

Appendix A

Herefordshire Council

Internal Audit Annual Opinion Report 2024/25

Internal Audit Annual Opinion – 2024/25: ‘At a Glance’

OFFICIAL

Annual 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.

The Headlines

	Our overall opinion on the governance, risk management and internal control environment in place at Herefordshire Council is Reasonable . This is based on the balance of the individual internal audit reviews delivered throughout the year, as well as considering other sources of assurance, any notable changes to the organisation, and the results of our follow up work.
	There were no ‘High’ residual organisational risks that we identified in our work throughout the year. Our assurance framework that explains the categorisation of our work is included below.
	There were 34 individual internal audit reviews that were delivered as part of the 2024/25 internal audit programme of work. This includes a balance of assurance work, grant certifications, advisory work, follow up of agreed management actions, and special investigations.
	Throughout the year we have aimed to align our programme of internal audit work with the authority’s strategic risk register to provide coverage and assurance over these risks. We note that risk management arrangements at the authority were changing and developing throughout 2024/25, and therefore we were unable to fully dovetail our programme of work with the existing risk management framework. <i>The Council have since updated the Risk Management Strategy and updated the Corporate Risk Register so this will take place for 2025/26 as part planning processes.</i>
	There were no instances of material risks throughout the year where management did not accept the need for mitigating action.

Internal Audit Assurance Opinions 2024/25

Substantial	2
Reasonable / Certified	12
Limited	3
No Assurance	0
N/A (inc. advisory, investigation and work in progress)	17

Internal Audit Agreed Actions 2024/25

Priority 1	0
Priority 2	30
Priority 3	29

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.



Purpose

The Head of Internal Audit (SWAP Assistant Director) must provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report must include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's strategic risks, governance, risk management and internal control environment, including an evaluation of the following:
 - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
 - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
 - the effectiveness of risk management processes; and
 - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.



Background

The Internal Audit service for Herefordshire Council is provided by SWAP Internal Audit Services. For 2024-25 the team's work was 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. On 1 April 2025 the new Global Internal Audit Standards became mandatory in the UK Public Sector, subject to additional instruction and guidance recognised by the UK Public Sector's Relevant Internal Audit Standards Setters (RIASS). To date, that additional guidance includes on the UK Public Sector Application Note on the Global Internal Audit Standards and CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government.

The work of the team is guided by the Internal Audit Charter. The Committee approved the Charter which guided our work in 2024/25 on 23 June 2023. Members approved a revised Charter, adapted for the new Global Internal Audit Standards, in March 2025.

This report summarises the activity of the Internal Audit team for the 2024-25 year.

Three Lines Model



Three Lines Model

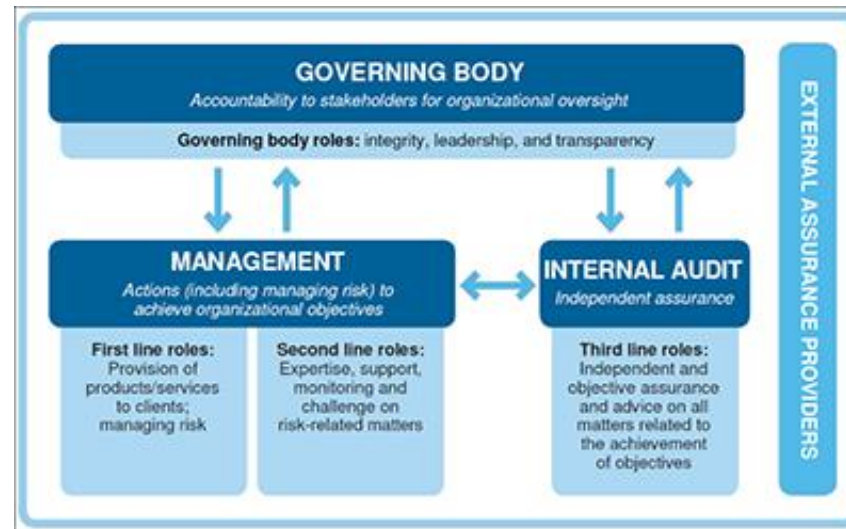
SWAP work completed in 2024/25 was completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

To ensure the effectiveness of an organisation's risk management framework, the Audit and Governance Committee and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line – functions that own and manage risk.
- the second line – functions that oversee or specialise in risk management, compliance.
- the third line – functions that provide independent assurance.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines model shown below.



