

In partnership with



# Herefordshire Council

Internal Audit Plan 2023-24  
and Internal Audit Charter

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

## The Internal Audit Plan: Summary

The work of Internal Audit should align strategically with the aims and objectives of the Council, taking into account key risks, operations and changes. In order to do this Internal Audit needs to be flexible in adapting audit plans to handle rapidly changing risks, priorities and challenges.

It is the responsibility of the Extended Leadership Team, and the Audit & Governance Committee to ensure that the audit work scheduled and completed throughout the year contains sufficient and appropriate coverage of key risks.

Delivery of an internal audit programme of work that provides sufficient and appropriate coverage, will enable us to provide a well-informed and comprehensive year-end annual internal audit opinion.



### Introduction and Objective of the Internal Audit Plan

The COVID pandemic required Local Authorities to be responsive and adaptive, needing them to be able to reprioritise and shift focus at speed. Whilst the pandemic is no longer the threat that it was, the ever-changing landscape within Local Government is likely to be here to stay. As a result, it is important that SWAP adopts a similarly flexible and responsive approach to audit planning, ensuring that we are supporting the Council by collaboratively aligning our work to its aims, objectives and key risks. This should ensure that we are auditing the right things, at the right time; enabling us to provide insight and value when and where it is required.

The objective of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work will provide Senior Management and Members with assurance that the current risks faced by the Authority in these areas are adequately controlled and managed.

It should be noted that internal audit is only one source of assurance, and the outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines' assurance model. Key findings from our internal audit work should also be considered in conjunction with completion of the Authority's AGS.

When reviewing the proposed internal audit plan (as set out in Appendix 1), key questions to consider include:

- Are the areas selected for coverage this coming year appropriate?
- Does the internal audit plan cover the organisation's key risks in priority areas?

# The Internal Audit Plan: Approach

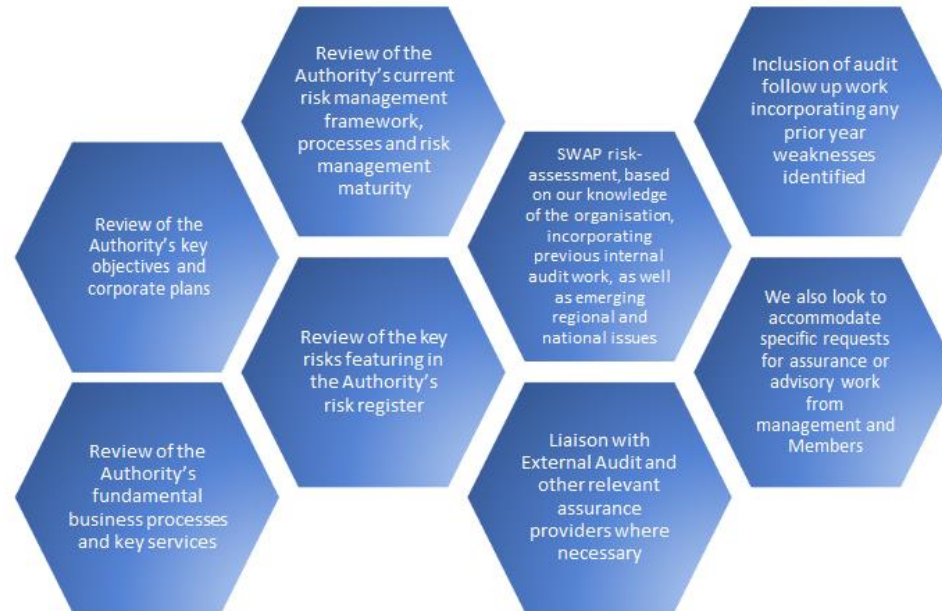
To develop an appropriate risk-based audit plan, SWAP have consulted with senior management, as well as reviewing key documentation, in order to obtain an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes.

Our approach to Internal Audit planning throughout 2023/24 will be a continuous risk assessment and rolling plan approach.



