Appendix A

SWAP
INTERNAL AUDIT SERVICES
Helping Organisations to Succeed

Herefordshire Council

Report of Internal Audit Activity

July 2026

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

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Internal Audit Definitions

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.

Internal Audit Definitions

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 2026/27

Audit Type	Directorate	Audit Area	Status	Opinion	No of Agreed Actions	Priority 1	Priority 2	Priority 3	Comment
Follow-Up	Community Wellbeing	Court of Protection (2025/26)	Final Report	Low Reasonable	4	0	3	1	Report Included
Core Financial	Corporate Services	Payroll (2025/26)	Final Report	Low Reasonable	6	0	1	5	Report Included
Operational	Economy and Environment	Licensing – TENS (2025/26)	Final Report	High Reasonable	1	0	1	0	Report Included
Follow-Up	Economy and Environment	Transport Hub (2026/27)	Draft Report						Waiting for Management Response
Follow-Up	Corporate Services	Decision Making and Project Governance (City Heart) (2025/26)	Complete						Initial meeting held with CFO. Due to EA review, agreed with CFO, following discussion and evidence supplied, no IA audit required.
Core Financial	Corporate Services	Treasury Management (2025/26)	Draft Report						Waiting for Management Response
Operational	Economy and Environment	Public Protection (2025/26)	Draft Report						Final Revisions
Core Financial	Corporate Services	Accounts Receivable (2025/26)	Draft Report						
Operational	Community Wellbeing	Emergency Planning (2025/26)	In Progress						
Follow-Up	Children and Young People	Foster Care Follow Up (2025/26)	In Progress						Service requested audit was deferred in 2025/26
Operational	Corporate Services	Crisis Resilience Fund (2026/27)	In Progress						
Core Financial	Corporate Services	Schools Payroll (2026/27)	In Progress						

Audit Plan Progress 2026/27

Audit Type	Directorate	Audit Area	Status	Opinion	No of Agreed Actions	Priority 1	Priority 2	Priority 3	Comment
Operational	Economy and Environment	Public Realm Change Management (2026/27)	In Progress						
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

There are currently 50 open agreed actions for Herefordshire Council.

39 of the open actions are historic and include:

- 6 for All Ages Commissioning – Use of Spot Purchasing (2024/25)
- 10 for Foster Care Placements (2024/25)

These actions will be followed during the audits planned in 2026/27

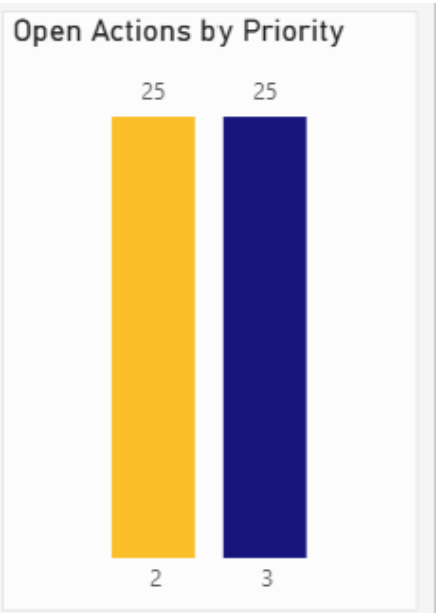
The remaining 23 historic actions are from audits concluded during 2025/26.

We have raised 11actions in the audits concluded during 2026/27.

All open actions are either priority 2 or 3, it is pleasing to note there are no priority 1s.

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 Agreed Actions, by due date, are shown below.

