

**SUBJECT: INTERNAL AUDIT  
Progress Report for 9 Months into 2022/23**

**DIRECTORATE: Resources**

**MEETING: Governance & Audit Committee**

**DATE: 16<sup>th</sup> February 2023**

**DIVISION/WARDS AFFECTED: All**

## **1. PURPOSE**

To consider the adequacy of the internal control environment within the Council based on the outcomes of audit reviews and subsequent opinions issued to the 31<sup>st</sup> December 2022.

To consider the performance of the Internal Audit Section over the first 9 months of the current financial year.

## **2. RECOMMENDATION(S)**

That the Committee note the audit opinions issued.

That the Committee note the progress made by the Section towards meeting the 2022/23 Operational Audit Plan and the Section's performance indicators at the 9 month stage of the financial year.

## **3. KEY ISSUES**

3.1 This report gives brief details of the work undertaken so far in the year along with the Section's performance indicators for the 9 months to 31<sup>st</sup> December 2022.

3.2 The Public Sector Internal Audit Standards came into force in April 2013 (updated March 2017) which the Internal Audit team needs to demonstrate it is compliant with; these replaced the former Code of Practice for Internal Audit within Local Government.

3.3 A requirement of the PSIAS is for the Internal Audit team to be externally assessed once every five years to ensure compliance with these Standards. The Welsh Chief Auditors' Group proposed an option of a peer review to meet the requirements of this external assessment, which has been agreed by respective S 151 Officers of local authorities in Wales. Monmouthshire's peer review took place during 2017/18 with

the outcome being that the team is generally compliant; no significant areas of non compliance. The next review will be due in 2023.

3.4 The Internal Plan 2022/23 was approved by Governance and Audit Committee in June 2022.

3.5 The year end opinion for 2022/23 will be based on the audit work undertaken during the year, cumulative audit knowledge from previous years on key financial systems along with any assurance gained from other parties where relevant.

#### 4. REASONS

4.1 In terms of assurance, the definitions of the four internal audit opinions and the risk ratings used by the Section are shown at Appendix 1 for Members' information. These are based on strengths and weaknesses identified from the audit; the assurance opinion is likely to be less favourable where weaknesses outweigh strengths with a greater proportion of significant risked issues.

4.2 Since the start of the financial year, the Internal Audit Section has completed 31 audit jobs to draft stage from its 2022/23 Operational Audit Plan; 13 of these being opinion related and are shown in the table below and at Appendix 1; 3 grant claims were audited. No Limited audit opinions have been issued so far this year.

Opinion Summary		
Substantial	4	<ul style="list-style-type: none"> <li>• PTU Maintenance follow up</li> <li>• Dewstow</li> <li>• Llanvihangel Crucorney</li> <li>• King Henry V111</li> </ul>
Considerable	8	<ul style="list-style-type: none"> <li>• Freedom of Information</li> <li>• Fleet / Vehicle H&amp;S follow up</li> <li>• H&amp;S Buildings follow up</li> <li>• Land Charges</li> <li>• Food Procurement Follow Up</li> <li>• Street Cleansing</li> <li>• Caldicot Castle</li> <li>• Llandogo Primary School follow up</li> </ul>
Reasonable	1	<ul style="list-style-type: none"> <li>• Carers Service</li> </ul>
Limited	0	
Total	13	

- 4.3 In relation to the normal audit opinion related reports, 5 had been issued in draft by the end of the 3<sup>rd</sup> Quarter, 8 had been finalised.
- 4.4 Work has been ongoing with the Digital Team regarding the progress of the implementation of Internal Audit Recommendations from previously issued audit reports. Progress will be reported to the Governance and Audit Committee and the Strategic Leadership team (SLT) later in the year.
- 4.5 Other audit work in line with the plan has started and site visits have recommenced; 69% of planned work has commenced. Follow up audits are progressing.
- 4.6 Finalisation work from 2021/22 continued; of the 8 reviews at draft report stage at 31<sup>st</sup> March 2022, 8 have subsequently been finalised.
- 4.7 There has been minimal work undertaken on special investigations during 2022/23 so far by the team; no specific investigations are underway.
- 4.8 Appendix 3 of the report gives details of the Section's performance indicators as at 31<sup>st</sup> December 2022.
- 4.9 52% of the 2022/23 Audit Plan has been completed as at 31<sup>st</sup> December 2022 which is in line with the target of 50%.
- 4.10 Getting audit reports out in a timely manner is important; on average draft reports are being issued within 4 days against a target of 10 days and final reports are being issued within 8 days against the target of 10 days.
- 4.11 Although Audit Evaluation Questionnaires have been sent out to service managers on the finalisation of the audit report, audit records show that only one has been returned. This will be followed up by the team. Service managers have the opportunity to feedback to the team on how satisfied they were with the audits through this process. Consideration will be given to developing an 'e-form' to make this a more efficient process.
- 4.12 The team did not start the year with a full complement of staff due to unfilled vacancies. The team has been operating without an Audit Manager (AM) and a Senior Auditor (SA) for the year. Both posts have been advertised but we were not in a position to shortlist applicants; the AM post was re-advertised, due to significant budget pressures the Council is currently facing the SA post has been put forward as a budget saving. A separate paper on this is on the Committee's agenda for this meeting.
- 4.13 The team co-ordinates the administration of the National Fraud Initiative (NFI) data sets on behalf of the Council. Data collection for