## Approach to Internal Audit Planning 2023/24

The factors considered in putting together the 2023/24 internal audit plan have been set out below:



Due to the pace of change within Local Authorities, it is becoming increasingly difficult to accurately predict longer-term key organisational risks. Our approach to internal audit planning has therefore also changed to reflect this. Instead of preparing a full twelve-month plan, we will prepare six-monthly 'Agile' risk-assessed work plans, containing key areas of coverage, to ensure that we are auditing the right areas at the right time.

We will regularly re-visit and adjust our programme of audit work to ensure that it matches the changing risk profile of the organisation's operations, systems and controls.

# The Internal Audit Plan: Risk Assessment

A continuous risk assessment aligned to developing a rolling internal audit plan, ensures that sufficient and appropriate areas are identified for consideration.

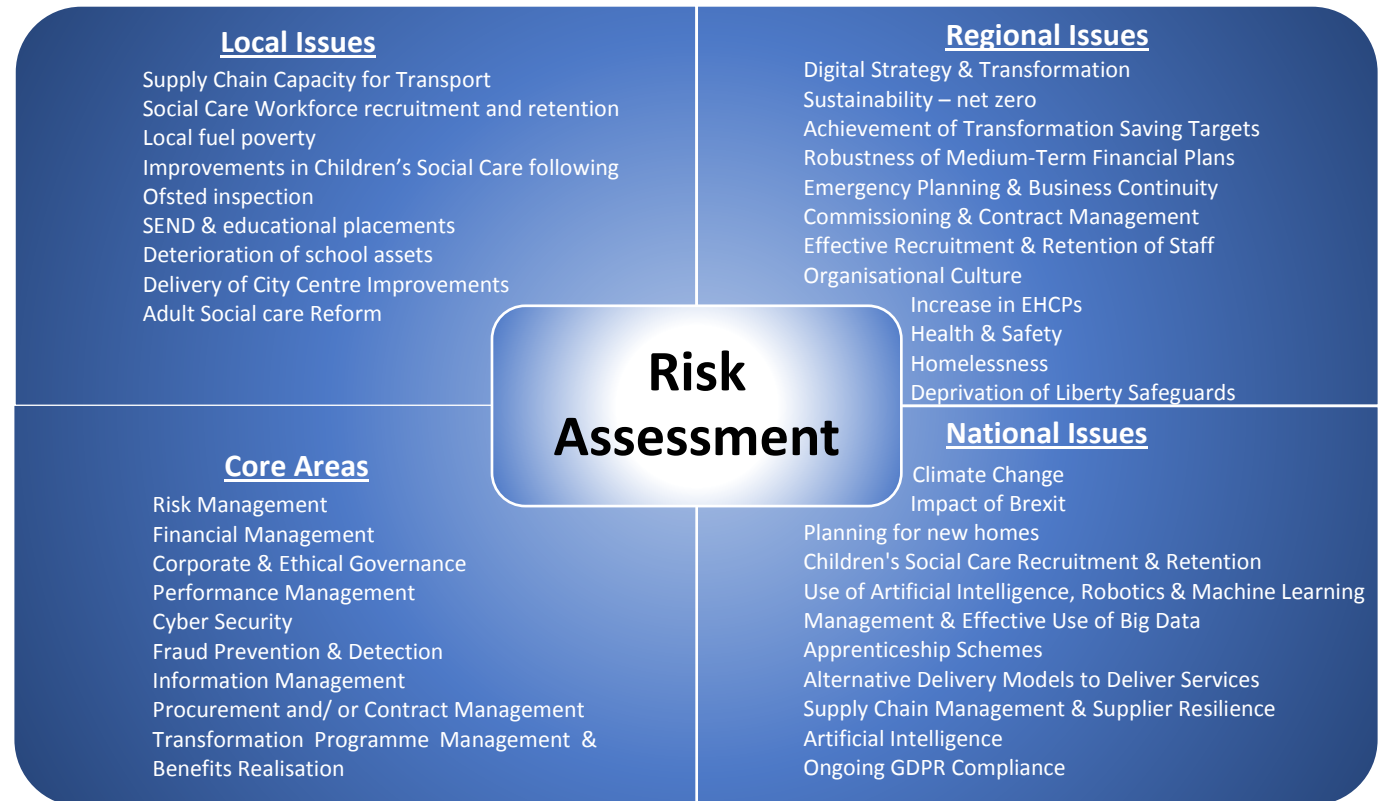
It is the responsibility of the Council's Corporate leadership Team, and the Governance and Audit Committee to ensure that, following our risk assessment, the proposed plan contains sufficient and appropriate coverage.



