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SUBJECT:	**INTERNAL AUDIT** **Progress Report for Quarter 1 (2026/27) &** **Quarter 3 Agile Audit Plan (2026/27)**
DIRECTORATE:	**Resources**
MEETING:	**Governance & Audit Committee**
DATE:	**September 2026**
DIVISION/WARDS AFFECTED:	**All**

1. PURPOSE

To consider the adequacy of the internal control environment within the Council based on the outcomes of internal audit reviews and subsequent conclusions issued to the 30th June 2026.

To consider the performance of the Internal Audit Section over the first 3 months of the 2026/27 financial year and the audit reviews to be undertaken during the 3rd quarter of the year.

2. RECOMMENDATION(S)

1. That the Committee note the audit conclusions issued.

2. That the Governance & Audit Committee 'Call-In' the Strategic Director for Social Care & Safeguarding to a future meeting to discuss the reasons for the second consecutive unfavourable audit conclusions in relation to the Safeguarding of Children's Money, and to seek assurance that appropriate controls will be implemented urgently.

3. That the Committee note the progress made by the Section towards meeting the 2026/27 Internal Audit Strategy and Agile Internal Audit Plan along with the performance indicators at the 3 month stage of the financial year which are currently just below the profiled target.

4. That the Committee approve the Agile Internal Audit 'Rolling Plan' covering Quarter 3 2026/27.

3. KEY ISSUES

3.1 Audit work has started in line with the 2026/27 Internal Audit Strategy, agreed by the Governance & Audit Committee in February 2026. The Agile Internal Audit Rolling Plan was agreed for quarter 1 in February 2026.

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. The self-assessment will be updated during quarter 2 of the 2026/27 financial year.

3.3 The year end opinion for 2026/27 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 30th June 2026.

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

1. Results from Internal Audit Reviews (Q1 2026/27)
2. Follow-up of Previous Audit Recommendations
3. Quarterly Internal Audit Plan (Q3 2026/27)
4. Counter Fraud Investigations and Outcomes
5. Performance Indicators

3.6 Within the results from Internal Audit Reviews completed during Quarter 1 2026/27, two audit reviews concluded with limited assurance opinions. The Safeguarding of Children's Money review received a consecutive limited assurance opinion, and it is therefore recommended that the relevant Strategic Director be called before the Committee to provide assurance on the action being taken to address the identified weaknesses. The Social Value Procurement review also received a limited assurance opinion. Full details of the findings arising from both reviews are set out in Appendix 1.

3.7 The proposed Quarter 3 Internal Audit Plan has been developed on a risk-based basis. In determining the programme of work, consideration has been given to the Council's Strategic Risk Register, emerging themes and management requests, alongside the key non-negotiable audit reviews agreed within the 2026/27 Internal Audit Strategy and the follow-up of previously agreed audit actions.

3.8 Consultation on the proposed Quarter 3 Plan will be completed with the Strategic Leadership Team ahead of its submission to the Governance and Audit Committee for approval. This will provide an opportunity to confirm that the plan remains aligned with the Council's current risk profile, organisational priorities and any developing assurance requirements.

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)
Strategic Leadership Team

Results of Consultation:

N/A

7. BACKGROUND PAPERS

Internal Audit Strategy 2026/27
Agile Internal Audit Rolling Plan Q1 2026/27
Agile Internal Audit Rolling Plan Q2 2026/27

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

2026/27 Quarter 1 Update
2026/27 Quarter 3 Rolling Plan

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 YEAR TO DATE

The number of Audit Conclusions issued since 01st April 2026 to the end of quarter 1 (30th June 2026).

Conclusion	Number
Substantial Assurance	2
Reasonable Assurance	1
Limited Assurance	2
No Assurance	0
Unqualified (Grant Claim)	0
Qualified (Grant Claim)	0
Total Conclusions issued	5

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
School Admissions & Appeals	Substantial Assurance	Draft
Osbaston Primary School	Substantial Assurance	Final
Caldicot Castle (Follow-Up)	Reasonable Assurance	Final
Safeguarding of Children's Monies	Limited Assurance	Final
Social Value Procurement	Limited Assurance	Draft
Additional Payments (Schools)	Non-Opinion	Final
Enterprise Car Club – Early Consultancy	Non-Opinion	Final
Annual Governance Statement	Non-Opinion	Draft

SUMMARY OF AUDITS
UNFAVOURABLE CONCLUSION

Safeguarding of Children's Monies – Limited Assurance

The follow-up review concludes that arrangements for safeguarding children's monies remain at **Limited Assurance**. None of the eight significant recommendations from the May 2024 audit had been fully implemented: four were partially implemented and four were not implemented.

Key unresolved risks include 141 Junior ISAs totalling £39,271.82 remaining under Authority administration for young people no longer in care or aged 18, incomplete pathway planning and settlement records, and the absence of a fully consulted and approved financial policy. A new significant weakness was also identified because the Authority had not progressed with making the promised £5 weekly savings contributions into these accounts.

