

<b>SUBJECT:</b>	<b>INTERNAL AUDIT Annual Report 2022/23</b>
<b>DIRECTORATE:</b>	<b>Resources</b>
<b>MEETING:</b>	<b>Governance and Audit Committee</b>
<b>DATE:</b>	<b>15<sup>th</sup> June 2023</b>
<b>DIVISION/WARDS AFFECTED:</b>	<b>All</b>

## 1. PURPOSE

To receive and consider the Annual Internal Audit Report for 2022/23.

## 2. RECOMMENDATION(S)

That the Governance and Audit Committee receive, comment on and endorse the Annual Report.

## 3. KEY ISSUES

- 3.1 The Public Sector Internal Audit Standards require the Chief Internal Auditor to provide an annual opinion based upon and limited to the work performed on the overall adequacy and effectiveness of Monmouthshire County Council's framework of governance, risk management and internal control. This is achieved through a risk-based plan of work, agreed with management, which should provide a reasonable level of assurance. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.
- 3.2 The audit opinions issued reflect the level of assurance obtained; these are shown at Appendix B. **22** audit opinions were issued during 2022/23 ranging from Substantial to Limited assurance (a total of 20 opinions were issued in 2021/22). The overall opinion was **Reasonable assurance**, which indicates *the systems in place were adequately controlled, although some risks were identified which could compromise the overall control environment.*
- 3.3 **1 Limited assurance** opinion was issued.

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- 3.4 The 2022/23 Audit opinion is partially reliant on previous work undertaken by the team where Reasonable Assurance opinions were issued; there have been no significant changes to the organisation's systems or key personnel and no major frauds were identified.
  - 3.5 Internal Audit opinions on the work undertaken at the SRS by Torfaen Internal Audit team were also taken into consideration.
  - 3.6 The Internal Audit team achieved 72% of the agreed 2022/23 audit plan against a target of 82% (64% in 2021/22). The achievement of the plan was affected unforeseen vacancies.

#### **4. REASONS**

- 4.1 Monmouthshire County Council, as a local government organisation, is subject to The Accounts and Audit (Wales) Regulations 2014 and therefore has a duty to make provision for internal audit in accordance with the Local Government Act.
- 4.2 Internal Audit is an independent function established by the management of Monmouthshire County Council to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 4.3 In line with the Public Sector Internal Auditing Standards (PSIAS), the Chief Internal Auditor should present a formal annual report to the Council which gives an opinion on the overall adequacy and effectiveness of the Council's internal control environment, governance arrangements and risk management processes. The Standards require an external review of Internal Audit to be completed at least every five years. At the latest review during 2017/18 the Internal Audit team was independently assessed against these Standards and were found to be compliant. The team will be undergoing an External Quality Assessment as required by the PSIAS during 2023/24
- 4.4 This is the Internal Audit Annual Report for 2022/23.

#### **5. RESOURCE IMPLICATIONS**

None.

#### **6. CONSULTEES**

Deputy Chief Executive & S151 Officer

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**7. BACKGROUND PAPERS**

Internal Audit Annual Report 2022/23 - attached  
Operational Internal Audit Plan 2022/23  
Strategic Internal Audit Plan  
Public Sector Internal Auditing Standards  
Shared Resource Service (SRS) – Internal Audit Annual Report  
2022/23 (Torfaen IA Team)

**8. AUTHOR AND CONTACT DETAILS**

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**INTERNAL AUDIT  
ANNUAL REPORT  
2022/23**