SWAP work completed in 2024/25 was 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.

Section 10B of the UK Public Sector Application Note for the Global Internal Audit Standards directs the Head of Internal Audit (SWAP Assistant Director) to provide an annual opinion to support the Annual Governance Statement.



Annual Opinion

On the balance of our 2024/25 audit work for Herefordshire Council, enhanced by the work of external agencies, I am able to offer a **Reasonable Assurance** opinion in respect of the areas reviewed during the year.

A schedule of audit work delivered can be found at the end of the report.

The Annual Opinion is based on the following sources of information:

- Completed audits which evaluate risk exposures to strategic objectives (relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.)
- Audit work in progress at opinion date that is sufficiently advanced its conclusions can support the Opinion.
- Observations from consultancy/advisory support.
- Follow up of previous audit activity, including agreed actions.
- Grant certification work.
- Significant/material risk where management has not accepted the need for mitigating action.
- Notable changes to the organisation's strategy, objectives, processes or IT infrastructure.
- Assurances from other providers, including third parties and regulator reports

In the year 2024/25 the large majority of our assurance audits reported reasonable or substantial assurance and no high corporate risks were reported. Taking all this evidence into consideration, we provide a reasonable assurance annual opinion.

A total of 59 actions were agreed across audits, and these will be followed up through the 2025/26 year with progress regularly being reported to committee.

The Committee agreed a rolling risk-based plan throughout 2024/25 with audit work scheduled across the Council's key services.

Throughout the year we have aimed to align our programme of internal audit work with the authority's strategic risk register to provide coverage and assurance over these risks. We note that risk management arrangements at the authority were changing and developing throughout 2024/25, and therefore we were unable to fully dovetail our programme of work with the existing risk management framework, therefore we have not reported coverage of the audit plan against the corporate risk register for 2024/25. The Council have since updated the Risk Management Strategy and updated the Corporate Risk Register so this will take place for 2025/26 planning processes.

Three audits received a limited assurance conclusion. These were:

- Court of Protection
- All Ages Commissioning – Use of Spot Purchasing Non Accommodation Services
- Debtors (Accounts Receivable) Processes (Aged Debt Focus); and

Follow up of Agreed Actions

The Council's Corporate Performance team previously had responsibility for tracking action implementation and reporting to the Committee. SWAP took responsibility for tracking actions from April 2024 and prior to commencing this review completed a data cleanse on historic actions.

The Q1 Progress Report noted 88 actions for Herefordshire Council pending remediation.

As of the 13th May 2025 there are 53 actions pending remediation for Herefordshire Council. In the Q3 progress update I reported 20 actions that had an agreed revised timescales, two of these actions have since been closed

Not yet due	Due within 30 days	1-30 days overdue	31-60 days overdue	61-90 days overdue	91+ days overdue	Total Actions
18	1	1	5	2	18	53

SWAP work completed in 2024/25 was 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.

However, a further 59 actions were agreed in 2024/25 which means a total of 94 actions have been closed off this year.

Please note:

- *these could be those that were transferred from the Council's previous process or those actions that have been agreed in 2024/25 audit reports. For example, 4 of the 6 Debtors actions were implemented as part of the audit finalisation stages.*
- *the 9 actions identified across the 6 audits not yet finalised do not show in these figures.*

The number of closed actions is significant and reflects the commitment from management to implement agreed actions.

Audit Coverage 2024/25

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Internal audit coverage should be aligned to key corporate priorities and key corporate risks.



Audit Coverage by Corporate Risk

During 2024/25 the Council have revised their Risk Management Strategy which includes a risk appetite and have finalised a revised Corporate Risk Register. We have not been provided with a copy of the revised risk register to date therefore we have not reported coverage against the corporate risk register.

