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| | |
|---|---|
| **SUBJECT:** | **INTERNAL AUDIT**<br>**Progress Report for Quarter 3 (2025/26) &**<br>**Quarter 1 Plan (2026/27)** |
| **DIRECTORATE:** | **Resources** |
| **MEETING:** | **Governance & Audit Committee** |
| **DATE:** | **February 2026** |
| **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 conclusions issued to the 31st December 2025.

To consider the performance of the Internal Audit Section over the 9 months of the current financial year and the audit reviews to be undertaken during the first quarter of the 2026/27 financial year.

## 2. RECOMMENDATION(S)

That the Committee note the audit conclusions issued.

That the Committee note the progress made by the Section towards meeting the 2025/26 Operational Audit Plan and the Section's performance indicators at the 9 month stage of the financial year which are currently just below the profiled target.

That the Committee approve the first iteration of the Internal Audit 'Rolling Plan' covering Quarter 1 2026/27.

## 3. KEY ISSUES

3.1 Audit work has started in line with the 2025/26 agreed draft audit plan, considered by the Governance & Audit Committee in June 2025.

3.2 The Global Internal Audit Standards (GIAS) came into force for the UK public sector in April 2025 replacing the Public Sector Internal Audit Standards. A self-assessment and gap analysis of compliance to the new standards has been completed and an action plan is in place to ensure the team fully meet the requirements.

3.3 The year end opinion for 2025/26 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.

3.4 Attached as Appendix 1 to this report is the Internal Audit & Counter Fraud Update Report from the Chief Internal Auditor covering the period until the 31st December 2025.

3.5 The report included as Appendix 1 covers the following 5 areas.

1. Results from Internal Audit Reviews
2. Follow-up of Previous Audit Recommendations
3. Quarterly Internal Audit Plan (Q1 2026/27)
4. Counter Fraud Investigations and Outcomes
5. Performance Indicators

## 4. SERVICE MANAGEMENT RESPONSIBILITIES

4.1 Chief Officers, 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 addressing the issues identified within the agreed timescales.

4.2 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.

## 5. RESOURCE IMPLICATIONS

None.

## 6. CONSULTEES

Deputy Chief Executive / Strategic Director – Resources (S151 Officer)

**Results of Consultation:**

N/A

## 7. BACKGROUND PAPERS

Operational Audit Plan 2025/26

## 8. AUTHORS AND CONTACT DETAILS

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MONMOUTHSHIRE COUNTY COUNCIL
INTERNAL AUDIT

# INTERNAL AUDIT & COUNTER FRAUD
## UPDATE REPORT

**JAN FURTEK**
**CMIIA CIA**
**CHIEF INTERNAL AUDITOR**

2025/26 Quarter 3

(to 31st December 2025)

# QUARTERLY REPORT
## CONTENT

1. Results from Internal Audit Reviews
2. Follow-up of Previous Audit Recommendations
3. Quarterly Internal Audit Plan
4. Counter Fraud Investigations and Outcomes
5. Performance Indicators

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# SUMMARY OF AUDITS CONCLUSIONS

*Each Internal Audit report contains a conclusion (opinion) which is an overall assessment of the control environment reviewed.*

*The conclusions used are those recommended by CIPFA within their paper Internal Audit Engagement: Setting Common Definitions.*

| CONCLUSION | DESCRIPTION |
|---|---|
| SUBSTANTIAL ASSURANCE | 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. |
| REASONABLE ASSURANCE | 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. |
| LIMITED ASSURANCE | 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. |
| NO ASSURANCE | 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. |

# SUMMARY OF AUDITS COMPLETED

*Assurance work and Conclusions issued in draft since the last update report.*

*It has been agreed that where an Unfavourable Conclusion has been issued further information will be provided to G&AC on the following slides (if applicable).*

| Audit Title | Conclusion | Status |
|---|---|---|
| St Mary's RC Primary | Substantial Assurance | Final |
| Flood Risk Management | Substantial Assurance | Draft |
| School Catering | Substantial Assurance | Final |
| National Fraud Initiative (NFI) | Substantial Assurance | Final |
| Educational Trips & Visits (Evolve System) | Reasonable Assurance | Draft |
| MyST | Reasonable Assurance | Draft |
| Assistive Technology | Reasonable Assurance | Draft |
| Job Evaluation / Equal Pay (Follow-up) | Reasonable Assurance | Draft |
| Deprivation of Liberty Safeguards (DoLS) | Limited Assurance | Draft |