RISK RATING	DESCRIPTION	TOTAL IDENTIFIED
CRITICAL	Major or unacceptable risk which requires immediate action.	0
SIGNIFICANT	Important risk that requires attention as soon as possible.	8
MODERATE	Risk partially mitigated but should still be addressed.	1

SUMMARY OF AUDITS

UNFAVOURABLE CONCLUSION

Safeguarding of Children's Monies – Limited Assurance

Ref.	SIGNIFICANT
1.02	The Authority did not have a fully consulted upon and approved Financial Policy for Children Looked After.
3.02	Appropriate and effective action if not been taken on receipt of the statements from the Share Foundation.
3.03	As per the 22nd January 2026 Share Foundation Statement the Authority was administering 141 Junior ISA's totalling £39,271.82 who were no longer under local authority care or had turned 18 years of age. Young People had not been paid money they were entitled to.
3.04	There was no evidence available to confirm that Young People, Parents/Guardians or Carers were made aware of the existence of a Junior ISA account at the appropriate time.
3.05	Pathway Plans were not in place for all eligible young people. Reviews of those plans that were in place were not being undertaken at the required frequency.
4.01	A record was not maintained of all Young People who have Duty of Care Settlements where a Monmouthshire County Council employee was acting as the Litigation Friend.
4.02	Social Workers / Personal Assistants were not always aware of the financial settlements held by the Court Funds Office on behalf of the Children Looked After or Young People.
New	The Authority had not made the £5 per week savings contributions promised to Children Looked After.

Ref.	MODERATE
1.03	Young People should be formally advised to seek independent financial advice ahead of their 18th Birthday.

SUMMARY OF AUDITS
UNFAVOURABLE CONCLUSION

Social Value Procurement – Limited Assurance

The audit identified some elements of the Council's approach to social value that provide a basis for the intended control framework; however, these arrangements were not consistently supported by effective implementation in practice.

Corporate strategies, procurement procedures and an evaluation methodology were in place, and social value had been incorporated into the significant procurement exercises reviewed.

However, the limited use of the Thrive Social Value Reporting System, gaps in records and weaknesses in monitoring arrangements reduced the extent to which these processes could demonstrate effective oversight and delivery of social value outcomes. The use of frameworks and quarterly newsletters provided some structure for defining and communicating social value activity, but these arrangements did not fully mitigate the wider issues identified during the audit.

RISK RATING	DESCRIPTION	TOTAL IDENTIFIED
CRITICAL	Major or unacceptable risk which requires immediate action.	0
SIGNIFICANT	Important risk that requires attention as soon as possible.	10
MODERATE	Risk partially mitigated but should still be addressed.	4
STRENGTH	No risk. Sound operational controls and processes confirmed.	9

SUMMARY OF AUDITS
UNFAVOURABLE CONCLUSION

Social Value Procurement – Limited Assurance

Ref.	SIGNIFICANT
2.05	A signed version of the contract could not always be located.
2.06	Although a contract register was published, this did not comprehensively cover all contracts which the Authority had in place.
2.07	No Social Value commitment has been attached to any procurement exercise less than £250k. There was no evidence that Social Value had been considered for contracts greater than £75k in value.
2.08	A schedule of penalties had not been established and included within contractual documentation.
2.09	A significant underperformance on delivering the committed Social Value was identified with no documented action taken to rectify the situation.
3.03	Despite the existence of a social value system / portal (Thrive) it did not contain all current contracts.
3.04	Access to Thrive had not been granted to all relevant individuals, limiting their ability to effectively monitor agreed Social Value activity.
3.05	There was no evidence of oversight and management of Social Value commitments by either Contract or Category Managers.

Ref.	MODERATE
1.04	No dedicated training had been provided to procurement managers or contract managers on how to achieve and monitor Social Value outcomes.
2.12	Collaborative contracts with other Ardal partners were not always sought, potentially missing out social value opportunities.
3.08	Invitation to Tender (ITT) documentation only required social value targets for the initial contract term and did not set out a documented approach for agreeing / contracting social value commitments for any extension period(s).
3.09	Although quarterly newsletters were produced and published on the Ardal website sharing stories around social value delivered, these were not circulated through the Authority.

SUMMARY OF AUDITS IN PROGRESS

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

This is as of 11/08/26

Audit Title	IA Plan	Fieldwork % Complete			
		25%	50%	75%	100%
Fuel Cards (2025/26)	C/F 2025/26				
Goytre Primary (2025/26)	C/F 2025/26				Issued Q2
Commercial Waste (2025/26)	C/F 2025/26				Issued Q2
Purchasing Cards Follow-up	2026/27 Q1				
Licensing	2026/27 Q1				
Grounds Maintenance	2026/27 Q1				
Data Protection / SharePoint Implementation	2026/27 Q2				
Caldicot Castle (Admin Processes)	2026/27 Q2				
Enterprise Car Scheme	2026/27 Q2				
Secondments	2026/27 Q2				
School Exclusions	2026/27 Q2				
New Children's Home	2026/27 Q2				
Housing Support Grant	2026/27 Q2				

SUMMARY OF AUDITS IN PROGRESS

Audit work agreed within the agile audit plan for previous quarters which has not yet commenced and the reason why a delay has occurred.