## Internal Audit Annual Risk Assessment

Our 2023/24 internal audit programme of work is based on a documented risk assessment, which SWAP will revisit regularly, but at least annually. The input of senior management as well as review of the Authority's risk register will be considered in this process.

Below we have set out a summary of the outcomes of the risk assessment for Herefordshire Council:



# The Internal Audit Plan: Coverage

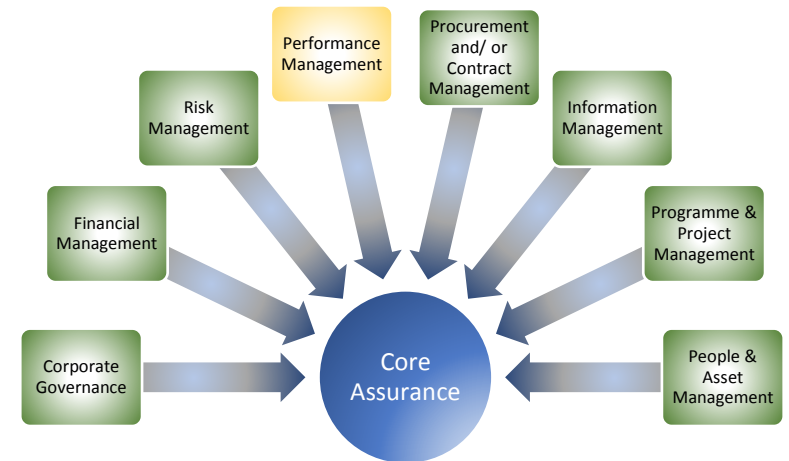
Following our SWAP Risk Assessment above, we have set out how the proposed agile plan presented in Appendix 1 provides coverage of the Council's key corporate objectives and risks, as well as our core areas of recommended audit coverage.

Internal audit is only one source of assurance; therefore, where we have highlighted gaps in our coverage, assurance should be sought from other sources where possible in order to ensure sufficient and appropriate assurances are received.



## Internal Audit Coverage in 2023/4

Following our SWAP risk assessment, we have set out below the extent to which the proposed plan presented in Appendix 1 provides coverage of the Authority's key corporate objectives and risks, as well as our core areas of recommended audit coverage:



*Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. As such, internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss, or fraud.*

# The Internal Audit Plan: Coverage

The page above sets out how our proposed 23/24 internal audit plan provides coverage of the Authority's key corporate objectives and risks, as well as our core areas of recommended audit coverage.


This page highlights any key risk areas where we believe internal audit coverage is currently missing.



## Risk Coverage Missing from Proposed Internal Audit Plan

Following our SWAP risk assessment and the preparation of the proposed 23/24 audit plan, we have set out below any areas where we feel coverage of key risk areas is missing.

Where we have highlighted limited or no coverage, Senior Management and the Audit Committee should seek and confirm assurance from alternative sources, or consider re-focussing internal audit resource to provide coverage of these areas:

Key Risk Area	Level of Assessed Coverage
<p>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.</p>	

SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership now includes 22 public sector partners, but also providing services to other clients throughout the UK.



## Your Internal Audit Service

### Audit Resources

The 2023/24 internal audit programme of work will be equivalent to 900 days. The current internal audit resources available represent a sufficient and appropriate mix of seniority and skill to be effectively deployed to deliver the planned work.

