



Herefordshire Council

Internal Audit Annual Opinion Report 2025/26

Internal Audit Annual Opinion – 2025/26: ‘At a Glance’

OFFICIAL

Annual Opinion



We are pleased to offer Herefordshire Council a **Reasonable Assurance** for 2025/26

This assurance is based on information obtained from multiple engagements and sources, the results of which, when viewed together, provide an understanding of the organisation’s governance arrangements, risk management processes and internal control environment.

The Headlines

	<p>Audits undertaken for Accounts Payable, Housing Benefits, MERS and Dedicated Schools Grant resulted in Substantial Assurance with no agreed actions. This signifies that internal controls are operating effectively and being consistently applied in these areas.</p>
	<p>Significant risks were identified in the Transport Hub and Council Tax Audits Progress is being made on the implementation of the agreed actions, which Internal Audit are monitoring.</p>
	<p>30 reviews delivered as part of the 2025/26 Internal Audit Plan. Includes assurance, advisory and follow up reviews, and specific audit support. We have 5 reviews at draft report stage and 4 audits are in progress.</p>
	<p>Internal Audit staff supporting the Council. Auditors support the Council, by attending meetings, supporting projects and when necessary, conducting specific tasks for the Council.</p>
	<p>Agreed Actions Of the 59 actions reported in 2024/25 19 remain open, audits are planned in 2026/27 to follow these up. Of the 27 actions agreed in 2025/26 4 have been actioned.</p>

Assurance Opinions	2024/25	2025/26
Substantial	2	6
Reasonable	12	3
Limited	3	2
No	0	0
Support to the Council		2
Grant Certification		2
Advisory	17	5
Follow-Up		1
Agreed Actions	2024/25	2025/26
Priority 1	0	0
Priority 2	30	14
Priority 3	29	13
Total	59	27



SWAP
INTERNAL AUDIT SERVICES
Better Assurance, Together

AP Internal Audit Work is completed to comply with Global Internal Audit Standards and all other guidance recognised by the UK Public Sector’s Relevant Internal Audit Standards Setters

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) ('the HIA') should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's 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 HIA 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.

Three Lines Model

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.

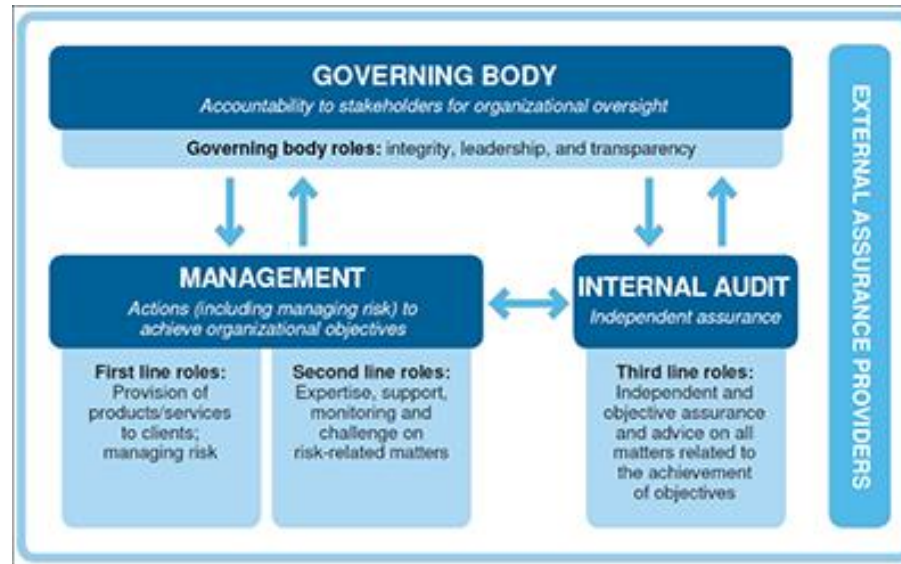


Background

The Internal Audit service for Herefordshire Council is provided by SWAP Internal Audit Services. The team's work for 2025/26 was completed to comply with the Global Internal Audit Standards and all other guidance recognised by the UK public Sector's Relevant Internal Audit Standards Setters. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the organisation's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2025/26 year.

The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines model shown below.



The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

On the balance of our 2025/26 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.

