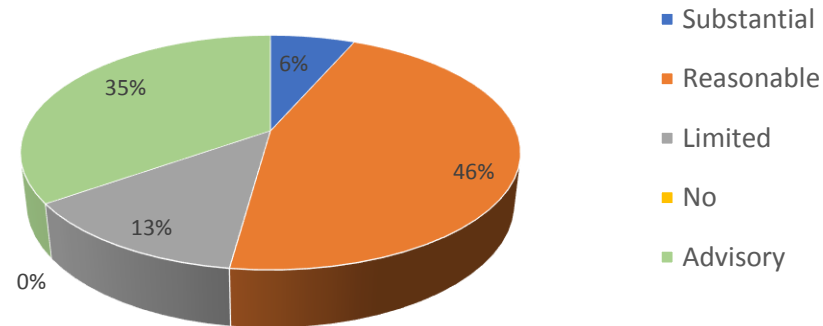
Forty-six audits have been completed with 1 special investigation still being in progress at the end of Quarter 4. These are shown in more detail in Annex 2.

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 quarter was 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 Q4 2022/3



There are no significant corporate risks that should be brought to the Committees attention for Quarter 4.



### Significant Corporate Risks 2022/23

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

# Internal Audit Plan Progress 2022/23

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.

Given the short turnaround of the Committee, these report will be presented in full to the next Committee where the Services will give an update on the delivery of the agreed actions.

A further report on the Leavers Process was also issued in the quarter. The outcomes of this assignment are still in discussion with the Council and so will be reported to the next Committee.



## Audits with significant concern

The audit listed below have been issued with a limited opinion in Q4.

### Registration Service: Final Report – February 2023



#### Audit Objective

To ensure that the Registration Service is adhering to the General Register Office (G.R.O.) regulations and requirements, and that recommendations from their Stock and Security Assurance inspection (February 2022) are being implemented.

Assurance Opinion	Number of Actions		Risks Reviewed	Assessment
	Priority	Number		
<p>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.</p>	Priority 1	3	There is non-compliance with the Registration Service Act 1953 and the General Register Office (G.R.O.) regulations, which may lead to financial loss and reputational damage to the Council.	Medium
	Priority 2	7		
	Priority 3	1		
	Total	11		

### HC Housing Solutions Team Financial Processes: Final Report – March 2023



#### Audit Objective

To review financial processes and controls within the Service to provide assurance that Service's budgets are being utilised in accordance with the requirements of the Team's Service Plan and statutory responsibilities.

Assurance Opinion	Number of Actions		Risks Reviewed	Assessment
	Priority	Number		
<p>Limited (Medium) - 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</p>	Priority 1	0	Financial control deficiencies within the Service may lead to budget overspends while also increasing the risk that fraudulent requests for financial support may be processed in good faith owing to poor segregation of duties and/or a lack of management oversight.	Medium
	Priority 2	6		
	Priority 3	4		
	Total	10		



# Internal Audit Plan Progress 2022/23

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. The table below shows the follow up position:

Audit Name	Status	Outcome
Payroll	Complete	Actions remediated - No significant Risks
Baseline Maturity Assessment of Fraud	Complete	Significant Progress - No Significant Risk
Pool Cars	Complete	Significant progress- No significant Risk
Building Maintenance & Cleaning	Complete	Significant Progress- No significant Risk
Disaster Recovery, Education Healthcare, Staff Parking and Section 106, Public Realm Contracts	In Progress	

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.

SWAP produce monthly “Round-up” newsletters that are sent to key stakeholders in the Council. The newsletters identify key areas of risk, control, and innovation in the Internal Audit Sector.

### Contact Information

SWAP is an internal audit partnership covering 22 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:

#### **Ian Halstead**

Assistant Director

[ian.halstead@swapaudit.co.uk](mailto:ian.halstead@swapaudit.co.uk)

#### **Janine Davies**

Principal Auditor

[Janine.davies@swapaudit.co.uk](mailto:Janine.davies@swapaudit.co.uk)

For further details see: [www.swapaudit.co.uk](http://www.swapaudit.co.uk)



## ANNEX 1

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

- 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.



## Audit Framework Definitions

## ANNEX 1

### Control Assurance Definitions

<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.