This is as of 11/08/26

Audit Title	IA Plan	Reason
Corporate Safeguarding	2026/27 Q1	Agreed with Strategic Director to delay the review until Q4 due to process changes being implemented.
Seven View Park	2026/27 Q1	Amended to Q3 start due to change in site management.
Raglan VC Primary School	2026/27 Q1	Amended to Q3 start due to IA Resource
Planning Obligations (S106)	2026/27 Q2	Agreed to amend this review to 2027/28 Q1 due to the delay in the Replacement Local Development Plan (RLDP) examination process.
Health & Safety	2026/27 Q2	Agreed with Strategic Director to delay review to Q4.

SUMMARY OF AUDITS
CONTINUOUS ASSURANCE

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.

Advice is often delivered by email, through Microsoft Teams calls, or as part of an internal audit review. The Audit team also contributes to several programme boards, including the New Social Care Management System and the Information Governance Group, to provide insight.

Area
Financial, Internal Control and Governance Advice
Monitoring Implementation of Previous Recommendations & Management Actions
New Social Care Management System
Social Care Provider Financial Assessments
Annual Governance Statement
Information Governance Group - Standing Member
Systems Admin Network - Standing Member
Procurement Network - Standing Member
Corporate Induction
National Fraud Initiative
NAFN Fraud Alerts
Fleet Management Board - Standing Member

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	Original Opinion	Status
2023/24	Employee Mileage	Limited	Limited
	General Expenses	Limited	Limited
	Children Looked After Savings	Limited	Limited
2024/25	Procurement Cards	Limited	Fieldwork
	Bank Imprest - Severn View	Limited	2026/27 Q3
	Supply Staff at Schools	Limited	2026/27 Q3
	Contract Management	Limited	2026/27 Q4
	Pupil Referral Service	Limited	2026/27 Q3
2025/26	My Mates	Limited	2026/27 Q4
	H&S Building Compliance	Limited	2026/27 Q4
	Deprivation of Liberty Safeguards	Limited	2026/27 Q4
	King Henry VIII 3-19 School	Limited	2026/27 Q4
	Caldicot Castle	No Assurance	Reasonable
2026/27	Social Value Procurement	Limited	2027/28 Q1

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 Q4
Safeguarding	Social Care & Safeguarding	Assurance	2020/21	2026/27 Q4
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

3 AUDIT PLAN QUARTER 3

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
Treasury Management	Resources	Assurance	High
National Non Domestic Rates (NNDR)	Resources	Assurance	High
Pupil Referral Service (Follow- up)	CLSE	Assurance	High
Supply Teachers (Follow-up)	CLSE	Assurance	Medium
School Building Usage	CLSE	Assurance	Medium
Ysgol y Ffin	Schools	Assurance	Medium
Schools Control Risk Self Assessments	Schools	Assurance	Medium
Children's Services Imprest Account	Social Care	Assurance	Medium
SWTRA	Infrastructure	Assurance	High
Outdoor Adventure	Place & Community Wellbeing	Assurance	Medium
MonLife Control Risk Self-Assessments	Place & Community Wellbeing	Assurance	Medium
Member Allowances & Expenses	Law & Governance	Assurance	Medium

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	Employee E (School Based)	Inappropriate payments & non-compliance with Policy	Ongoing
2026/27	Employee F (Place & Community Wellbeing)	Theft	Ongoing
	Complaint A	Independent investigation required	Ongoing

COUNTER FRAUD INVESTIGATION OUTCOMES

These are investigations or proactive pieces of Counter Fraud work completed 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
	No outcomes to report during Q1		

INTERNAL AUDIT PERFORMANCE INDICATORS

These are the performance indicators agreed within the Internal Audit Strategy 2026/27.

The suite of indicators are new for this year and due to this there is no comparable data from previous years.

	2026/27	Target	Q1	Q2	Q3	Q4
1	Audits completed to draft within 4 months	90%	100%			
2	Number of Audit Conclusions issued during the quarter	8	5			
3	Number of Audit Conclusions issued during the rolling 12 month period	35	33			
4	Clients satisfied with service received	100%	100%			
5	Number of staff	6 FTE	6 FTE			
6	Frequency of Plan Updates reported to GAC & SLT	Quarterly	Target Met			
7	Recommendations either fully or partially implemented within 12 months	90%	PI not yet captured – work in progress.			
8	Response to fraud allegations or requests for advice	2 days	Same day			