the 2022 exercise has been completed with all of the datasets uploaded.

## **5. SERVICE MANAGEMENT RESPONSIBILITIES**

- 5.1 Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and demonstrate this by including their management responses within the audit reports. When management agree the audit action plans they are accepting responsibility for implementing the agreed recommendations within the agreed timescales.
- 5.2 Ultimately, managers within MCC are responsible for maintaining adequate internal controls within the systems they operate and for ensuring compliance with Council policies and procedures. All reports, once finalised, are sent to the respective Chief Officers and Heads of Service for information and appropriate action where necessary.

## **6. FOLLOW UP AUDIT REVIEWS**

- 6.1 Where 'Limited Assurance' opinions are issued, they are followed up within a twelve month timescale to ensure that the agreed actions have been taken by management and that the internal control systems are improved. These will be reported separately to the Governance and Audit Committee.

## **7. RESOURCE IMPLICATIONS**

None.

## **8. CONSULTEES**

Deputy Chief Executive

### **Results of Consultation:**

N/A

## **9. BACKGROUND PAPERS**

Operational Audit Plan 2022/23

## **10. AUTHORS AND CONTACT DETAILS**

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# AUDIT COMMITTEE FEBRUARY 2023 - INTERNAL AUDIT PROGRESS

## APPENDIX 1

### Internal Audit Opinions

Each report contains an opinion which is an overall assessment of the control environment reviewed.

<b>SUBSTANTIAL</b>	<p>Substantial level of assurance.</p> <p>Very well controlled, with numerous strengths identified and any risks being less significant in nature.</p>
<b>CONSIDERABLE</b>	<p>Considerable level of assurance</p> <p>Generally well controlled, although some risks identified which should be addressed.</p>
<b>REASONABLE</b>	<p>Reasonable level of assurance.</p> <p>Adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.</p>
<b>LIMITED</b>	<p>Limited level of assurance.</p> <p>Poorly controlled, with unacceptable levels of risk. Fundamental improvements required urgently.</p>

The table below summarises the finding ratings used during our audits:

RATING	RISK DESCRIPTION	IMPACT
1	Significant	<p>(Significant) – Major / unacceptable risk identified.</p> <p>Risks exist which could impact on the key business objectives. Immediate action required to address risks.</p>
2	Moderate	<p>(Important) – Risk identified that requires attention.</p> <p>Risks identified which are not business critical but which require management attention as soon as possible.</p>
3	Minor	<p>(Minimal) – Low risk partially mitigated but should still be addressed.</p> <p>Audit comments highlight a suggestion or idea that management may want to consider.</p>
4	Strength	<p>(No risk) – Good operational practices confirmed.</p> <p>Well controlled processes delivering a sound internal control framework.</p>

#### For grant claim audits:

**Unqualified** opinion - the terms and conditions of the grant were generally complied with;

**Qualified** opinion - the terms and conditions of the grant were not fully complied with; the identified breaches of terms and conditions will be reported to the grantor and internally to relevant Head of Service/Chief Officer.

## Status of reports as at 31<sup>st</sup> December 2022

Internal Audit reviews /jobs from the 2022/23 Operational Audit Plan where fieldwork has been completed to draft or final report stage issued since 1/4/22 are listed in the table below.

Internal Control Opinions give the auditor's overall assurance on the control environment operating in each system/establishment under review.