# SUMMARY OF AUDITS

## UNFAVOURABLE CONCLUSION

### Deprivation of Liberty Safeguards (DoLS) – Limited Assurance

The audit concluded with a Limited Assurance rating due to significant weaknesses in governance, statutory compliance, and operational oversight. A critical issue was identified in the substantial backlog of DoLS applications, with a significant number of overdue assessments, including long-standing high-priority cases. This represents non-compliance with the Mental Capacity Act (2005) and exposes the Authority to legal and reputational risk. Further significant weaknesses include outdated or unadopted policies, absence of a current service plan, missing consortium documentation, infrequent panel meetings, incomplete system records, insufficient oversight of Best Interest Assessors and Relevant Persons Representatives, and procurement non-compliance for training.

| RISK RATING | DESCRIPTION | TOTAL IDENTIFIED |
|---|---|---|
| CRITICAL | Major or unacceptable risk which requires immediate action. | 1 |
| SIGNIFICANT | Important risk that requires attention as soon as possible. | 7 |
| MODERATE | Risk partially mitigated but should still be addressed. | 4 |
| STRENGTH | No risk. Sound operational controls and processes confirmed. | 15 |

# SUMMARY OF AUDITS UNFAVOURABLE CONCLUSION

## Name of Audit Review – Limited Assurance

| Ref. | CRITICAL |
|---|---|
| 2.13 | The Authority was in breach of the Mental Capacity Act (2005) with regard to the timeliness of approving Deprivation of Liberty Safeguards (DoLS) applications. |

| Ref. | SIGNIFICANT |
|---|---|
| 1.02 | There was no evidence that the Operational Policy and Procedure had been adopted by Monmouthshire County Council or the Gwent Deprivation of Liberty Safeguards Consortium. The document had not been reviewed for a significant amount of time. |
| 1.03 | There was an absence of a short to medium term strategic plan to focus and drive the service. Service Business Plans had not been properly updated. |
| 1.04 | The Memorandum of Understanding for the Gwent Deprivation of Liberty Safeguards Consortium could not be provided. |
| 1.05 | The Gwent Deprivation of Liberty Safeguards (DoLS) Panel met infrequently. |
| 2.14 | Records of an individual having a Deprivation of Liberty Safeguards (DoLS) status had not always been entered onto the Adult Social Care System (FLO). |

| Ref. | SIGNIFICANT |
|---|---|
| 2.15 | No central record was maintained of who completed Best Interest Assessments. We were informed that not all trained Best Interest Assessors were actively involved in undertaking assessments. |
| 3.03 | A central record of who was acting as the Relevant Persons Representative (RPR) was not maintained. Where an RPR was appointed via the contracted RPR Service the officers DBS status had not been verified. |

| Ref. | MODERATE |
|---|---|
| 1.06 | The Gwent Consortium Governance Group's Terms of Reference was historic and created with its inception during 2007/08. Membership, details around the chair and some activities did not reflect current practice. |
| 1.07 | There was no process within the Gwent Consortium Governance Group meetings, agendas and minutes to ensure that any outstanding actions from previous meeting have been resolved. |
| 2.16 | The communication of the Deprivation of Liberty Safeguards (DoLS) outcome was not always completed on a timely basis. |
| 3.04 | The procurement of professional training was not compliant with Contract Procedure Rules. |