We have reported coverage against Directorate Areas, Corporate Priorities and SWAPs Top 10 Risks, as shown below:

Directorate	Coverage	Average Opinion
Children & Young People	Good	Reasonable
Community Wellbeing	Good	Reasonable
Corporate Services	Good	Reasonable
Economy and Environment	Good	Reasonable

Corporate Priority	Coverage	Average Opinion
P01 – People – We will enable residents to realise their potential, to be healthy and to be part of great communities that support each other. We want all children to have the best start in life.	Some	Non Opinion Audits
P02 – Place – We will protect and enhance our environment and ensure that Herefordshire is a great place to live. We will support the right housing in the right place and do everything we can to improve the health of our rivers.	Good	Reasonable
P03 – Growth – We will create the condition to deliver sustainable growth across the county; attracting inward investment, building business confidence, creating jobs, enabling housing development and provide the right infrastructure.	Adequate	Reasonable
P04 – Transformation – We will be an efficient council that embraces best practice, delivers innovation through technology and demonstrates value for money.	Adequate	Reasonable



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From 1 April 2025, SWAP internal audit work is completed to comply with the Global Internal Audit Standards and all other instruction and guidance recognised by the UK Public Sector's Relevant Internal Audit Standards Setters (RIASS).

SWAPs Top 10 Risks	Coverage	Average Opinion
Planning, Housing, Environment & the Local Economy	Good	Reasonable
Governance	Good	Reasonable
Sustaining Care	Good	Reasonable
Finance	Good	Limited
Health & Safety	Some	Non Opinion Audits
Education	Some	Non Opinion Audits
Contracts, Procurement & Commissioning	Good	Reasonable
Workforce	Good	Reasonable
Technology, Digital & Security	Adequate	Reasonable
Strategic Asset Management	Some	Limited

The coverage shown here is for completed and in progress audits within the past 2 years, audits completed over 1 year ago have a reduced impact on coverage.

As the corporate priorities were revised in June 2024 the coverage for Corporate Priorities is for the 2024/25 year only.

SWAP work completed in 2024/25 was 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.

Definitions of Corporate Risk

High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Medium Risk

Issues which should be addressed by management in their areas of responsibility.

Low Risk

Issues of a minor nature or best practice where some improvement can be made.



Significant Corporate Risks

There were no audits identified this year as high risk.

Summary of Audit Opinion 2024/25

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At the conclusion of audit assignment work we summarise the work with a "Control Assurance Opinion";



Summary of Audit Opinion

Assurance Definitions

No Assurance	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.
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.
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.
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.

Chart 1: Summary of Control Assurance Opinions

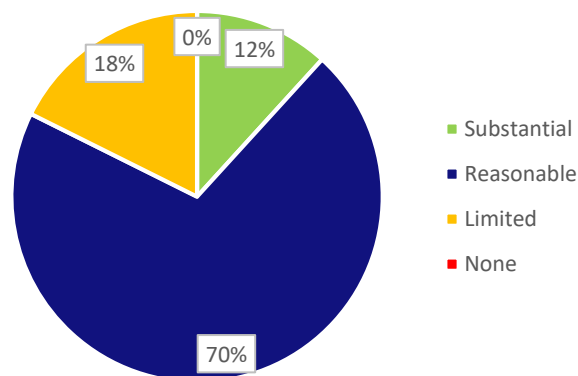


Chart 2: Audit Work by Type

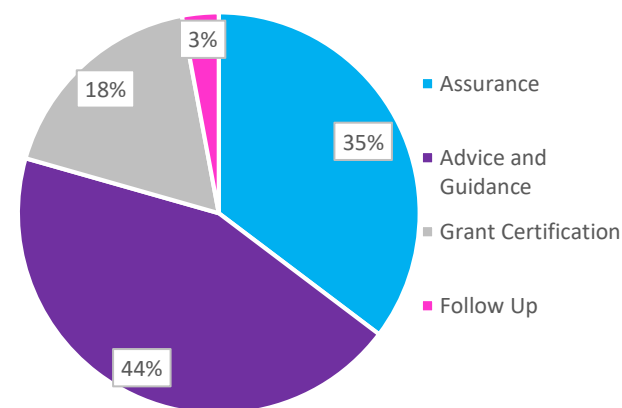


Chart 1 above indicates the spread of assurance opinions across our work during the past year, including only those which received an assurance opinion (e.g. excluding advisory work).

Chart 2 indicates the audit work by type. Whilst assurance work is the main focus of internal audit, utilised in the correct way advisory work can add value to an organisation. Audit can be a trusted advisor, supporting the organisation manage risks on an ongoing basis rather than solely in a reactive manner.