### External Quality Assurance

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors (IPPF).

## The Internal Audit Plan: Coverage

The key contacts in respect of your internal audit service for Herefordshire Council are:

Ian Halstead, Assistant Director  
Janine Davies, Principal Auditor

Over and above our internal audit service delivery, SWAP will look to add value throughout the year wherever possible. This will include:

- Benchmarking and sharing of best-practice between our public-sector partners;
- Regular newsletters and bulletins containing emerging issues and significant risks identified across the SWAP partnership;
- Communication of fraud alerts received both regionally and nationally;
- Annual Member training sessions;
- Cifas Membership

The Internal Audit Charter guides the work of internal audit to ensure compliance with the International Professional Practices Framework.

Every three years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in February 2021 which confirmed general conformance with Internal Audit Standards.

### Conflicts of Interest

We are not aware of any conflicts of interest within Herefordshire Council that would present an impairment to our independence or objectivity. Furthermore, we are satisfied that we will conform with our IIA Code of Ethics in relation to Integrity, Objectivity, Confidentiality, & Competency.

### Consultancy Engagements

As part of our internal audit service, we may accept proposed consultancy engagements, based on the engagement's potential to improve management of risk, add value and improve the organisation's operations. Consultancy work that is accepted, will contribute to our annual opinion and will be included in our plan of work.

### Approach to Fraud

Internal audit may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. We have dedicated counter fraud resource available to undertake specific investigations if required. However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

### Our Reporting

A summary of internal audit activity will be reported quarterly to senior management and the Audit Committee. This reporting will include any significant risk and control issues (including fraud risks), governance issues and other matters that require the attention of senior management and/or the Audit & Governance Committee. We will also report any response from management to a risk we have highlighted that, in our view, may be unacceptable to the organisation.

*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.*

**Planned - (Those jobs in progress or scheduled)**

Audit Assignment	Sponsor	Work Type	Status	Start period	Corp Plans	Corp risk	Serv. Risk	Fraud & IT Risk	SWAP Top 10 Risks	PI & Other	IA Risks	Health Org	Commentary
Data Maturity Assessment	Corporate	Assurance	In Progress	Jan 23			CS13		2.2			Info Man	Response from CLT to thematic issue raised in Internal Audit Progress Reports 2021/22.
Green Homes Grant 3 22/23	Economy & Environment	Grant Certification	Planned	Apr 23	ENV04	CRR79	EE39 /EE39 / CS28	Yes	1.3		Yes		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.
Court of Protection-Special Investigation -Phase 3	Community Wellbeing	Investigation	In progress	Jan 23				Yes			Yes		Restricted-Additional request for work from the CFO. Will be reported to Committee when appropriate.
Accounts Payable	Resources & Assurance	Assurance	In Progress	April 23				Yes	4.1-4.12	Red PI		Fin Man	Key Financial Controls – Full Audit
Enterprise Zone Lessons Learned	Economy & Environment	Assurance	Planned	Re-assigned Q3 2023	ECO05		EE06			Amber PI			Assurance that the Council achieved what it set out to achieve and lessons learnt for future work (Model Farm).
Destination BID Lessons Learned	Economy & Environment	Assurance	In progress	Jan 23	ECO05		EE06			Amber PI			To ascertain the extent to which the Council's governance processes were applied prior to sign-off of the business case, whether HC had followed the regulations and guidance that cover BIDs and had acted with due diligence.