# SUMMARY OF AUDITS YEAR TO DATE

*The number of Audit Conclusions / Opinions issued since 01st April 2025 (2025/26 Financial Year).*

| Conclusion | Number |
|---|---|
| Substantial Assurance | 6 |
| Reasonable Assurance | 10 |
| Limited Assurance | 3 |
| No Assurance | 0 |
| | |
| Unqualified (Grant Claim) | 1 |
| Qualified (Grant Claim) | 0 |
| Total Conclusions issued | 20 |

# SUMMARY OF AUDITS IN PROGRESS

*Audit work currently in progress where no draft report has yet been issued.*

*This is as of 31st December 2025*

| Audit Title | Directorate | Start Date | Fieldwork % Complete | | | |
|---|---|---|---|---|---|---|
| | | | 25% | 50% | 75% | 100% |
| Budgetary Control (Capital) | Resources | 04/11/25 | | | | |
| Ysgol y Fenni | Children, Learning, Skills & Economy | 20/10/25 | | | | |
| Monmouth Comprehensive School | Children, Learning, Skills & Economy | 13/11/25 | Visit delayed at School Request | | | |
| King Henry VIII School (Unplanned) | Children, Learning, Skills & Economy | 16/11/25 | | | | |
| Schools Control Risk Self Assessments | Children, Learning, Skills & Economy | 05/12/25 | | | | |
| Mardy Park (Follow-up) | Social Care & Safeguarding | 15/12/25 | | | | |
| CLA Savings (Follow-up) | Social Care & Safeguarding | 12/11/25 | Initial meeting – January 2026 | | | |
| Fuel Management | Infrastructure | 11/07/25 | | | | |
| Control Risk Self-Assessments | Place & Community Wellbeing | 22/12/25 | | | | |
| Employee Travel & Mileage Claims (Follow-up) | People, Performance & Partnerships | 25/09/25 | | | | |
| Employee General Expenses (Follow-up) | People, Performance & Partnerships | 20/10/25 | | | | |
| Monitoring Implementation of Previous Recommendations x9 | All | 04/12/25 | | | | |

# SUMMARY OF AUDITS VALUE ADDED

*Value-added audit work is internal audit activity that improves organisational performance by providing meaningful assurance, practical insights, and recommendations that enhance governance, risk management, and operational effectiveness.*

| Audit Title | Type of Work |
|---|---|
| Resources | Financial Advice |
| Law & Governance | Financial Advice |
| Learning, Skills & Economy | Financial Advice |
| Social Care, Safeguarding & Health | Financial Advice |
| Infrastructure | Financial Advice |
| Place | Financial Advice |
| Chief Executives – Housing, Rural Development & Strategic Partnerships | Financial Advice |
| Customer, Culture and Wellbeing - Mon Life | Financial Advice |
| People, Performance and Partnerships | Financial Advice |
| Corporate | Annual Governance Statement |

# FOLLOW-UP AUDITS
## PREVIOUSLY UNFAVOURABLE

*The requirement for follow-up sits within the Global Internal Audit Standards* ***Domain V: Performing Internal Audit Services****, specifically under* ***Principle 15 – Communicate Engagement Conclusions and Monitor Action Plans.***

*Unfavourable audit opinions (Limited or No Assurance) are formally followed up to confirm that agreed actions have been implemented and controls improved. A revised conclusion will be issued and reported to the G&AC.*

*For Substantial or Reasonable Assurance opinions, responsible officers must complete a self-assessment, which Internal Audit may validate through testing.*

*Follow-up reviews are scheduled based on the date of the final report allowing enough time for management actions to be implemented and then embedded.*

| Year | Audit Title | Opinion | Status |
|---|---|---|---|
| 2023/24 | Employee Mileage | Limited | Fieldwork |
| | General Expenses | Limited | Fieldwork |
| | Children Looked After Savings | Limited | 2025/26 – Q4 |
| 2024/25 | Job Evaluation | Limited | Reasonable |
| | Procurement Cards | Limited | Fieldwork |
| | Mardy Park Residential | Limited | 2025/26 – Q4 |
| | Facilities & Building Cleaning | Limited | 2025/26 – Q4 |
| | Bank Imprest - Severn View Residential | Limited | 2026/27 |
| | Caldicot School | Limited | 2025/26 – Q4 |
| | Supply Staff at Schools | Limited | 2026/27 |
| | Contract Management | Limited | 2026/27 |
| | Pupil Referral Service | Limited | 2026/27 |
| 2025/26 | My Mates | Limited | 2026/27 |
| | H&S Building Compliance | Limited | 2026/27 |