**YEAR ENDED 31st MARCH 2023**

**Date: June 2023**

## 1. Introduction

- 1.1 Monmouthshire County Council, as a local government organisation, is subject to The Accounts and Audit (Wales) Regulations 2014 and therefore has a duty to make provision for internal audit in accordance with the Local Government Act.
- 1.2 The Regulations state that the Responsible Finance Officer (S.151) of the organisation shall maintain an adequate and effective internal audit of the accounts of that organisation and its systems of internal control. Internal Audit undertakes this role on behalf of the S.151 Officer. Internal Audit is seen as an independent function established by the management of Monmouthshire County Council for the review of the internal control system as a service to the organisation. It enhances and protects organisational value by providing risk-based and objective assurance, advice and insight.
- 1.3 In line with the Public Sector Internal Auditing Standards, the Chief Internal Auditor should present a formal annual report to the Governance and Audit Committee which gives an opinion on the overall adequacy and effectiveness of the Council's internal control environment. The annual report should also:
- a. disclose any qualifications to that opinion, together with reasons for the qualification;
  - b. present a summary of the audit work undertaken to formulate the opinion;
  - c. draw attention to any issues the Chief Internal Auditor judges particularly relevant to the preparation of the annual governance statement (to be reported separately);
  - d. compare the work actually undertaken with that planned and summarise the performance of the internal audit function against its performance measures and criteria; and
- 1.4 This report is the Annual Internal Audit Report which meets the requirements of the Standards. It provides the overall audit opinion for Members on the internal controls operating within the County Council and provides a summary of the work completed during the year, identifying key findings and outcomes from the work undertaken. It also outlines the performance of the Internal Audit team during the year against agreed pre-set targets.
- 1.5 The internal controls operating within the Council are of a complex nature, reflecting the organisational arrangements. Internal Audit plans its work to address the major risks that the Authority faces. That work

is not designed to check the work of others but to comment on the controls in place to protect the Council from loss of assets or inefficient operations, whatever the cause.

- 1.6 The objectives of the Section for the year were: -
- (a) To deliver an internal audit service in accordance with the Public Sector Internal Auditing Standards and meeting statutory requirements;
  - (b) To undertake risk-based assessments of the Authority's internal control environment and hence contribute to the Annual Governance Statement;
  - (c) To maintain and enhance the audit involvement in all areas as an aid to good financial stewardship.

## **2. Audit Opinion**

- 2.1 In 2022/23, based on the planned work undertaken during the year, overall, the systems and procedures in place were adequately controlled, although risks were identified which could compromise the overall control environment; improvements are required. The opinion definitions are noted at Appendix A.
- 2.2 The overall audit opinion for the internal controls operating within the Council in 2022/23 was **Reasonable assurance:**

The Internal Audit team has completed its internal audit work for the year based upon the Operational Audit Plan approved by the Audit Committee in June 2022. The Plan was designed to ensure adequate coverage over the Council's financial and operational systems using a risk based assessment methodology.

The audit work included reviews, on a sample basis, of each of these systems/establishments sufficient to discharge the Authority's responsibilities for Internal Audit under section 151 of the Local Government Act 1972 and The Accounts and Audit (Wales) Regulations 2014. The opinion is based upon the work undertaken. Work was planned in order to provide sufficient evidence to give me reasonable assurance of the internal control environments tested.

The 2022/23 Audit opinion is partially reliant on previous work undertaken by the team where Reasonable Assurance opinions were issued; there have been no significant changes to the organisation's systems or key personnel and no major frauds were identified.

Internal Audit opinions on the work undertaken at the SRS by Torfaen Internal Audit team were also taken into consideration.

Based on the planned work undertaken during the year, in my view the internal controls in operation give **Reasonable Assurance**; *Adequately controlled, although some risks identified which could compromise the overall control environment. Improvements required.*

The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

Jan Furtek  
Audit Manager  
June 2023

- 2.3 On undertaking audit reviews in accordance with the Annual Audit Plan, an opinion is given on how well the internal controls of the system or establishment are operating. Internal audit reports provide a balanced view of the controls in place. The opinion is determined by the number of strengths and weaknesses identified during the course of the review and the risk rating and priority given to each. Each audit review undergoes a comprehensive review process by the Audit Manager and occasionally the Chief Internal Auditor before the draft report is sent out to management. The controls are generally measured against a predetermined matrix of expected internal controls for each system; for fundamental systems these are usually derived from CIPFA.

2.4 The overall opinion has been compiled from individual audit reviews undertaken during the year [see Appendix B] and consideration of the previous years' Internal Audit opinion:

Audit Opinion	2020/21	%	2021/22	%	2022/23	%
Substantial	2	22	5	25	7	32
Considerable	6	67	6	30	10	45
Reasonable	1	11	7	35	4	18
Limited	0	0	2	10	1	5
	9	100	20	100	22	100

Overall Opinion	Reasonable	Reasonable	Reasonable

2.5 Internal Audit opinions on the work undertaken at the SRS by Torfaen Internal Audit team were also taken into consideration (Appendix D). SRS are the Council's IT providers, so assurances have been provided on the adequacy of controls in place within that organisation to demonstrate effective governance, risk management and internal control processes.

2.6 Extract from the (Draft) Annual Internal Audit Report 2022/23 of the Shared Resource Centre (Torfaen Internal Audit Team) - "The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control. Overall Opinion is **Satisfactory**.