Main Accounting System	Resources & Assurance	Assurance	Complete	Q1				Yes	4.1-4.12	Red Pis		Fin Man	Key Financial Controls
HCCTP & Public Realm Follow-up	Economy & Environment	Assurance	In progress	Q1	ENV02	CRR63 / CRR71 /CR69	EE17/ EE26/ EE31	Yes	1.2		Yes	Cont & Com	Provide assurance regarding historic changes to the public realm contract and work carried outside of the 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.
Supporting Families – Quarter1 23/24	Children & Young People	Assurance	Planned	Q1	COM01/ COM02	CRR74/ CRR71	CS28		6.1			Fin Man	Grant Certification (Monthly Review with Quarterly Report)
Disaster Recovery Follow Up	Corporate (ICT)	Assurance	Planned	Q1			EE19/ CS18/ CS23	Yes	2.3/2.4/ 7.7		Yes	Corp Gov/ Info Man	Provide assurance previously agreed actions in the limited assurance report have been completed.
Education Health Care Plan Follow Up	Children & Young People	Follow-up	In Progress	Q1	COM01/ COM02	CRR74/ CRR71		Yes	6.1	Ofsted Report	Yes		Provide assurance previously agreed actions in the limited assurance report have been completed.
Staff Car Parking Business Passes – Follow Up	Economy & Environment	Follow-up	Planned	Q1							Yes		Provide assurance previously agreed actions in the limited assurance report have been completed.
Court of Protection / Advocacy	Community Wellbeing	Follow-up	Planned	Q1	COM01/ COM02	CRR64/ CRR81/ CRR78		Yes	3.3	Ofsted Report	Yes		Provide assurance previously agreed actions in the limited assurance report have been completed.
S106 Follow Up	Economy & Environment	Follow-up	Planned	Q1		COM03		Yes	1.1		Yes		Provide assurance previously agreed actions in the limited assurance report have been completed.
Grants Certification - Risk	Corporate	Advisory	Planned	Q1			CS28					Fin Man	An advisory piece to promote effective administration of government grants.

<b>Awareness and education Programme</b>												
<b>Risk Management</b>	Resources & Assurance	Assurance	Planned	Delayed until Q3				2.3/2.4/7.7		Yes	Corp Gov/ Risk Man	Concerns expressed around the lack of info. on the Risk Registers, particularly around the mitigation of risks and lack of movement on risk rating. Will also review HC's approach to risk appetite.
<b>Whistleblowing</b>	Corporate	Assurance	Planned	Q1			Yes	4.13/2,1		Yes	Perf Man / Corp Gov	Review requested on the approach used the report potential concerns
<b>Payroll</b>	Resources & Assurance	Assurance	Planned	Q1			Yes				Fin Man	Key Financial Assurance work
<b>Purchase Cards- Fraud</b>	Resources & Assurance	Assurance	In progress	Q1			Yes				Fin Man	To review purchase card payments to reduce the risk of fraud and error
<b>Children's Task Force</b>	Children's & Young People	Advisory	In progress	Q1						Yes		To provide advisory support for Children Services post inspection
<b>Budgetary Control/ Forecasted Costs for Placements</b>	Children's & Young People	Assurance	In progress	Q1			Yes	4.1-4.12	Red PI	Yes	Fin Man	Requested following delays and concerns by 151 Officer and IA.
<b>Biodiversity Net Gain grant</b>	Economy & Environment	Assurance	In progress	Q1			CS28				Fin Man	Grant Certification to enable approval of central Government funds
<b>Green Homes Grant 2021/2</b>	Economy & Environment	Assurance	Complete	Q1			CS28				Fin Man	Grant Certification to enable approval of central Government funds
<b>Local Cap Block Funding (Road &amp; Pothole)</b>	Highways	Assurance	Planned	Q1			CS28				Fin Man	Grant Certification to enable approval of central Government funds

<b>Data Protection &amp; GDPR Breaches</b>	Governance & Performance	Assurance	In progress	Q1			EE07	Yes	2.3/2.4/7.7		Yes	Corp Gov/ Info Man	Review the risks around the possibility of data breaches, and to ascertain and evaluate the level of the preventative /proactive measures that the Council has in place to minimise the risk of such events occurring
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Pipeline (The next assignments to be undertaken)