### Internal Audit Services - Management Information for 2022/23 – Quarter 3

Opinion Summary	
Substantial	4
Considerable	8
Reasonable	1
Limited	0
Total	13

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Final / Draft	Opinion given
P2223-08	Resources	Commercial, Property, Fleet, Facilities	PTU Maintenance follow up	High	Draft	Substantial
P2223-21	Children & Young People	Primary Schools	Dewstow	Low	Final	Substantial
P2223-22	Children & Young People	Primary Schools	Llanvihangel Crucorney	Low	Final	Substantial
P2223-26	Children & Young People	Secondary Schools	King Henry V111	Medium	Final	Substantial
P2223-06	Resources	Digital	Freedom of Information	Medium	Final	Considerable
P2223-07	Resources	Commercial, Property, Fleet, Facilities	Fleet / Vehicle H&S follow up	High	Draft	Considerable
P2223-09	Resources	Commercial, Property, Fleet, Facilities	H&S Buildings follow up	High	Final	Considerable
P2223-14	People & Governance	Legal	Land Charges	Medium	Final	Considerable
P2223-42	Enterprise	Enterprise and Community Animation	Food Procurement Follow Up	High	Draft	Considerable

<b>Job number</b>	<b>Directorate</b>	<b>Service</b>	<b>Job Name</b>	<b>Risk Rating / Priority</b>	<b>Final / Draft</b>	<b>Opinion given</b>
P2223-47	Enterprise	Neighbourhood Services	Street Cleansing	Medium	Draft	Considerable
P2223-52	Mon Life	Heritage	Caldicot Castle	Medium	Final	Considerable
P2223-64	Children & Young People	Primary Schools	Llandogo Primary School Follow Up	High	Final	Considerable
P2223-30	Social Care & Health	Adult Services	Carers Service	Medium	Draft	Reasonable
P2223-18	Children & Young People	CYP Finance & Support Services	School Improvement Grant	Low	Final	Unqualified
P2223-19	Children & Young People	CYP Finance & Support Services	Pupil Development Grant	Low	Final	Unqualified
P2223-45	Enterprise	Enterprise and Community Animation	Housing Support Grant	Medium	Final	Unqualified



## Non – opinion / Added Value Audit Work

Job number	Directorate	Service	Job Name
P2223-04	Resources	Finance - Revenues, Systems & Exchequer	Imprest Accounts Closure
P2223-10	Resources	Resources General	Audit Advice
P2223-12	Resources	Resources General	Implementation of previous recommendations
P2223-15	People & Governance	People & Governance General	Audit Advice
P2223-27	Children & Young People	CYP General	Audit Advice
P2223-29	Children & Young People	CYP General	Implementation of previous recommendations
P2223-37	Social Care & Health	SCH&Safeguarding General	Audit Advice
P2223-38	Social Care & Health	SCH&Safeguarding General	Financial Assessments (D&B)
P2223-40	Social Care & Health	SCH&Safeguarding General	Implementation of previous recommendations
P2223-48	Enterprise	Enterprise General	Audit advice
P2223-50	Enterprise	Enterprise General	Implementation of previous recommendations
P2223-55	Mon Life	Mon Life General	Implementation of previous recommendations
P2223-58	Corporate	Corporate	Annual Governance Statement (AGS)
P2223-63	Corporate	Corporate General	Implementation of previous recommendations

## AUDIT COMMITTEE FEBRUARY 2023 - INTERNAL AUDIT PROGRESS

### APPENDIX 3

#### Performance Indicators

N /A – not available

	2021/22	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	11%	28%	40%	64%	80% pa
2	Average no. of days from audit closing meeting to issue of a draft report	9 days	5 days	6 days	6 days	15 days
3	Average no. of days from receipt of response to draft report to issue of the final report	3 days	4 days	4 days	5 days	10 days
4	Percentage of recommendations made that were accepted by the clients	97%	97%	98%	99%	95%
5	Percentage of clients at least 'satisfied' by audit process	100%	100%	100%	100%	95%
6	Percentage of directly chargeable time (actual v planned)	77%	90%	72%	74%	60%
7	Number of special investigations	1	1	1	1	

	2022/23	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	11%	28%	52%		50% in Q3 80% pa
2	Average no. of days from audit closing meeting to issue of a draft report	14 days	5 days	4 days		10 days
3	Average no. of days from receipt of response to draft report to issue of the final report	30 days	17 days	8 days		10 days
4	Percentage of recommendations made that were accepted by the clients	90%	100%	100%		95%
5	Percentage of clients at least 'satisfied' by audit process	N/A	N/A	N/A		95%
6	Percentage of directly chargeable time (actual v planned)	68%	67%	66%		100%
7	Number of special investigations	0	0	0		

PI 4 – was reported as 68% in Q2, when rechecked this was actually 100%