- A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and
- None of the individual assignment reports have an overall report classification of either high or critical risk.

2.7 Managers within directorates need to ensure that robust internal controls are in place and adhered to in order to ensure that the systems in operation run efficiently and effectively and the scope for misappropriation, theft or error is minimised. Heads of Service have a responsibility to ensure that the Council's Financial Procedure Rules and Contract Procedure Rules are complied with at an operational level. Staff should be made aware of these and the requirements therein and the consequences of non-compliance.



### 3. Extent of Coverage

- 3.1 The Internal Team's resources were reduced over the course of the year as the Audit Manager and 1 Senior Auditor post remained vacant for the whole year. The Audit Manager post was successfully recruited to in February 2023 with the new post holder due to commence employment in April 2023. Vacancy provision for both positions was included in the IA plan agreed by Governance and Audit Committee only for a 6-month period. This effected the completion of planned work.
- 3.2 Over the course of 2022, the Chief Internal Auditor continued in his dual role acting in that capacity for both Newport City Council and Monmouthshire County Council. Since the departure of the Chief Internal Auditor in April 2023, this arrangement has been put on hold whilst both Councils assess the best way forward together on their operating models, for the delivery arrangements of the internal audit service. The Audit Manager is currently fulfilling the duties of the Chief Internal Auditor.
- 3.3 Due to the vacancies, additional resource was procured from an outside agency. However, of the 4 audits planned to be undertaken, only 1 of these was delivered and issued in draft by the 31<sup>st</sup> March 2023.
- 3.4 There have been no significant changes in systems or personnel in key positions and no major frauds have been uncovered.
- 3.5 Overall, whilst not all planned audits were carried out, the actual number achieved is considered acceptable in view of the relative risk and priorities of other audit needs. The IA plan was agreed by the Governance and Audit Committee in June 2022. Planned audit work not undertaken during the year is shown at Appendix E.

### 4. Audit Coverage

- 4.1 The full list of audit reviews completed by the Section during the year is shown in the attached Appendix B, together with the relevant internal control opinion issued for each audit.
- 4.2 Control opinions range from Substantial to Limited assurance in accordance with the definitions shown in Appendix A.
- 4.3 Audit reviews concluding with a control opinion of Limited assurance are routinely reported (in summary form) to the Governance and Audit Committee. For 2022/23, 1 **Limited assurance** opinion was issued; details as to why only Limited assurance could be given are shown at Appendix C:

- Our Lady & St Michaels RC Primary School

- 4.4 The added value, non-opinion work undertaken by Internal Audit is shown at Appendix F; this is mainly financial advice and monitoring the implementation of the agreed recommendations along with the completion of the Annual Governance Statement.
- 4.5 The (draft) Annual Internal Audit report for the SRS showed that 12 internal audit reviews (6 systems, 5 follow ups and 1 special / consultancy) were completed in year. This resulted in the identification 4 findings (2 medium, and 2 low) to improve weaknesses in the design of controls and/or operating effectiveness. All final reports have agreed action plans, dates and responsible officers for improving the internal control environment. The audit reviews undertaken are shown at Appendix D.
- 4.6 The report format for MCC simplifies the outcome of the audit process and gives operational managers a clear indication of the audit opinion following the audit review. The audit opinions provide a level of assurance and are colour coded in line with the traffic light system (Appendix A).

## 5. Update on Unfavourable Audit Opinions issued

- 5.1 During the 2022/23 financial year, the Internal Audit team have continued to follow-up reviews where a previous 'Limited' audit opinion had been issued. The following tables detail where this work has been completed over the course of the year.
- 5.2 It is pleasing to confirm that where the most recent follow-up review has been conducted, the area examined has received a more favourable audit opinion.
- 5.3 During 2017/18, 8 reports were issued with a **Limited** opinion. 7 out of 8 reports have been followed up and have been given an improved opinion. The 1 outstanding review related to the Events audit where the report was based on large scale events held; to date no further large scale events held therefore we have been unable to test the majority of recommendations.

	Audit	Risk H/M/L	Opinion	Revised Opinion / Status	Date Issued
<b>2017/18</b>	Food Procurement	High	Limited  Follow Up November 2020 -	Considerable	Final issued January 2023

			Limited		
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5.4 During 2018/19, 6 reports were issued with a **Limited** opinion. All have now been followed up and received more favourable opinions.