Audit Assignment	Sponsor	Work Type	Status	Start Period	Corp. Plans	Corp. Risk	Serv. Risk	Fraud & IT Risk	SWAP Top 10 Risks	PI & Other	I.A. Risks	Health Org.	Commentary
<b>Waste Strategy/ Contract</b>	Economy & Environment	Assurance	Pipeline	Q2-3	ENV01	CRR68	EE03 / EE04		1.3	Amber PI		Contract & Com	To review the controls and governance in the delivery of the waste management strategy.
<b>Active Travel Plans -Public Transport</b>	Economy & Environment	Assurance	Pipeline	Q2-3	ENV02	CRR63 / CRR71 /CR69	EE17/ EE26/ EE31	yes	1.2			Contract & Com	To review the controls and governance in the delivery of the active travel plans.
<b>Blue badge</b>	Economy & Environment	Assurance	Pipeline	Q2-3	ENV02/ COM04	CRR63 / CRR71 /CR69	EE17/ EE26/ EE31	Yes	1.2				To focus on fraud prevention controls in the administration of blue badges.
<b>Sustainable Procurement</b>	Economy & Environment	Assurance	Pipeline	Q2-3	ENV05		EE09	Yes	1.3			Asset Manage	To determine how the principles of sustainability are considered in procurement.
<b>School Establishment Audits</b>	Children & Young People	Assurance	Pipeline	Q2-3	COM01/ COM02	CRR74/ CRR71		Yes	6.1	Ofsted Report			Undertaken School self-assessment as pilot exercise to measure good governance and financial management

Audit Assignment	Sponsor	Work Type	Status	Start Period	Corp. Plans	Corp. Risk	Serv. Risk	Fraud & IT Risk	SWAP Top 10 Risks	PI & Other	I.A. Risks	Health Org.	Commentary
Fostering	Children & Young People	Assurance	Pipeline	Q2-3	COM01/ COM02	CRR64/ CRR81/ CRR78			3.3	Ofsted Report			To review the foster care processes and controls
Direct Payments - Childrens	Children & Young People	Assurance	Pipeline	Q2-3	COM01/ COM02	CRR64/ CRR81/ CRR78		Yes	3.3	Ofsted Report			To review the process and fraud controls around direct payment applications and payments
Commissioning All Ages - Performance and Monitoring	Children & Young People	Assurance	Pipeline	Q2-3	COM01/ COM02/ COM04	CRR60	CF06	Yes	3.1/3.2/ 7.1	Ofsted Report	Exec Dir	Contract & Com	Review of process to outline targets, report delivery and monitor compliance across all Social Care areas
Commissioning All Ages Services-Commissioning	Children & Young People	Assurance	Pipeline	Q2-3	COM01/ COM02/ COM04	CRR60	CF06	Yes	3.1/3.2/ 7.1	Ofsted Report	Exec Dir	Contract & Com	Spot Contracts/ looking at compliance with the frameworks
Debtors-System		Assurance	Pipeline	Q2-3				Yes	4.1-4.12	Red Pls		Financial Man	Key Financial Assurance work
Follow up of ADAS Review	Community Wellbeing	Assurance	Pipeline	Q2-3	COM05	CRR73	AC06/ AC40		3.1/ 3.3				Progress of review of ADAS on readiness for Social Care Reform
Safeguarding Checks	Children & Young People	Assurance	Pipeline	Q2-3	COM01/ COM02	CRR64/ CRR81/ CRR78	CF04		3.3	Ofsted Report		Workforce	To review the administration and monitoring to ensure effective safeguarding
Planning-Enforcement	Economy & Environment	Assurance	Pipeline	Q2-3	COM03			Yes	1.1				Review the effectiveness of the measures to control unapproved buildings.

**Purpose**

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within Herefordshire Council, and to outline the scope of internal audit work.

**Provision of Internal Audit Services**

The internal audit service is provided by the SWAP Internal Audit Services (SWAP). This Charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by the Herefordshire Council, in conjunction with the SWAP Members Meeting. General financial provisions are laid down in the legal agreement, including the level of financial contribution, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment was determined by the S151 Officer in consultation with the Chief Executive of SWAP.