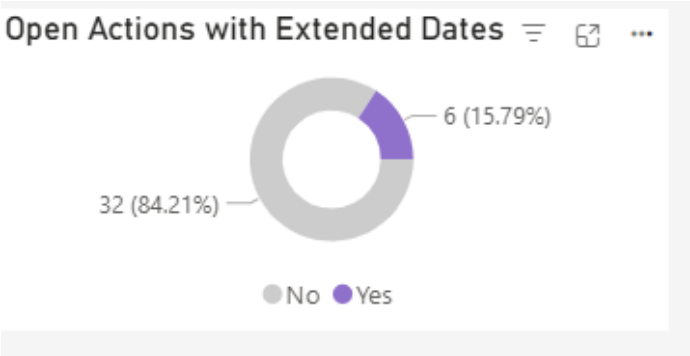
Not yet due	Due within 30 days	1-30 days overdue	31-60 days overdue	61-90 days overdue	91+ days overdue	Total Actions
23	2	(Blank)	(Blank)	5	20	50

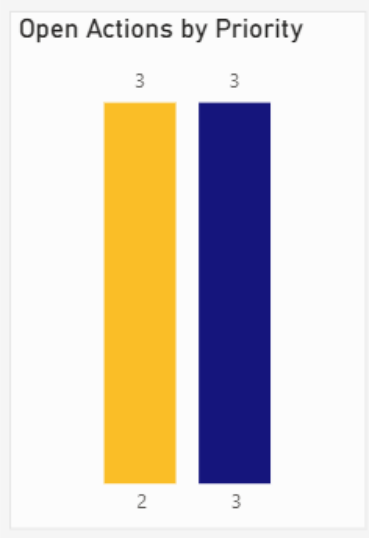
Audit Plan Progress 2026/27

Action Tracking

- Action Tracking – Revised Timescales

Open Agreed Actions, with a revised timescale has reduced to 6 (quarter 3) (12 Quarter2)





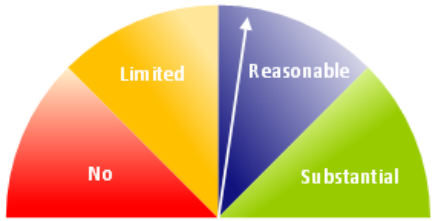
The following are the Internal Audit reports, of each audit review finalised, since the last Committee update

Court of Protection – Final Report – June 2026

Audit Objective

To provide assurance that processes and procedures are operating with appropriate control to adequately protect the service users' financial interests and reduce potential fraud.

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	3
Priority 3	1
Total	4

Organisational Risk Assessment Medium

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

Key Conclusions

A number of Appointee Current Accounts are holding balances above £5,000, which may indicate that Appointeeship is no longer the most appropriate financial management arrangement and that Deputyship should be considered in line with existing guidance. The absence of clear thresholds within the Appointeeship Procedures creates a risk that cases with higher levels of client assets are not reviewed consistently or in a timely manner. This may expose clients to reduced benefit entitlement, poor value from low-interest accounts, and missed opportunities to use funds to support quality of life. Clarifying review triggers and expectations would help ensure appropriate escalation to Deputyship and safeguard client financial interests.

Testing indicated that best value is consistently achieved for large purchases and that client funds are appropriately safeguarded using protected savings vehicles and government backed schemes; however, this good practice is not formally documented. The absence of documented procedures creates a risk of inconsistent application, loss of organisational knowledge, and reduced accountability, and may increase the risk of client funds being held outside appropriate protection limits. Formalising this approach would support consistency, governance, and assurance that client assets continue to be managed and protected effectively.

A follow-up review found that a previously raised action is still in progress. Reviews and documentation of care home personal allowance records remain inconsistent, and some records are not being assessed. This limits the effectiveness of procedures intended to support good oversight and protect client funds.

Audit Scope

The audit reviewed the following areas:

- Compliance with Office of the Public Guardian Guidance for Public Authority Deputies (2023) in respect of financial management (capital & revenue) procedures;
- We also reviewed progress of audit actions from the January 2025 follow up review.

Information was reviewed for the current financial year, and meetings were held with Case Officers from the Court of Protection Team in respect of a sample of Appointee & Deputyship cases. Sampling and high-level expenditure items were taken from October 2025 bank statements, data was extracted from Caspar for current valuation of assets.