# AUDIT PLAN
## NON-NEGOTIABLES

*As agreed within the Internal Audit Strategy 2026-27, there are a number of areas to be considered within each Quarterly Internal Audit plan considered to be non-negotiables.*

*The table opposite details these areas and when a review of the area can be next expected.*

| Audit Title | Directorate | Type of Review | Last Reviewed | Next Review |
|---|---|---|---|---|
| Payroll | People, Policy & Performance | Assurance | 2022/23 | 2027/28 |
| Budgetary Control (Revenue) | Resources | Assurance | 2021/22 | 2027/28 |
| Budgetary Control (Capital) | Resources | Assurance | 2025/26 | 2028/29 |
| Procurement | Resources | Assurance | 2024/25 | 2026/27 Q1 |
| Creditors | Resources | Assurance | 2023/24 | 2027/28 |
| Procurement Cards | Resources | Assurance | 2025/26 | 2027/28 |
| Debtors | Resources | Assurance | 2025/26 | 2028/29 |
| Council Tax | Resources | Assurance | 2023/24 | 2027/28 |
| National Non Domestic Rates (NNDR) | Resources | Assurance | 2022/23 | 2026/27 Q3 |
| Housing Benefits | Resources | Assurance | 2023/24 | 2028/29 |
| Health & Safety | Resources | Assurance | 2019/20 | 2026/27 Q2 |
| Safeguarding | Social Care & Safeguarding | Assurance | 2020/21 | 2026/27 Q1 |
| Annual Governance Statement | Cross Cutting | Assurance | Annual | Annual |
| Financial Advice | Cross Cutting | Added Value | Ongoing | Ongoing |
| Financial Assessments (Social Care Providers) | Social Care & Safeguarding | Added Value | Ongoing | Ongoing |

# 1 AUDIT PLAN QUARTER 1

*Based on the ongoing rolling Internal Audit Plan, the Chief Internal Auditor has identified the areas scheduled for review during this quarter.*

*A risk-based internal auditing approach has been applied to prioritise the team's workload for the period. These priorities may be adjusted if organisational needs or risk levels change.*

| Audit Title | Directorate | Type of Review | Risk | Status |
|---|---|---|---|---|
| Corporate Safeguarding | Social Care & Safeguarding | Assurance | High | Planned |
| Seven View Park | Social Care & Safeguarding | Assurance & Follow-up | High | Planned |
| Procurement | Resources | Assurance | High | Planned |
| Additional Payments (Schools) | PPP | Assurance | Medium | Planned |
| School Admissions | CLSE | Assurance | Medium | Planned |
| Osbaston Primary School | CLSE | Assurance | Medium | Planned |
| Raglan VC Primary School | CLSE | Assurance | Medium | Planned |
| Licensing | Social Care & Safeguarding | Assurance | Medium | Planned |
| Grounds Maintenance | Infrastructure | Assurance | Medium | Planned |
| Follow-Up of Recommendations | Cross Cutting | Follow-up | Medium | Continuous |
| Annual Governance Statement | Corporate | Added Value | Medium | Planned |
| Financial Advice | Cross Cutting | Added Value | Medium | Continuous |
| New Social Care Management System (Project Board Advisor) | Social Care & Health | Added Value | High | On-going |

# COUNTER FRAUD
## CURRENT INVESTIGATIONS

*These are the investigations or pieces of Counter Fraud work which were ongoing at the end of the quarter.*

