Appendix A

**SWAP**
INTERNAL AUDIT SERVICES
Helping Organisations to Succeed

# Herefordshire Council
Report of Internal Audit Activity
January 2026

**Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy**

Unrestricted

# Contents

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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.**

● 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. |

**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.**

### 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

| Audit Type | Directorate | Audit Area | Status | Opinion | No of Agreed Actions | Priority 1 | 2 | 3 | Comment |
|---|---|---|---|---|---|---|---|---|---|
| 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 | 0 | - | - | - | Reported in October |
| Follow-Up | Corporate Services | Polygamous / Dual Employment 2024/25 | Final Report | Advisory | 0 | - | - | - | Reported in October |
| Operational | Economy and Environment | Public Rights of Way 2024/25 | Final Report | Mid Reasonable | 3 | - | 1 | 2 | Report Included |
| Key Financial | Corporate Services | Housing Benefit and Council Tax Reductions 2024/25 | Final Report | Low Substantial | 0 | - | - | - | Report included |
| Operational | Community Wellbeing | Temporary Accommodation | Final Report | Mid Substantial | | | | | Report Included |
| Key Financial | Corporate Services | Council Tax | Draft Report | | | | | | Waiting for Management Sign Off |
| Operational | Economy and Environment | Transport Hub 2025/26 | Draft Report | | | | | | Waiting for Management Sign Off |
| Operational | Children and Young People | Dedicated Schools Grant (DSG) – High Needs Block 2024/25 | Draft Report | | | | | | Waiting for Management Sign Off |
| | | | | | | | | | |
| | | | | | | | | | |

# Audit Plan Progress 2025/26

| Audit Type | Directorate | Audit Area | Status | Opinion | No of Agreed Actions | Priority 1 | Priority 2 | Priority 3 | Comment |
|---|---|---|---|---|---|---|---|---|---|
| Operational | Corporate Services | HUG2 | Draft Report | | | | | | |
| Key Financial | Corporate Services | Payroll | In Progress | | | | | | |
| Follow-Up | Community Wellbeing | Court of Protection | In Progress | | | | | | |
| Core Financial | Corporate Services | Treasury Management | In Progress | | | | | | |
| Key Financial | Corporate Services | NNDR | In Progress | | | | | | |
| Core Financial | Corporate Services | Accounts Payable | In Progress | | | | | | |
| Core Financial | Corporate Services | Accounts Receivable | In Progress | | | | | | |
| Core Financial | Corporate Services | Bank Reconciliations | In Progress | | | | | | |
| Operational | Community Wellbeing | Adult Social Care - Discharge to Assessment (D2A) Pathway | In Progress | | | | | | |
| Operational | Economy & Environment | Licensing | Ready to Start | | | | | | |
| Operational | Economy & Environment | Public Protection | Audit Brief Issued | | | | | | |
| Operational | Community Wellbeing | Adult Social Care Charging and Debt Collection | Scoping | | | | | | |
| | | | | | | | | | |

# Audit Plan Progress 2025/26

| Audit Type | Directorate | Audit Area | Status | Opinion | No of Agreed Actions | Priority | | | Comment |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | 1 | 2 | 3 | |
| | | | | | | | | | |
| 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 2, 47 Open Agreed Actions were reported for Herefordshire Council.

Since the Q2 report, 10 actions have been closed off, and 3 new actions have been agreed recorded.

Therefore, there are currently 40 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**

| 24 | 16 | 2 | 3 |
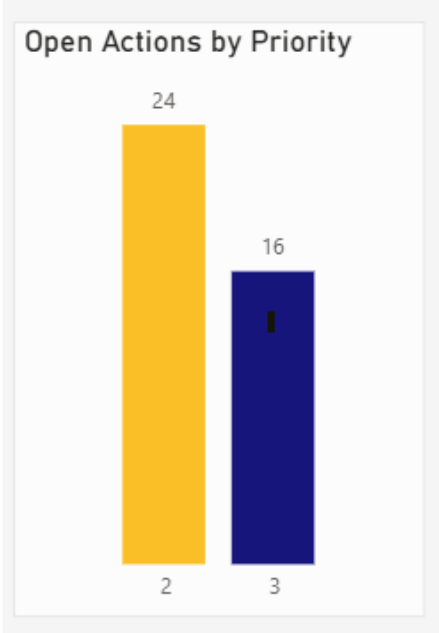
Open Agreed Actions, by due date, are shown below.