	There is a potential opportunity to strengthen the use of Caspar to improve the completeness, accessibility, and auditability of financial records. Better integration of documents, clearer recording of budget reviews and valuation methodologies, and more consistent use of existing system functionality would enhance oversight, support timely identification of issues such as high account balances, and improve overall governance and assurance. Enhanced cross team working between the Court of Protection Team, Finance and Social Care, would further aid improved governance and service delivery to clients.	

	Client funds are held in separate bank accounts and are independently reconciled to Caspar on a monthly basis. Testing confirmed that supporting documentation is available in the document library for the majority of items reviewed, and that Court of Protection annual returns are submitted in a timely manner where required. While procedures are in place to support these processes, there are a small number of areas where they could be strengthened further, as outlined to Management in an Action Plan.	

Other Relevant Information

Follow up of previous actions was reviewed against testing. Five out of six actions were closed, as above one action remains open:

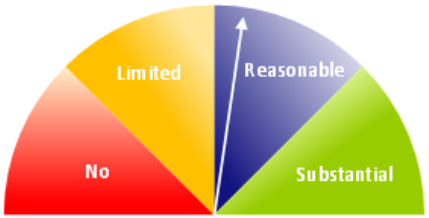
- Evidence demonstrated that Allpay balances are monitored regularly and that excess funds are transferred back to the client current account where required. As personal allowance spending is at the discretion of the client and is not subject to monitoring, these actions have been closed.
- An action relating to the availability of electronic bank data and was closed on the basis that it is beyond the organisation's control; however, appropriate compensating controls are in place to enable effective review and monitoring of bank information.
- Segregation of duties and the reduced payment limits for Officers help to provide additional oversight and contribute to mitigating the risk of fraudulent payments from the Lloyds accounts.

Procedures were reviewed in January 2025.

Payroll – Final Report – May 2026

Audit Objective	To provide assurance that the payroll system is operated in accordance with agreed policy/procedure and with the Council's Financial Rules.

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.

Management Actions

Priority 1	0
Priority 2	1
Priority 3	5
Total	6

Organisational Risk Assessment: Low

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

Key Conclusions & Suggestions for Improvements

The monthly payroll for Herefordshire Council is approved by the HR Services Manager. This officer is independent of producing the payroll and is a Hoople member of staff. However, review of the Payroll and Pension Workpackage found that it is unclear if delegated authority has been given to Hoople. From an accountability perspective, we expect this approval to be undertaken by a Council officer as it is the Council's monies that are being paid out and not Hoople's monies.

Hoople charge a standard £48 fee per transaction for late notifications affecting salary payments after the monthly cut-off date has passed. However, the charge can be much higher if complex calculations are required. Additionally, we identified bank fees being incurred for making faster payments. We noted same day payments are much higher than if the payment were to be made on the following day. These charges may not be significant, but the lack of monitoring processes risks the Council paying fees unnecessarily.

Annual NJC pay award % increases are calculated manually and uploaded to Business World (BW). However, there is no evidence to support these calculations have been checked by an independent officer either pre or post input to BW. Inaccurate parameters uploaded to BW will result in incorrect pay and corrective work could potentially take time to resolve especially if not identified quickly. In addition, there may be reputational damage to manage if incorrect salaries are paid.

There was no evidence of controls or processes to identify duplicate NI numbers, bank account numbers, or employee names which could identify potential fraud or 'ghost' employees. Whilst we accept Council budget monitoring activity should pick up such anomalies, these controls are payroll processes and therefore, should be undertaken periodically by the payroll service.

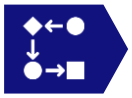
Audit Scope

The audit reviewed the controls in place for the following:

- Starters, Leavers, Variations – ensure changes to the payroll are accurate, timely and supported with appropriate approvals.
- Key control testing – independent review of exception reporting, timely clearing of items in payroll suspense and year-end reconciliation processes.
- Payroll authorisation and BACs procedure.
- Mileage payments.