*After an initial review, some concerns may be deemed not to require any further action. Others may be investigated directly by Internal Audit, or the team may provide support to other Council officers who are appointed as the formal Investigating Officer.*

| Year | Investigation Title | Reason for Investigation | Status |
|---|---|---|---|
| 2025/26 | Overtime payments (Cross Cutting) | Proactive review | Ongoing |
| | Employee E (School Based) | Inappropriate payments & non-compliance with Policy | Ongoing |
| | Employee F (Social Care & Health) | Secondary employment & safeguarding | Ongoing |

# COUNTER FRAUD INVESTIGATION OUTCOMES

*These are investigations or proactive pieces of Counter Fraud work completed during the rolling 12 months which have been deemed as being closed at the end of the quarter.*

*Where necessary, concerns may be passed to outside agencies such as the Police, Social Care Wales or the Education Workforce Council.*

| Year | Investigation Title | Reason for Investigation | Outcome |
|---|---|---|---|
| 2025/26 | Employee A (Infrastructure) | Fraud & Safeguarding | Disciplinary Hearing<br>Referral to DBS |
| | Employee B (Social Care & Safeguarding) | Fraud | Disciplinary Hearing<br>Referral to DBS |
| | Supplier A (Infrastructure) | Bribery | Withdrawal of Contract<br>Referral to Gwent Police (No Further Action) |
| | Employee C & D (Infrastructure) | Bribery | Fact Find – No Further Action Required |

# COUNTER FRAUD

## NATIONAL FRAUD INITIATIVE

*Monmouthshire County Council participates in the National Fraud Initiative (NFI), a UK-wide data-matching exercise led by the Cabinet Office and Audit Wales to identify fraud and overpayments. The Council submits various datasets on a statutory cycle, with the latest results from the 2024 upload released in January 2025. MCC is required to promptly review and report on all returned data matches. Internal Audit coordinates the process and investigates high-risk matches, while the Shared Benefits Service reviews those relating to Council Tax Reduction and Housing Benefits.*

The outcomes being reported as of the 01st December 2025 are;

| NFI 2024/25 Exercise | |
|---|---|
| Matches Processed | 3,093 |
| Investigating | 8 |
| Cleared | 2,938 |
| Frauds | 1 |
| Errors | 154 |
| Total Outcomes | £1,797.55 (being recovered) |
| Total Cabinet Office Estimated Saving | £118,457.60 |
| Total Overall Outcomes | £120,255.15 |

It must be noted that the majority of the errors identified, as well as most of the Cabinet Office Estimated Savings, specifically £116,718, are attributable to Blue Badge Parking Permits that remained active on the system despite the permit holder having passed away. This will not bring MCC a monitory saving.

# INTERNAL AUDIT PERFORMANCE INDICATORS

| | 2024/25 | Q1 | Q2 | Q3 | Q4 | Target |
|---|---|---|---|---|---|---|
| 1 | Percentage of planned audits completed | 10% | 32% | **49%** | 82% | 80% pa |
| 2 | Average no. of days from audit closing meeting to issue of a draft report | 2.7 days | 1.7 days | **2.3 days** | 1.8 days | 15 days |
| 3 | Average no. of days from receipt of response to draft report to issue of the final report | N/A* | 3.3 days | **3.0 days** | 3.8 days | 10 days |
| 4 | Percentage of recommendations made that were accepted by the clients | N/A* | 100% | **100 %** | 100% | 95% |
| 5 | Percentage of clients at least 'satisfied' by audit process | N/A* | 100% | **100 %** | 100% | 95% |

| | 2025/26 | Q1 | Q2 | Q3 | Q4 | Target |
|---|---|---|---|---|---|---|
| 1 | Percentage of planned audits completed | 9% | 30% | 48.5% | | 50% in Q3 80% pa |
| 2 | Average no. of days from audit closing meeting to issue of a draft report | 1.5 days | 3.2 days | 3.7 days | | 15 days |
| 3 | Average no. of days from receipt of response to draft report to issue of the final report | N/A | 3.9 days | 2.4 days | | 10 days |
| 4 | Percentage of recommendations made that were accepted by the clients | N/A | 100% | 100% | | 95% |
| 5 | Percentage of clients at least 'satisfied' by audit process | N/A | 100% | 100% | | 95% |