Summary of Audit Opinion 2024/25

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SWAP Performance - Summary of Audit Actions by Priority

We rank our actions on a scale of 1 to 3, with 3 being medium or administrative concerns to 1 being areas of major concern requiring immediate corrective action



Priority Actions

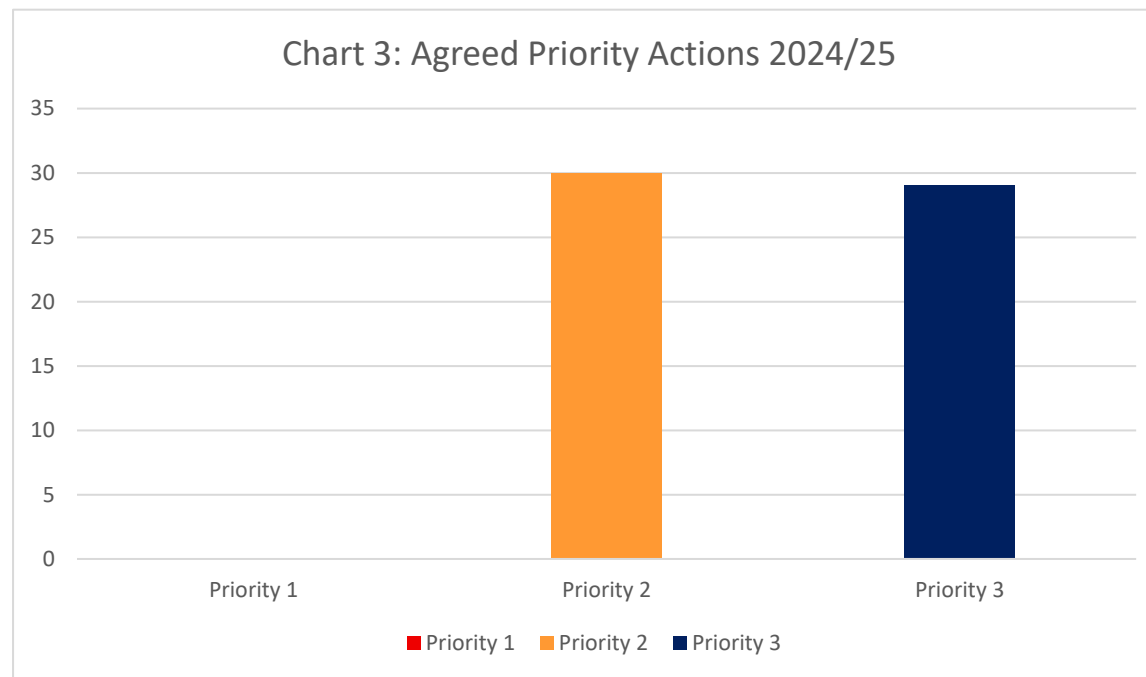


Chart 3 demonstrates the number of actions agreed this year across the Priority Ratings. There are no priority 1 actions raised in 2024/25. For comparative purposes it is noted that there were 25 Priority 2 and 17 Priority 3 actions raised in 2023/24.

Added Value



Added Value

Throughout the year, SWAP strives to add value wherever possible: going beyond the standard expectations while adding little or nothing to the cost.

Cifas Data Matching

The Cifas data matching service will help the Council to both detect and prevent fraud. SWAP is working with both Cifas and the Council to facilitate data matching work in the following areas:

- Procurement – All procurement Officers currently use the database to search on the person applying - for all tenders over £25,000. There is Officer discretion regarding searching on named and registered directors and the company itself. A lower procurement value has been discussed and will be revisited but the appetite at this time matches the current threshold.
- Grants – UKSPF and Household Support Fund grants applicants and related businesses are searched in the system. There are many other grants across the Council services, and whether the Cifas data matching system is to be used is being explored.
- Insurance – To identify whether claimants have been recorded within the database as attempting to perpetrate fraud. All personal injury claims are being searched in the system. These are outsourced to a third party who manage the claim and Herefordshire Council ultimately make the decision on whether to accept the claim.
- Council Tax – The Fair Processing Notice now appears on all single person discount review letters and is on the Council's website too. Some ad hoc cases at investigation stage have led to Cifas searches being carried out to assist prior to interviews and interviewees are issued with a direct FPN prior to the interview.