| Not yet due | Due within 30 days | 1-30 days overdue | 31-60 days overdue | 61-90 days overdue | 91+ days overdue | Total Actions |
|---|---|---|---|---|---|---|
| 1 | (Blank) | 4 | 1 | 6 | 28 | 40 |

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.

# Audit Plan Progress 2025/26

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 remained at 12 (quarter 2)

## Open Actions with Extended Dates ≡ ⬈ ⋯

12 (30%)

28 (70%)

● No ● Yes

Open Actions by Priority

7

5

2    3
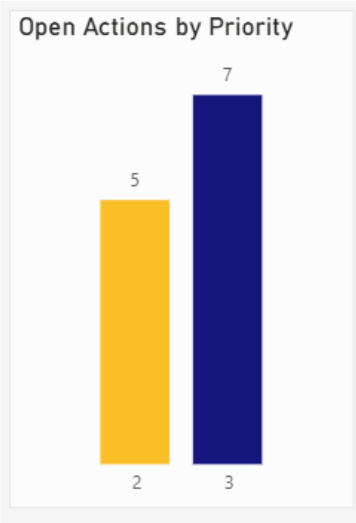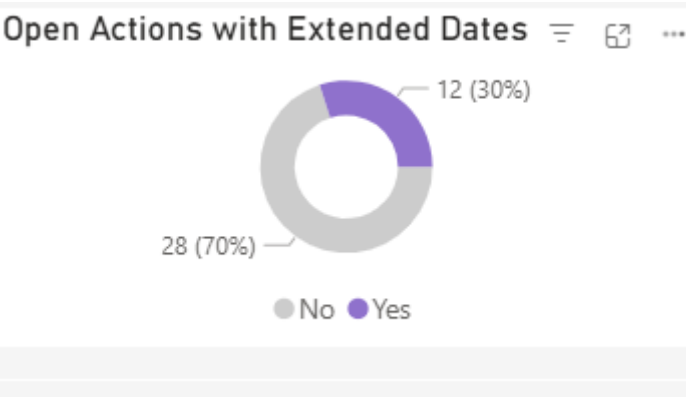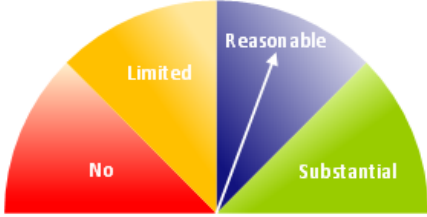
The following are the Internal Audit reports, of each audit review finalised, since the last Committee update

OFFICIAL

# Public Rights of Way (PROW) – Final Report – October 2025

| Audit Objective | To provide assurance that the Council is fulfilling its statutory duties in relation to the maintenance of Public Rights of Way, through the commissioning of grants to Parish Councils, while maintaining proper financial management and oversight of service budgets. |
|---|---|

## Executive Summary



### Assurance Opinion

The review highlighted a generally sound system of governance, risk management and control in place. We identified some issues, non-compliance or scope for improvement which may put at risk the achievement of objectives in the area audited.

### Management Actions

| | |
|---|---|
| Priority 1 | 0 |
| Priority 2 | 1 |
| Priority 3 | 2 |
| **Total** | **3** |

### Organisational Risk Assessment — Low

Our audit work includes areas that we consider have a low organisational risk and potential impact. We believe the key audit conclusions and any resulting outcomes still merit attention but could be addressed by service management in their area of responsibility.

## Key Conclusions

Periodic service oversight reporting is provided to the Local Access Forum (LAF) as well as part of the Council's quarterly Delivery Plan updates, but more detailed management oversight of team performance is needed.