Actions	Reporting Implications
	In addition to the corporate risk assessment, it is important that management know how important the issue 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 action 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									
Date on Pipeline	Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope	Status	Opinion	No of Recs	Agreed Actions		
							P1= Fundamental P2= Important P3 = Useful		
							1	2	3
21/22	School Governance- Thematic Review	Children & Young People	Review the effectiveness of governance arrangements in schools	Complete	Advisory	0	0	0	0
21/22	Local Authority Covid 19 Test and Trace Contain Outbreak Management Fund Grant 2021/22: No 31/5518	Public Health	To provide assurance that the conditions of the Local Authority Community Testing Funding Grant are applied	Complete	Reasonable	0	0	0	0
Q1 20/21	Local Authority Test and Trace Support Payment Scheme Funding Grant Determination 2020/21: No:31/5789 - October, November, and December	Resources & Assurance	To provide assurance that the conditions of the Local Authority Support Payment Grant are applied	Complete	Reasonable	0	0	0	0
Q1 21/22	Local Authority Test and Trace Support Payment Scheme Funding Grant 2020/21: No:31/5789 (January, February, March)	Resources & Assurance	To provide assurance that the conditions of the Local Authority Community Testing Funding Grant are applied	Complete	Reasonable	0	0	0	0
Q1 21/22	Local Authority Community Testing Funding Grant Determination 2020/21: Nos 31/6054, 31/6097	Resources & Assurance	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
21/22	Protect and Vaccinate Grant Determination 2021/2022 No 31/5912	Community Wellbeing	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
21/22	Property Flood Resilience Support Scheme (Bellwin/ Resilience Management) - Quarter 1	Economy & Environment	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	Substantial	0	0	0	0

# Internal Audit Plan Progress 2022/23

Table of Audits by Status									
Date on Pipeline	Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope	Status	Opinion	No of Recs	Agreed Actions		
							P1= Fundamental	P2= Important	P3 = Useful
							1	2	3
21/22	Property Flood Resilience Support Scheme (Bellwin/ Resilience Management) Quarter 2	Economy & Environment	Grant Certification (Quarterly Review with End of Scheme Report).	Complete	Substantial	0	0	0	0
Q2 22/23	Payment Authorisation outside of Financial Management System	Resources & Assurance	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
Q1 22/23	Supporting Families – Quarter 1 22/23	Children & Young People	Grant Certification (Monthly Review with Quarterly Report)	Complete	Reasonable	0	0	0	0
Q1 22/23	Homelessness Prevention Grant (HPG) (2021/22) [No. 31/5546] & [No. 31/5863]	Community Wellbeing	To ensure that grant funding spend has been accordance with the grant terms and conditions.	Complete	Limited	0	0	0	0
For 22/23	S106 Holmer Road - Special Review	Economy & Environment	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
21/22	Fraud Risk Assessment	Resources & Assurance	Ongoing advisory work to update and maintain the Fraud Risk Assessment	Complete	Advisory	0	0	0	0
21/22	Court of Protection – Special Review Phase 1	Community Wellbeing	Restricted Disclosure - Authorised by S151 officer. Will be reported to Committee when appropriate.	Complete	Special Investigation	16	0	14	2

# Internal Audit Plan Progress 2022/23

Table of Audits by Status									
Date on Pipeline	Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope	Status	Opinion	No of Recs	Agreed Actions		
							P1= Fundamental	P2= Important	P3 = Useful
							1	2	3
For 22/23	Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance Blocks) Specific Grant (2021/22): and Pothole Fund Specific Grant (2021/22): No.31/5506	Economy & Environment	To ensure that grant funding spend for 2021/22 has been accordance with the grant terms and conditions.	Complete	Reasonable	0	0	0	0
For 22/23	Bus Subsidy Ring-Fenced (Revenue) Grant 2021/22	Economy & Environment	To ensure that grant funding spend for 2021/22 has been accordance with the grant terms and conditions.	Complete	Reasonable	0	0	0	0
For 22/23	Supporting Families – Quarter 2	Children & Young People	Grant Certification (Monthly Review with Quarterly Report)	Complete	Reasonable	0	0	0	0
For 22/23	Public Health Grant Process	Public Health	Request of Chief Finance Officer to provide assurance that funding has been spent and achieved intended objectives/outcomes.	Complete	Limited	10	0	5	5
For 22/23	Baseline Assessment for the Maturity of Fraud – 2 <sup>nd</sup> Phase	Resources & Assurance	Follow up of baseline assessment to demonstrate progress in fraud maturity.	Complete	Advisory	0	0	0	0
21/22	Court of Protection- Additional Work Phase 2	Community Wellbeing	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
Q2 22/23	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.	Complete	Limited	0	0	0	0
21/22	Payroll Follow Up	Resources & Assurance	To provide assurance agreed actions have been implemented.	Complete	Non-Opinion	1	0	1	0