Officers who will be using the Cifas data matching service at the Council are trained by either the Council's Counter Fraud Manager or the SWAP Principal Counter Fraud Investigator as part of the onboarding. A flowchart process has been rolled out alongside this process to ensure that appropriate matches are escalated and reviewed by the Council's Counter Fraud Manager.

Work in 2024/25 has focused on implementing the use of the Cifas Data Matching system in Direct Payments. Initial discussions have taken place, and the service lead is working on their process maps prior to going live. Training will be provided by SWAP imminently with a view to starting the checks thereafter.

SWAP Internal Audit Counter Fraud Team continue to explore additional areas where Cifas Data Matching could be utilised. These include; Business Rates and other Council Tax reliefs/ exemptions, Blue Badges, Adults Homelessness, Adults Housing Register, Licensing, and Pensions.

Innovations and Enhancements to our Audit Process

With the help of SWAP's Data Analysts, we include analysis of data as part of our auditing wherever possible. This allows us not only the opportunity to test whole populations of data, but where this is not possible or appropriate, to be able to use data analytics to target our testing in a more effective manner.

The Planning Benchmarking audit completed in 2024/25 included both data analysis and benchmarking. This compared Herefordshire Council to 5 other Local Authorities who Herefordshire Council deemed to be similar to their own Authority. They survey compared Local Government Data as well as questions relating to staffing structures, number of applications, budgets of the service and the software system.

Other benchmarking completed included:

- Debtors
- CQC Inspection Readiness

Other

- Our regular update SWAP News Round-up.
- SWAP's Counter Fraud Team has also facilitated access to counter fraud intelligence resources and issued alerts and newsletters to key officers in the Council.
- Ad hoc advice through the year, for instance: Planning Application Payment Process, Review of Audit Requirements within Contracts.

SWAP work completed in 2024/25 was 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 is responsible for conducting its work in accordance with 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).

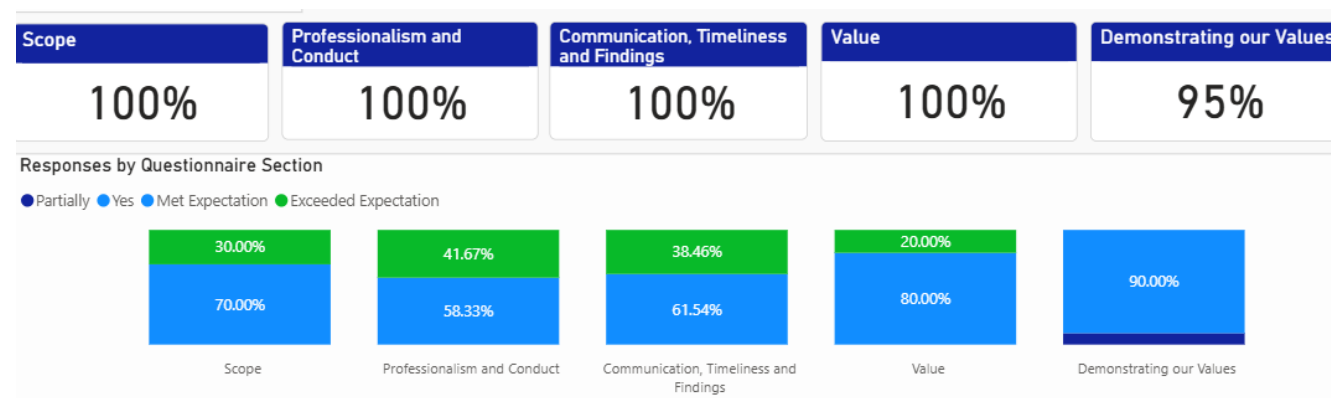


SWAP Performance

Following the conclusion of internal audit work, a customer satisfaction questionnaire is issued to the key audit contact to complete. This asks a range of questions; including the value that the audit delivered, the professionalism and conduct of the auditor, and the communication and timeliness of the review.

SWAP's performance is subject to regular monitoring and review by both the SWAP Board of Directors and the Owners Board.