Audit work is planned to ensure that sufficient assurance will be available to inform the annual opinion as well as supporting the key priorities that underpin Herefordshire Council's Plan (2024 – 2028):

- People
- Place
- Growth
- Transformation

Our audit work supports each of these priorities, and the underpinning theme of Partnership Working, whether as an assurance audit, an advisory piece of work, ad hoc requests or support to the council.

The Annual Opinion is based on information obtained from multiple engagements and sources, the results of which, when viewed together, provide an understanding of the organisation's governance arrangements, risk management processes and internal control environment and facilitate an assessment of overall adequacy and effectiveness. Opinions are a balanced reflection across the year and not a snapshot in time. In forming this opinion, the following sources of information have been used:

- *Completed audits which evaluate risk exposures 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.*
- *Observations from consultancy / advisory support.*
- *Follow up of previous audit activity, including agreed actions.*
- *Grant certification work.*
- *Assurances from other key sources and providers, including third parties, regulator reports etc.*
- *Ongoing support and advice relating to the risks associated with payments administered following the pandemic.*

The following are considered key pieces of audit work that support the annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control.

- *Business Continuity*
- *Continuous assurance*
- *Key financial audits*
- *Information governance and security*
- *Key front line services*

Definitions of Corporate Risk

High Risk

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

Our audits examine the controls that are in place to manage the risks that relate to the area being audited. We assess the risk at a 'Corporate' level once we have tested the controls in place. Where the controls are found to be ineffective and the 'Corporate risk' as 'High' these are brought to the Audit and Governance Committee attention.

We identified significant weaknesses in the following audits:

Transport Hub

- Contract Management Framework was not adhered to
- Lack of Training and Central Oversight
- Regular reconciliation were not being undertaken between Verto and Business World
- Compensation Events were not being recorded in Cemar and Business World
- Recording of Project Risks and Issues required review to ensure identification and monitoring
- Communications plans require updating

Council Tax

- No structured process to review accounts subject to discount and exemption,
- Lack of management oversight or sign off in respect of reconciliations, variances and discrepancies
- No scheduled process to review accounts in credit
- Out of date procedures and processes
- Review of user access was not being undertaken in accordance with the Access Control Policy

To ensure control weaknesses are being addressed we have continued to follow-up all agreed actions made in previous years audits as well as current year ones which have passed their implementation dates. The CFO receives a regular report of all agreed actions which can be followed up with Officers where appropriate.

All audits, and progress against agreed actions, have been reported throughout 2025/26 to the Audit and Governance Committee.

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

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.



Summary of Audit Opinion

The following two charts summarise the audit opinions and audit work, and involvement, during 2025/26

Table 1 indicates the spread of assurance opinions across our work during the past year.