Testing highlighted an absence in structured financial monitoring and reporting. This combined with the recording of grant spend within the general ledger and no formal budget monitoring processes, made it difficult for the service to have a true timely picture of PROW maintenance spend. Work has since been completed by the service to implement structured routinely financial and budget monitoring reports/meetings alongside more comprehensive grant spend reporting and monitoring. Grant spend is now being appropriately recorded against the general ledger alongside monitoring of payments and spend.

The service has undergone several changes and restructures over the last 2 years, with relevant policies and procedures not been updated/ created to reflect current practice. This presents a single point of failure with the level of experienced knowledge siting with key individuals across the service.

Generally, PROW Grants have been found to be managed appropriately, including grant agreements and unsuccessful application processes. Although there is a central record and oversight of grants, no ongoing review of performance of arrangements presents and supports a gap in governance and continuity.

## Audit Scope

As part of this work, we reviewed:
- Brief overview of statutory requirements with the delivery of PROW maintenance.
- Policy and procedures of the service – including a review of the grant process.
- Financial and budgetary reports to determine if the grants are being reviewed and managed effectively to ensure performance is being met where expected.
- If efficiency reviews are being carried out, primarily the use of grants to deliver maintenance work, to assist forward planning of the service.
- Processes and agreements of the grants with Parish Councils to highlight if expected financial and performance arrangements have been set.

| | It is extremely positive to note that the PROW team embrace change and improvements where possible. Following a long period of change and resource pressures, the team are extremely focused on how processes can be improved to make service delivery more efficient, which is supported by the team's desire to introduce an annual service delivery plan, allowing for delivery reflections and monitoring/reporting. | ▪ The current position of the service delivery combined with a forward look at plans to improve the service area to assess if these are deemed robust/ fit for purpose. A lesson learned approach will be considered also to assist with future service changes. |
|---|---|---|

**Other Relevant Information**

The new Public Realm Contract is being reviewed and procured ahead of June 2026; this may have an impact and see change within the PROW team and maintenance management.

# Housing Benefit and Council Tax Reduction – Final Report – October 2025

| Audit Objective | To provide assurance that the Councils key financial system controls are operating effectively for Housing Benefits and Council Tax Reduction, and that opportunities for error, fraud or corruption are minimised. |
|---|---|

## Executive Summary



### Assurance Opinion

The review confirmed a sound system of governance, risk management and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

### Management Actions

| | |
|---|---|
| Priority 1 | 0 |
| Priority 2 | 0 |
| Priority 3 | 0 |
| **Total** | **0** |

### Organisational Risk Assessment — Low

Our audit work includes areas that we consider have a low organisational risk and potential impact.

We believe the key audit conclusions and any resulting outcomes still merit attention but could be addressed by service management in their area of responsibility.

## Key Conclusions

Testing of the end-to-end application process for Council Tax and Housing Benefit Reduction, performed by Hoople Group, including aged debts, management reporting, fraud detection tools, financial oversight, systems access and data analytics identified an effective framework is in place.

The complaints process was reviewed as part of this audit. Although there are no initial concerns with the management of complaints by Hoople Group, there is a lack of clarification how information is reported back to the council, to feed into their process. No further testing was completed as part of this audit, but we would recommend that a review is undertaken of both the Council and Hoople complaints procedure and process to ensure all information, requests, actions and resolutions are available to both parties, as there appears to be a lack of information sharing from Hoople to the Council to enable them to close off open complaints.

Fraud detection techniques are readily available within the service, but it would be advised for the Council to consider more proactive fraud techniques to support these. The Revenues & Benefits Operational Manager with assistance from the Benefit Manager oversee what they can, but this does not cover the full scale of required reviews feeding from the tools. Further to this there is no formal agreement between the Council and Hoople Group for the review/investigation of results and therefore presents a current gap. An in-depth review of this area will be completed as part of the 2025/26 Council Tax review.

Service Key Performance Indicators (KPIs) are in development with Hoople Group and awaiting approval, therefore no testing has been completed at this time.

