

Herefordshire Council

Report of Internal Audit Activity – Quarter 2

October 2025

Contents

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Internal Audit Definitions

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

- No
- Limited
- Reasonable
- Substantial

Audit Framework Definitions

Control Assurance Definitions

No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
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.

Non-Opinion – In addition to our opinion based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

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.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.



Audit Framework Definitions

Categorisation of Recommendations

When making recommendations to Management it is important that they 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. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

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

Definitions of Risk

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Audit Plan Progress 2025/26

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Audit Type	Directorate	Audit Area	Status	Opinion	No of Agreed Actions	Priority			Comment
						1	2	3	
Governance	Community Wellbeing	CQC Inspection Readiness 2024/25	Final Report	Advisory	0	-	-	-	Reported in July
Operational	Economy and Environment	VFM Assessment – Public Realm Contract and Minor Works Framework 2024/25	Final Report	Low Reasonable	3	-	2	1	Reported in July
Operational	Corporate Services	Mutual Employment Resignation Scheme (MERS) 2024/25	Final Report	Low Substantial					Report Included
Follow-Up	Corporate Services	Polygamous / Dual Employment 2024/25	Final Report	Advisory					Report Included
Operational	Children and Young People	Dedicated Schools Grant (DSG) – High Needs Block 2024/25	Draft Report						Waiting for Management Sign Off
Key Financial	Corporate Services	Housing Benefit and Council Tax Reductions 2024/25	Draft Report						Waiting for Management Sign Off
Operational	Economy and Environment	Public Rights of Way 2024/25	Draft Report						Waiting for Management Sign Off
Key Financial	Corporate Services	Council Tax	Draft Report						
Operational	Community Wellbeing	Temporary Accommodation	In Progress						
Key Financial	Corporate Services	Payroll	In Progress						
Operational	Economy and Environment	Transport Hub 2025/26	In Progress						
Follow-Up	Community Wellbeing	Court of Protection	In Progress						

Audit Plan Progress 2025/26

OFFICIAL

Audit Type	Directorate	Audit Area	Status	Opinion	No of Agreed Actions	Priority			Comment
						1	2	3	
Operational		HUG2	In Progress						
Core Financial	Corporate Services	Treasury Management	Ready to Start						
Key Financial	Corporate Services	NNDR	Ready to Start						
Core Financial	Corporate Services	Accounts Payable	Initiated						
Core Financial	Corporate Services	Bank Reconciliations							
Grant Certification	Economy and Environment	Bus Subsidy Grant	Complete						
Grant Certification	Economy and Environment	Local Transport Capital Block Funding Grant	Complete						
Follow-Up		Follow-Up of Agreed Actions (not included in an audit above)	On Going						
Other Audit Involvement		Management of the IA Function and Client Support	On Going						
Other Audit Involvement		Contingency – Provision for New Work based on emerging risks							

Action Tracking



Action Tracking

In Quarter 1, 62 Open Agreed Actions were reported for Herefordshire Council.

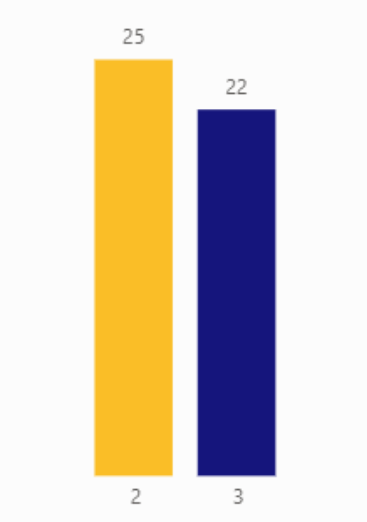
Since the Q1 report, 15 actions have been closed off, and no new actions have been agreed recorded.

Therefore, there are currently 47 Open Agreed Actions. A breakdown of the current actions pending remediation, along with number per priority can be seen in the table to the right.

Work will continue to gain an update from responsible officers, and report updates to this Committee.

Any actions not remediated, will be discussed with officers and where appropriate, a revised timescale agreed.

Open Actions by Priority



Open Agreed Actions, by due date, are shown below.

Not yet due	Due within 30 days	1-30 days overdue	31-60 days overdue	61-90 days overdue	91+ days overdue	Total Actions
4	8	4	(Blank)	12	19	47

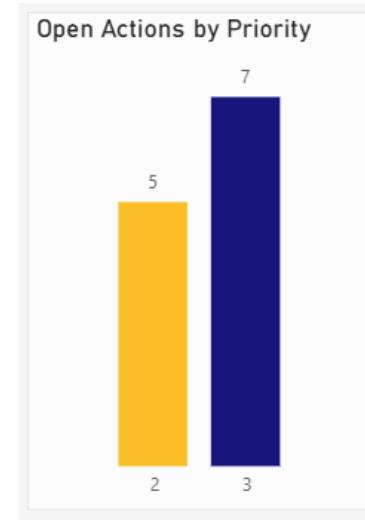
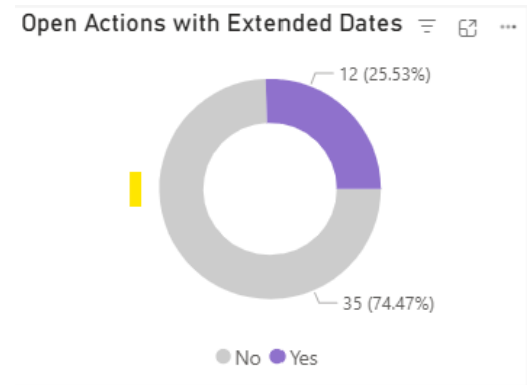
40 of the Open Agreed Actions are currently being followed-up as part of an internal audit review, or as part of our follow-up process.