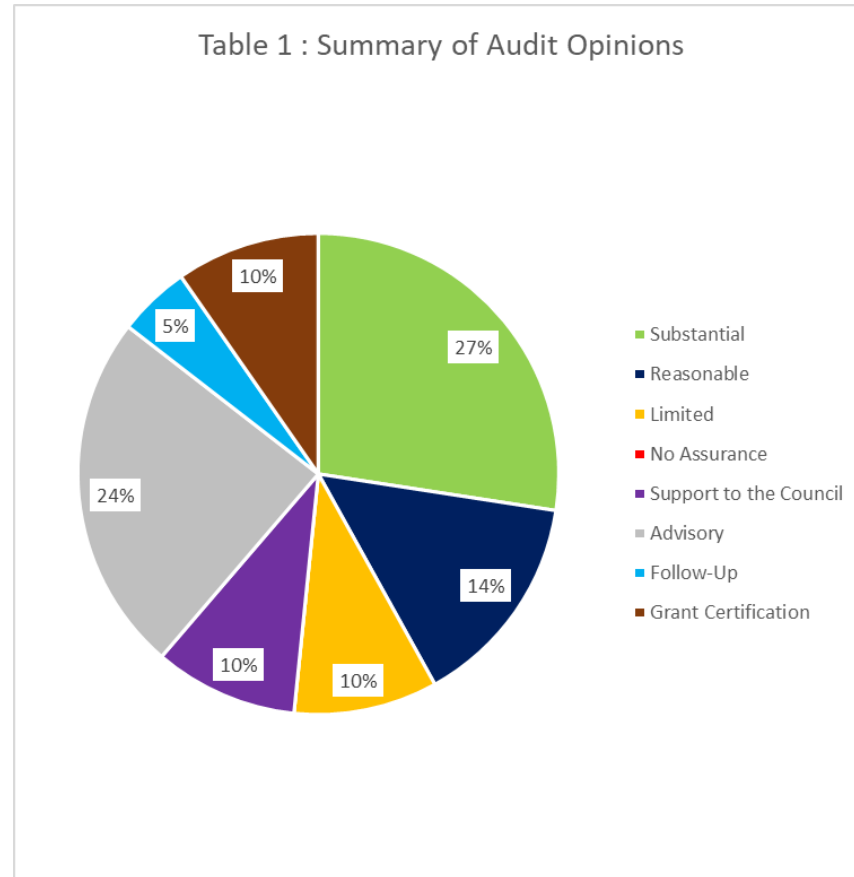
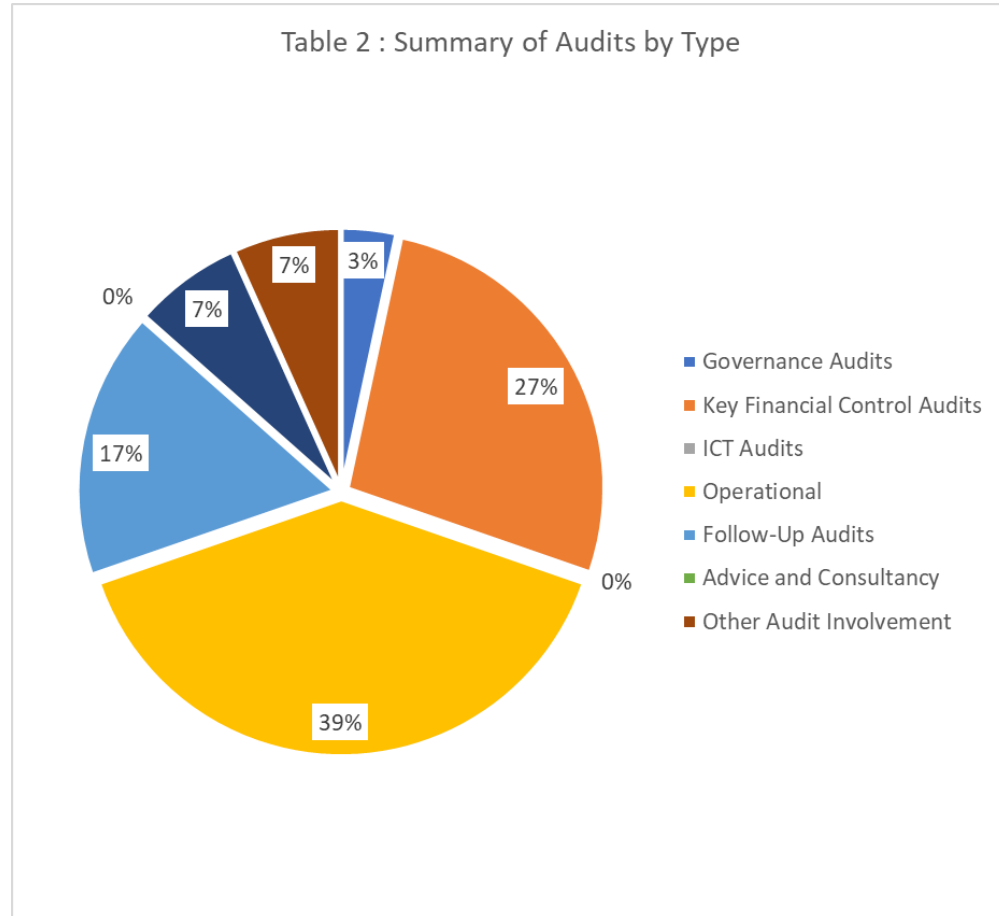


Table 2 indicates the audit work by type.