Scope Limitations:

We have not reviewed transactional testing of overtime / expense claims to assess accuracy and timeliness of data processing. Also, self-service and approval processes in Business World have not been reviewed.

	There is no centralised oversight of payroll reconciliation activity which could result in undetected discrepancies, incorrect reporting, financial misstatements, etc. Also, lack of Payroll Management oversight means that anomalies/errors within their system are not known.	
	We identified over 90% of mileage claims submitted in June and July 2025 were automatically system approved as per council guidance. The guidance requires vehicle roadworthiness and insurance information to be uploaded to Business World. We found claims had been paid even though this documentation was not in place. We also found fuel receipts (applicable where individual journeys are more than 250 miles) were not attached to Business World as per requirements. We accept the significant number of claims may deem it inefficient to check compliance with policy requirements in all instances. But this lack of check risks the potential for fraudulent claims to be increased. Introducing ad hoc compliance checks either by HR or Service Managers, and officers challenged where non-compliance is evident, would help ensure the guidance is adhered to.	

Summary

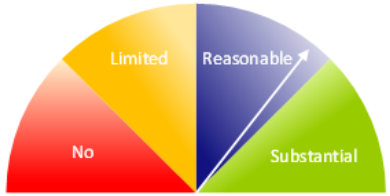
We confirm the Council's payroll in the main is being processed accurately and on time by Hoople as evidenced by key control testing (clearing the payroll suspense account, reconciliation processes and independent review of exception reports) undertaken during the audit. However, some controls are not as robust as expected, for example, a lack of evidencing checks undertaken, management oversight and administrative errors which had remained unidentified until the audit. We have reported these to Hoople, so that improvements/enhancements can be undertaken. The Council must obtain assurance from Hoople that these controls are operating effectively.

The findings and agreed actions above are also aimed at improving current activity undertaken by Council officers which adversely impact on Hoople's ability to deliver an efficient service. Implementing these controls, ensuring accountability is properly assigned and that value for money is considered, will help improve the current control environment.

Licensing Temporary Event Notices (TENs) – Final Report – June 2026

Audit Objective To provide assurance over the administration of Temporary Event Notice (TEN) applications and compliance with relevant legislation.

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

Management Actions

Priority 1	0
Priority 2	1
Priority 3	0
Total	1

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

The audit found significant data quality issues in the 2025 TENs spreadsheet, including missing, incorrect and duplicate information which was due to the team's reliance on manually updated spreadsheets rather than the Civica system, where documents were also not consistently stored. A review of TENs rejections in 2025 found that while all sampled cases were correctly rejected in line with statutory criteria, significant weaknesses also existed in the recording and evidencing of these decisions.

Applications are being processed and approved correctly in accordance with the The Licensing Act 2003 (Permitted Temporary Activities) (Notices) Regulations 2005, which are also reflected in the comprehensive procedure documents in evidence.

The Public Register is now updated weekly, although previous delays were identified. Planned automation of this process in April 2026 should further reduce the risk of future delays and improve the accuracy and timeliness of this public information.

Audit Scope

As part of this work, we reviewed:

- TENs are issued in accordance with statutory guidance and within stated timescales
- Fees are received correctly and in accordance with published and agreed figures
- Where required appropriate internal and external bodies are consulted prior to license approval
- Data and records are adequately updated and maintained
- Reconciliation is made to the General Ledger
- Licensing Officers are appropriately trained and qualified

Other Relevant Information

The Civica system is due to be replaced by the new Arcus system in the autumn of 2026.

The 'DASH' project, due to go 'live' in April 2026, will provide further digital functionality for applications submitted online, focusing on reducing administration and improving data accuracy.

Government-set licensing fees, which Herefordshire Council must apply, have remained unchanged for many years, with a TEN application fixed at £21.