**Role of Internal Audit**

The Accounts and Audit (England) Regulations 2015, state that: *“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance.”*

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Organisation’s operations. It helps Herefordshire Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

**Responsibilities of Management, Audit & Governance Committee and Internal Audit*****Management*<sup>1</sup>**

Management is responsible for ensuring that SWAP has:

- the support of management and the organisation;
- direct access and freedom to report to senior management, including the Chief Executive and the Audit & Governance Committee;
- notification of suspected or detected fraud, corruption or impropriety.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Organisation. Management is also responsible for the appropriate and effective management of risk.

***Audit & Governance Committee*<sup>2</sup>**

The Audit & Governance Committee is responsible for approving the scope internal audit work, receiving communications from the SWAP Assistant Director on the progress of work undertaken, reviewing the independence, objectivity, performance, professionalism and effectiveness of the Internal Audit function, and obtaining reassurance from the SWAP Assistant Director as to whether there are any limitations on scope or resources.

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<sup>1</sup> In this instance Management refers to the Corporate Management Team and Statutory Officers.

<sup>2</sup> In this instance Audit & Governance Committee relates to “The Board” referred to in the PSIAS.

**Internal Audit**

The SWAP Assistant Director, as Head of Internal Audit, is responsible for determining the scope, except where specified by statute, of internal audit work and for recommending the action to be taken on the outcome of, or findings from, their work.

Internal audit is responsible for operating under the policies established by management in line with best practice.

Internal audit is responsible for conducting its work in accordance with the mandatory elements of the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. SWAP has been independently assessed and found to be in Conformance with the Standards.

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. SWAP staff who have previously worked for the organisation will not be asked to review any aspects of their previous department's work until a minimum of one year has elapsed.

**Relationship with the External Auditors/Other Regulatory Bodies**

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

**Status of Internal Audit in the Organisation**

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

The Chief Executive for SWAP, the Executive Director and Assistant Director also report to the Section 151 Officer, and reports to the Audit Committee as set out below.

The Assistant Director will be the first and primary point of contact for the organisation for all matters relating to the Audit & Governance Committee, including the provision of periodic reports, as per company policy. The Assistant Director is also responsible for the design, development and delivery of audit plans, subject to the agreement of Herefordshire Council.

**Scope and authority of Internal Audit work**

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of the organisation.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information used for operational and strategic decision making, and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management and communication of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;

- assist management and Members to identify risks and controls with regard to the objectives of the organisation and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the organisation is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned, with performance and accountabilities established.
- reviewing the operations of the organisation in support of their anti-fraud and corruption policy, ethical expectations and corporate values, investigating where necessary.
- at the specific request of management, internal audit may provide consultancy services (including fraud investigation services) provided:
  - the internal auditor's independence is not compromised;
  - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay;
  - the scope of the consultancy assignment is clearly defined and management have made proper provision for resources the work;
  - management understand that the work being undertaken is not internal audit work.

### **Planning and Reporting**

SWAP will submit an internal audit plan to the Audit & Governance Committee for approval, setting out the recommended scope of their work in the period. The plan will be reviewed on a quarterly basis to ensure it remains adequately resourced, current and addresses new and emerging risks.

SWAP will carry out the work as agreed, report the outcome and findings, and will record agreed actions to be taken by the appropriate Officers. SWAP will report regularly to the Audit & Governance Committee with a summary of their findings, including any persistent and outstanding issues.

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the Section 151 Office and other relevant Senior Officers.

The Assistant Director will submit an annual report to the Audit & Governance Committee providing an overall opinion of the status of risk and internal control within Audit & Governance Committee, based on the internal audit work conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and SWAP Directors and Assistant Directors have the unreserved right to report directly to the Leader of the Council, the Chairman of the Audit and Governance Committee, the organisation's Chief Executive Officer or the External Audit Manager.