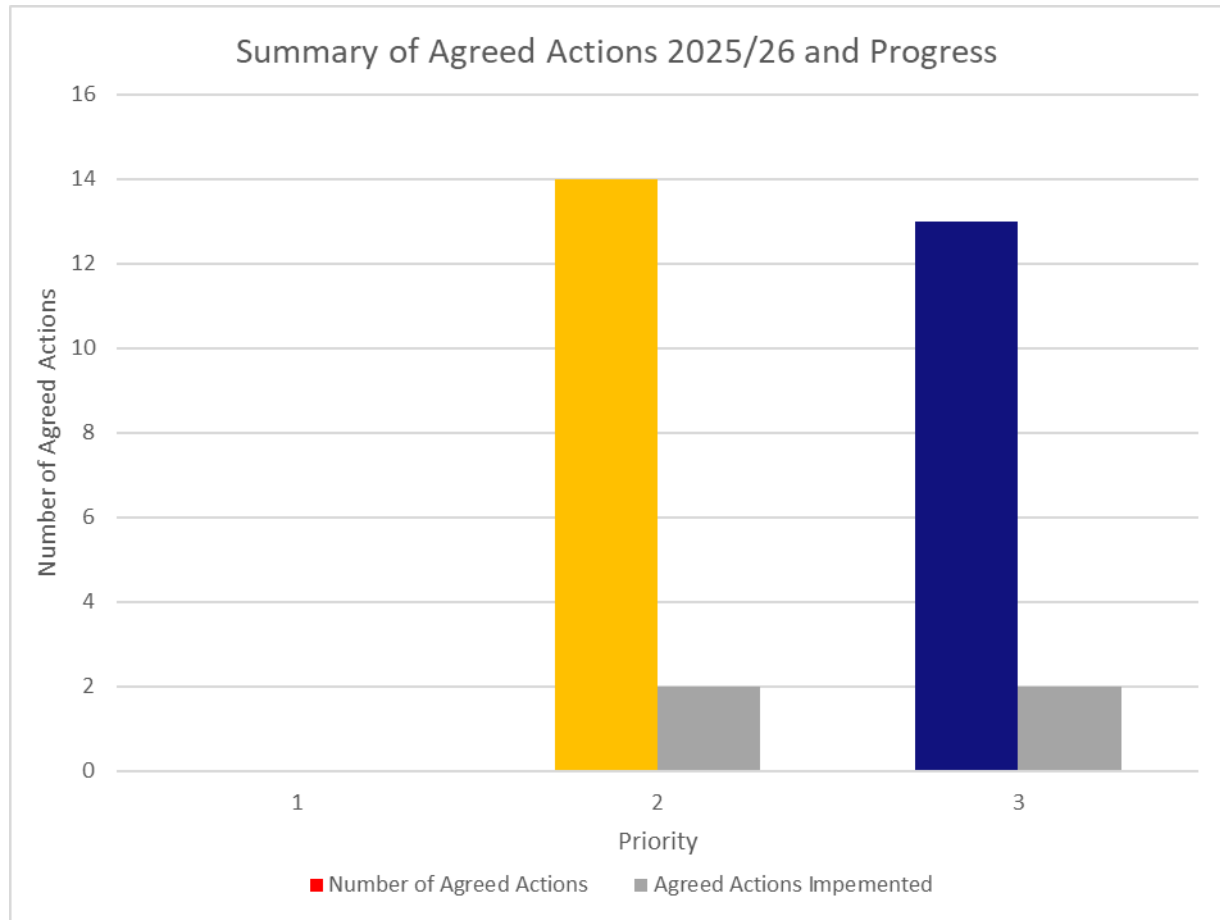


SWAP Performance - Summary of Audit Actions by Priority



Priority Actions

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



Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Throughout the year, SWAP strives to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost.

Benchmarking

During the year we have provided benchmarking data across either the SWAP partnership or the wider reach of the Local Authority Chief Auditors Network (LACAN). This data is useful for services to develop and improve their own systems and processes so that business objectives can be achieved with continually decreasing resources.

News Roundup

We produce a fortnightly newsletter that provides information on topical areas of interest for public sector bodies.

Client Liaison

The Auditors meet regularly with Service Managers to discuss potential operational risks and issues, identify areas for audits and plan up-coming audits.

Audit Protocol

We have an audit protocol which defines the role of the audit team and what is required for an audit. The aim of the protocol is to improve the audit process for our audit clients and to ensure we can deliver an excellent audit in an efficient and effective manner.