From the 10 returned questionnaires (a return rate of 42%, from the 24 issued), feedback was strong; especially in relation to our professionalism and conduct. The below visual summarises this feedback across five themes:



The return rate has dropped considerably from the 2023/24 annual opinion where it was 74%. SWAP Internal Audit will work with S151 Officer and other officers across the Council to seek an increase in 2025/26.

Our professional Standards require that we commission an independent external assessment at least every five years to confirm compliance. SWAP's most recent assessment was completed by the Devon Audit Partnership and published in December 2024. The assessment concluded SWAP "generally conforms" to Standards, which was the highest rating available to the assessor using the IIA's quality manual.

Summary of Internal Audit Work 2024/25

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Audit Title	Assurance Opinion	1	2	3	Organisational Risk Assessment	Completed Date
Waste Contract Mobilisation - Phase 2	Reasonable		1	2	Low	14/05/2025
Action Tracking	Follow Up				N/A	13/05/2025
CIFAS Support of Implementation	Advisory				N/A	13/05/2025
Fraud Baseline Assessment Follow Up	Advisory		1	6	N/A	01/05/2025
Power BI Support (HR & Mandatory Training Dashboard)	Advisory				N/A	28/04/2025
Supporting Families Q4 24/25	Reasonable				Low	03/04/2025
Debtors (Accounts Receivable) Processes (Aged Debt Focus)	Limited		3	3	Medium	24/03/2025
Risk Management Workshop (Risk Appetite and Corporate Risk Register)	Advisory				N/A	28/01/2025
Hereford Enterprise Zone Follow Up (including extended review of sales)	Reasonable			2	N/A	18/01/2025
All Ages Commissioning - Spot Purchasing Non Accommodation Activity	Limited		4	2	Medium	08/01/2025
Court of Protection 24-25	Limited		3	1	Medium	08/01/2025
Supporting Families Q3 24/25	Certified				N/A	06/01/2025
Local Authority Designated Officer (LADO) and Referrals to the DBS	Substantial			1	Low	01/11/2024
Changing Places Fund Grant Determination (2023-2024): No 31/6864, No 31/7040 and No 31/7041	Certified				N/A	27/09/2024
Local Transport Capital Block Funding (Pothole Fund) Specific Grant Determination (2023/24): No 31/6680 and No 31/6681.	Certified				N/A	27/09/2024
Local Authority Bus Subsidy (Revenue) Grant: 2023/24: No 31/6909	Certified				N/A	24/09/2024
Supporting Families Q2 24/25	Certified				N/A	24/09/2024
Planning Benchmarking	Advisory				N/A	12/09/2024
Foster Care Placements	Advisory		6	8	Medium	06/09/2024
Waste Contract Mobilisation	Advisory				N/A	03/09/2024
Safeguarding in Recruitment Processes	Reasonable				Low	23/08/2024
ICT Security Assurance Framework Review (SAFR)	Advisory				N/A	12/07/2024
Home Upgrade Grant - HUG 2	Substantial				Low	04/07/2024



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Summary of Internal Audit Work 2024/25

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Audit Title	Assurance Opinion	1	2	3	Organisational Risk Assessment	Completed Date
Risk Management Consultancy	Advisory				N/A	03/07/2024
Planning Enforcement	Reasonable				Low	26/06/2024
Rough Sleeping Accommodation Programme (RSAP) – Statement of Grant Usage Financial Period 2023/24	Certified				N/A	25/06/2024
Supporting Families Q1 24/25	Certified				N/A	25/06/2024
Registration Service Follow Up	Follow Up				N/A	12/06/2024

The table below summarises work in progress as at the opinion date that relates to 2024/25. In each instance we are satisfied that the work is sufficiently advanced that its conclusions can be incorporated into the overall opinion. We will complete the individual audits in coming weeks and report outcomes to the Committee as part of future updates. In addition to the work described, we completed two investigations during the year that together resulted in 12 agreed actions (10 at P2 level). We have not detailed here the work of those investigations because they relate to individuals. However, we have incorporated our findings from that work into the evidence base supporting our overall opinion.

Audits included in the annual opinion not yet at Final Report Stage	Current Status
VfM Assessment Public Realm	Draft Report published
Mutual Employment Resignation Scheme (MERS)	Draft Report published
Polygamous Working	Fieldwork complete
CQC Inspection Readiness	Fieldwork complete

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