Internal Audit follow-up all agreed actions on a monthly basis.

Action Tracking

- Action Tracking – Revised Timescales

Open Agreed Actions, with a revised timescale has reduced to 12 from 18 (quarter 1)



The following are the Internal Audit reports, of each audit review finalised,
since the last Committee update

MERS (Mutual Employment Recognition Scheme) – Final Report – September 2025




Audit Objective

To provide assurance that the Council considered the risks of staff leaving and the impact on services through the specific promotion of MERS to control costs, ensuring savings have been or will be achieved as a result of the scheme.

Executive Summary

	Assurance Opinion	Management Actions		Organisational Risk Assessment	Low
	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	Priority 1	0	Our audit work includes areas we consider have a high organisational risk and potential significant impact.	
		Priority 2	0		
		Priority 3	0	The key audit conclusions and resulting outcomes should be considered by both senior management and the Audit Committee.	
		Total	0		

Key Conclusions

Key Conclusions		Audit Scope
	The Council considered the risks of staff leaving (taking up the option of MERS) and the impact on service provision was discussed during the approval process held by CLT. Although evidence of the decisions made has not been formally documented, this was a council strategy for reducing costs.	As part of this work, we reviewed: <ul style="list-style-type: none"> Policies, procedures and updates regarding the MERS scheme. Criteria for eligibility to participate in the scheme, ensuring transparency and fairness. Approval processes and risk assessments / consideration of the impact on services. Operational impact, including an impact analysis on workforce and service productivity, workforce planning documents/risk assessments with identified mitigation.
	 Criteria for eligibility was updated throughout the scheme, and these updates were well communicated across the Council. As above, evidence of changing criteria has not been formally documented and therefore could have been open to challenge.	
	 The MERS savings target was estimated at £4.5M, of which the Council reached £2.375M, as take up wasn't as high as expected. The savings gap is monitored through quarterly monitoring reports to Cabinet and has been fully mitigated.	

Other Relevant Information

- Policies and procedures were in place to ensure the scheme achieved its objective.
- All MERS leavers sampled were evidenced as meeting eligibility criteria.
- Impact to the service area was shown to be considered and from discussions with senior management/service managers there was a good understanding of impact to service however there was inconsistency as to how this had been recorded e.g., risk assessments/impact analysis and mitigations for the loss of staff.


We have not raised a formal action, but the Council may want to consider introducing a formal reporting process for changes / decisions made to reduce the risk of any possible challenge. This could be applied to all future projects and supports good governance.

Polygamous Working Follow-Up – Final Report – October 2025

Follow Up Audit Objective

To follow-up the recommendations made in the Herefordshire Council Counter Fraud Manager's Report on Polygamous Working (2023).

Executive Summary


	Advisory Report	Follow Up Progress Summary			
	The advice provided in this report encompasses risk analysis and evaluation based on current activity/operations. Please see below for details of why an advisory report has been used.	Assessment	Complete	Ongoing/ Under Review	Not Complete
		Number	14	1	0
					Total
					15


Background & Audit Scope

During 2022/23 two investigations were undertaken in relation to potential Polygamous Working Fraud (an employee working more than one job) by the Council's Counter Fraud Manager (CFM). In 2023, following these investigations, the CFM produced an internal report and action plan. However, there is no evidence to support that this internal report and action plan was disseminated to relevant key officers and/or business areas, preventing the acceptance and ownership of suggested improvements. Hence, as there has been no effective position updates on progress of the action plan, SWAP was asked to review.

The aim of our audit is to provide an assessment on progress of the CFM's action plan, or help to inform, if a further internal audit review is required/necessary. We have undertaken a desktop review using the CFM's 2023 report as a starting point and held discussions with key officers from relevant departments. Our discussions confirmed that the position of some actions within the report had naturally updated with business progression. The findings below provide a summary of the status.

Key Findings

	<p>14 actions have been assessed as complete,</p> <ul style="list-style-type: none"> • Polygamous Working Fraud Risk Assessment • External Review (HMRC) – Tax Evasion • SWAP Internal Audit • Staff Welfare Reviews • Fraud Awareness Activity • Update of mandatory E-Learning • Review of Abnormal Tax Codes • NFI Results Matching • Completion of Code of Conduct E-Learning – both staff and agency • Review of Objectives and Deliverables – Agency Workers • Declarations of Interest – Policy Review • Completion of Declarations of Interest Forms – including 'nil return declarations'
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	<ul style="list-style-type: none">• Development of the declarations register in Business World• Review of Recruitment Agency Contracts <p>These actions have been assessed as being completed following meetings held with relevant officers, and information received.</p>
	<p>1 action has been assessed as ongoing / to be kept under review.</p> <ul style="list-style-type: none">▪ NFI Fraud Hub Proof of Concept – this is dependent on the outcome of the pilot scheme being undertaken by some London Boroughs <p>A further update will requested in due course</p>

Additional Information

It is pleasing to note that 14 of the 15 actions have been mitigated by the policies, procedures and processes adopted by the Council.