## Audit Scope

The audit reviewed the following:
- If relevant policy, process and procedure documents are up-to-date and contain sufficient information.
- Sample testing of the end-to-end process of Housing Benefit and Council Tax Reduction applications (including eligibility, payment authorisations, overpayments).
- Management and reporting - (including exception reporting.
- Application of fraud detection techniques (including VEP and The Real Time Information Bulk Data Matching Initiative).
- Uncashed cheques, BACS payments and manual adjustments to determine if identified and appropriately investigated.
- Appropriate system accesses (including segregation of duties).

Scope Limitation:
- Key performance indicators and reporting.
- If complaints are adequately handled and in accordance with procedures.

**Other Relevant Information**

SWAP's Data Analytics Team developed a tool to convert the HB payment run notepad files to Excel. The tool also immediately highlights the payments over £1,000, from which a suitable sample can be chosen and reviewed, supporting exception reviews.

# Temporary Accommodation – Final Report – January 2026

| Audit Objective | To provide assurance that the Council is fulfilling its statutory duties in relation to the provision of Temporary Accommodation and delivering value for money to taxpayers. |
|---|---|

## 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 that we consider have a low organisational risk and potential impact. | |
| | Priority 2 | 0 | | |
| | Priority 3 | 1 | | |
| | Total | 1 | | |

## Key Conclusions

Initial testing found that controls for recording and monitoring of recharges/payments on temporary accommodation (TA) were not effective. Records lacked sufficient detail to enable effective oversight, limiting the service's ability to highlight missed income and subsequently track arrears where applicable. The TA team has taken prompt steps to implement recharge/payment records and financial monitoring, but further development is needed, particularly around rent arrears, when the new system (Home Connection) modules are live in Spring 2026.

Monthly budget monitoring occurs across Housing Solutions, with reports to the Directorate Leadership Team (DLT).

The governance of placement verification and property compliance processes are satisfactory, though deeper testing of Hoople compliance processes was not undertaken as part of this review. The TA team are satisfied with the reports and assurances they receive, from Hoople, to date.

The service continually reviews TA property types and arrangements to ensure flexibility and financial viability. Properties are acquired through leases, TA financial framework, and asset purchases to build Council housing stock. Lease and framework testing was limited, but no concerns were identified regarding properties outside the f framework.

Key Performance Indicators (KPIs) are set corporately and reviewed regularly at Directorate and Business Board levels, as well as feeding into the Council's Corporate Plan KPI's. The team proactively adapt and add new KPI's to improve data analysis and trend overviews to help inform service innovations.

## Audit Scope

As part of this work, we reviewed:
- Service policy and procedures including the councils Housing Strategy.
- The governance arrangements for verification/ approval of TA placements.
- Supply of accommodation, including sourcing, quality and monitoring.
- Budget setting and forecasting including financial controls over more expensive TA such as B&B's.
- Controls over rent collection.
- Monitoring of performance and key indicators.
- Management and monitoring of placements.

Scope Limitations:
- Supply of accommodation - including the use of the financial framework and lease management (consider any third-party providers and how these are managed).
- Service debt monitoring.
- In depth review of the Councils Plan to Reduce B&B use following MHCLG guidance.

| | | |
|---|---|---|
| ✅ | The Council maintains an up-to-date Housing Strategy aligned with homelessness prevention policies, and service procedures are current and reflect practice. | <ul><li>Data analytics of KPI's where data presence and quality allow.</li><li>Transitions to permanent accommodation.</li></ul> |

**Other Relevant Information**

The audit scope was reduced due to the complexity of the service and the audit timeframe. Additionally, a review of service complaints was requested by the Service Director; however, sufficient evidence was not provided by the central Complaints Team within the audit period, preventing any substantive testing.

It is important to note that the TA service has introduced a Plan to Reduce B&B use in line with Ministry of Housing, Communities and Local Government (MHCLG) guidance. This initiative, alongside the acquisition of assets to create more suitable housing options, represents a positive forward improvement plan and should be acknowledged.