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

In 2025/26 SWAP work was completed to comply with the the Global Internal Audit Standards plus the UK Public Sector Application Note and the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government. The Internal Audit service for Publica Group (Support) Ltd is provided by SWAP Internal Audit Services.

Under these standards we are required to be independently externally assessed at least every five years to confirm compliance to the required standards. SWAP was assessed in January 2025 and confirmed that we are in conformance to PSIAS. Members of the Committee have been provided with the full EQA report.

Standard 8.3 of the Global Internal Audit Standards requires Heads of Internal Audit to develop, implement and maintain a Quality Assurance and Improvement Programme (QA&IP) that covers all aspects of the internal audit function. The programme must include both internal and external assessments (Standards 8.4 and 12.1 respectively). This acknowledges that high standards can be delivered by managers, but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function. Following our External Assessment, we have produced our QA&IP and included additional improvements and developments identified internally that we want to make, as aligned to SWAP’s Business Plan. The QA&IP is a live document and will be regularly reviewed by the SWAP Board to ensure continuous improvement and delivery on our actions.

Summary of Internal Audit Work 2025/26

OFFICIAL

Audit Type	Directorate	Audit Area	Status	Opinion	No of Actions
2025/26 Finalised and Completed Reviews					
Governance	Community Wellbeing	CQC Inspection Readiness 2024/25	Final Report	Advisory	0
Operational	Economy and Environment	VFM Assessment – Public Realm Contract and Minor Works Framework 2024/25	Final Report	Low Reasonable	3
Operational	Corporate Services	Mutual Employment Resignation Scheme (MERS) 2024/25	Final Report	Low Substantial	0
Follow-Up	Corporate Services	Polygamous / Dual Employment 2024/25	Final Report	Advisory	0
Operational	Economy and Environment	Public Rights of Way 2024/25	Final Report	Mid Reasonable	3
Key Financial	Corporate Services	Housing Benefit and Council Tax Reductions	Final Report	Low Substantial	0
Operational	Community Wellbeing	Temporary Accommodation	Final Report	Mid Substantial	1
Operational	Economy and Environment	Transport Hub 2025/26	Final Report	High Limited	7
Operational	Community Wellbeing	Adult Social Care - Discharge to Assessment (D2A) Pathway	Final Report	Advisory	0
Core Financial	Corporate Services	Accounts Payable	Final Report	High Substantial	0
Core Financial	Corporate Services	Bank Reconciliations	Final Report	High Substantial	1
Operational	Children and Young People	Dedicated Schools Grant (DSG) – High Needs Block 2024/25	Final Report	High Substantial	0
Key Financial	Corporate Services	Council Tax	Final Report	High Limited	5
Operational	Corporate Services	HUG 2	Complete	Advisory	0

Summary of Internal Audit Work 2025/26

OFFICIAL

Audit Type	Directorate	Audit Area	Status	Opinion	No of Actions
Operational	Children and Young People	Early Years Compliance	Final Report	Advisory	0
Key Financial	Corporate Services	NNDR	Final Report	Mid Reasonable	7
Grant Certification	Economy and Environment	Bus Subsidy Grant	Complete	Grant Cert	N/A
Grant Certification	Economy and Environment	Local Transport Capital Block Funding Grant	Complete	Grant Cert	N/A
Follow-Up	All	Follow-Up of all Agreed Actions	Complete		N/A
Other Audit Involvement		Working with Counter Fraud	Complete	Support to the Council	N/A
Other Audit Involvement		Management of the IA Function and Client Support	Complete	Support to the Council	N/A

Summary of Internal Audit Work 2025/26

OFFICIAL

Audit Type		Audit Area	Status	Comment
Draft Reports				
Follow-Up	Community Wellbeing	Court of Protection	Draft Report	Waiting for sign off from H'shire Director
Core Financial	Corporate Services	Treasury Management	Draft Report	With IA for Review
Core Financial	Corporate Services	Accounts Receivable	Draft Report	With IA for Review
Core Financial	Corporate Services	Payroll	Draft Report	Waiting for sign off from H'Shire Director
Operational	Economy and Environment	Licensing - TENS	Draft Report	With IA for Review
Audits In Progress				
Operational		Public Protection		
Operational		Emergency Planning		
Follow-Up		Foster Care Follow Up		
Follow-Up		Decision Making and Project Governance (City Heart)		
Ongoing Audit Support / Involvement				