# Internal Audit Plan Progress 2022/23

Table of Audits by Status									
Date on Pipeline	Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope	Status	Opinion	No of Recs	Agreed Actions		
							P1= Fundamental	P2= Important	P3 = Useful
							1	2	3
For 22/23	Disabled Facilities Grant	Community Wellbeing	Section 31 Grant Certification requiring C.I.A. sign off	Complete	Reasonable	0	0	0	0
Q3 22/23	Whistleblowing - Complaint	Children & Young People	Initial review of allegation requested by Director: Resources & Assurance, in order to establish whether there is possible fraudulent activity, and hence the requirement for a fraud investigation.	Complete	Advisory	0	0	0	0
21/22	Infection Control and Testing	Community Wellbeing	Assurance that the grant monies have been spent correctly and achieved desired outcomes (note: not grant certification work).	Complete	Reasonable	4	0	1	3
21/22	Direct Payments	Community Wellbeing	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.	Complete	Reasonable	6	0	0	6
Q3 22/23	Supporting Families – Quarter 3	Children & Young People	Grant Certification (Monthly Review with Quarterly Report)	Complete	Reasonable	1	0	0	1
Q3 21/22 (req'd for Jan 23)	Adult Weight Management Services Grant	Public Health	This grant requires Chief Internal Auditor sign off by the end of January 2023. Notified December '22.	Complete	Reasonable	0	0	0	0
For 22/23	Technology Framework Review	Corporate (ICT)	Identified as an area for further work via the Cyber Security Framework audit.	Complete	Advisory	0	0	0	0
Q2 22/23	Registration Service	Governance & Law	Financial and procedural review of registration of Births, Deaths, and Marriages	Complete	Limited	11	3	7	1
22/23	Court of Protection- Special Investigation -Phase 3	Community Wellbeing	Restricted-Additional request for work from the CFO. Will be reported to Committee when Appropriate.	In Progress	Special Investigation	n/a	n/a	n/a	n/a

# Internal Audit Plan Progress 2022/23

Table of Audits by Status									
Date on Pipeline	Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope	Status	Opinion	No of Recs	Agreed Actions		
							P1= Fundamental	P2= Important	P3 = Useful
							1	2	3
Q2 22/23	Housing Solutions Team Financial Processes	Community Wellbeing	New area following concerns raised during grant certification process about admin and financial processes	Complete	Limited	10	0	6	4
Q2 21/22	Green Homes Grant Phase 2	Economy & Environment	Section 31 Grant Certification requiring C.I.A. sign off	Complete	Reasonable	0	0	0	0
Q4 21/22 FOR 22/23	NNDR	Resources & Assurance	Key Financial Controls. Liability and Billing including discounts and exemptions.	Complete	Reasonable	4	0	0	4
Q4 21/22 FOR 22/23	Treasury Management	Resources & Assurance	Key Financial Controls - Full Audit	Complete	Substantial	2	0	0	2
Q2 21/22	Green Homes Grant – Phase 1	Economy & Environment	To ensure that grant funding spend has been in accordance with the grant terms and conditions. This grant is with Legal and a further inspection regime is being undertaken.	Complete	Reasonable	0	0	0	0
Q4 21/22 (req'd. for Q4 22/23)	Pool Cars Follow Up	Economy & Environment	Provide assurance previously agreed actions in the limited assurance report have been completed. Data analysis of usage to be completed if data allows.	Complete	Non-Opinion	3	0	2	1
For 22/23	Building Maintenance and Cleaning Agreement Follow Up	Economy & Environment	Provide assurance previously agreed actions in the limited assurance report have been completed.	Complete	Non-Opinion	1	0	1	0
Q4 21/22 (req'd. for Q4 22/23)	Supporting Families – Quarter 4	Children & Young People	Grant Certification (Monthly Review with Quarterly Report)	Complete	Reasonable	0	0	0	0
Q4 21/22 FOR 22/23	Main Accounting System	Resources & Assurance	Key Financial Controls	Complete	Reasonable	1	0	1	0

# Internal Audit Plan Progress 2022/23

Table of Audits by Status									
Date on Pipeline	Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope	Status	Opinion	No of Recs	Agreed Actions		
							P1= Fundamental	P2= Important	P3 = Useful
							1	2	3
Q3 22/23	Disabled Facilities Grant Process	Community Wellbeing	Required to provide assurance around the processes for administration of the Disabled Facilities Grant.	Complete	Reasonable	13	0	5	8
21/22	Leavers Process	Corporate	Provide assurance control framework operating effectively between service areas, HR and IT. Ensuring Councils assets are protected.	Complete	Limited	16	0	10	6
Q2 22/23	Grant Administration – Working Group	Corporate	Support grant administration and control arrangements to be more efficient and effective.	Complete	Advisory	0	0	0	0
Q3 22/23	Supporting Families - DLUHC / HC Consultation Process	Children & Young People	Meetings with the DLUHC National Lead for Supporting Families, with regard to the updated SF Programme that has just been introduced. Involvement had been requested by SF Team & DLUHC, to ensure adequate audit coverage of the programme, and to discuss amount of audit coverage required for 23/24 to provide assurance as to compliance with programme t&cs.	Complete	Advisory	0	0	0	0
22/23	Payment authorisations outside of the Financial Management System - Advisory	Resources & Assurance	Following on from the advisory work completed at the beginning of the year assurance that implemented control frameworks are operating effectively.	Complete	Advisory	0	0	0	0
Q4 22/23	Biodiversity Net Gain Grant	Economy & Environment	Grant certification to enable approval of central government funds	Complete	Reasonable	0	0	0	0
Q1 22/23	Data Quality/Data Management	Corporate	Response from CLT to thematic issue raised in Internal Audit Progress Reports 2021/22.	Complete	Advisory	0	0	0	0