	Audit	Risk H/M/L	Opinion	Revised Opinion / Status	Date Issued
<b>2018/19</b>	Caldicot Castle	Medium	Limited  Follow up March 2020 - Limited	Considerable	Final issued November 2022
	Agency Workers	Medium	Limited	Reasonable	Final issued September 2022
	Health & Safety of Authority's existing buildings	Medium	Limited	Considerable	Final issued September 2022

5.5 During 2019/20, 8 reports were issued with a **Limited** opinion. These were as follows:

	Assignment	Risk H/M/L	Opinion	Revised Opinion/ Status	Date Issued
<b>2019/20</b>	Llandogo Primary School	Low	Limited	Considerable	Final issued December 2022
	Castle Park Primary School	Low	Limited	Substantial	Draft issued March 2023
	Shire Hall	Medium	Limited	Considerable	Final issued March 2022
	Tintern Old Station	Medium	Limited	<b>Q 1/2 2023/24</b>	
	Caldicot Castle follow up	Medium	Limited	Considerable  (Covered in table at 5.4 above)	
	PTU Vehicle Maintenance	High	Limited	Substantial	Final issued

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					January 2023
	Procurement (Food) follow up	High	Limited	Considerable (Covered in table at 5.3 above)	
	Direct Payments	Medium	Limited	Reasonable	Final issued June 2022

5.6 It should be noted that due to the impact of the Covid pandemic, Tintern Old Station was closed for much of 2020 and 2021. It was also closed for the winter months of 2022, only reopening to the public in late April 2023. Due to limited audit resources this has not yet been followed up. It is planned that the follow-up audit review will be completed in late quarter 1 / early quarter 2 of the 2023/24 year.

5.7 Of the 9 opinions issued in 2020/21, no **Limited** opinions were issued.

5.8 Of the 20 opinions issued in 2021/22, 2 **Limited** opinions were issued.

	Assignment	Risk H/M/L	Opinion	Revised Opinion/ Status	Date Issued
<b>2021/22</b>	Concessionary Travel	M	Limited	Reasonable	Draft issued March 2023
	Fleet – Health & Safety & Driver Management	M	Limited	Considerable	Final issued January 2023

5.9 Of the 20 opinions issued in 2022/23, 1 **Limited** opinion was issued.

	Assignment	Risk H/M/L	Opinion	Revised Opinion/ Status	Date Issued
<b>2022/23</b>	Our Lady and St Michael's R.C. School	L	Limited	Q3 2023/24	Final issued May 2023

## **6. Non-Audit Duties**

6.1 The team now has a minimal involvement with controlled stationery, although still administers the imprest account process. The audit team have worked over the year to close down the remaining imprest accounts. This process will continue into 2023/24.

## **7. Fraud, Irregularity and Special Work/Investigations**

- 7.1 No major frauds were identified during the year in relation to Monmouthshire's normal business operations.
- 7.2 The Internal Audit Team is responsible for co-ordinating the National Fraud Initiative (NFI) process for the Council, an initiative run by the Cabinet Office. This is a biennial data matching exercise that matches electronic data within and between participating bodies to detect and prevent fraud and overpayments from the public purse across the UK. On an annual basis Council Tax and Electoral Roll data is collated and matched.
- 7.3 MCC data has been uploaded for the current exercise and matches have been returned from the Cabinet Office (Jan-Mar 2023). Internal Audit and service areas are continuing to review the matches and verify their legitimacy, reporting any issues as fraud as necessary to the Chief Internal Auditor. NFI is the only dedicated piece of anti-fraud work being delivered by Internal Audit.

## **8. Training**

- 8.1 During the year a number of staff attended external courses / webinars on a variety of topics to ensure continued professional development.
- 8.2 The Section also participates in a number of local audit groups including the Welsh Chief Auditors' Group and respective sub groups.
- 8.3 Management fully support the development and training of the audit staff and will continue to send staff to appropriate seminars/courses etc., to maintain an awareness of technical and legislative developments and to support user groups within the area in order to provide a more effective service. This will be beneficial on a personal and professional level.

## **9. Audit Team Performance**

- 9.1 To ensure a quality Internal Audit service is provided, the Section uses a range of performance indicators which it compares with other Welsh authorities via the Welsh Chief Auditors' Group.
- 9.2 As shown at Appendix G, 72% of the agreed plan was completed against a target of 82%.

- 9.3 Excluding finalisation work from 2021/22, 60 audit jobs were included in the audit plan for 2022/23; 43 jobs were completed to at least draft report stage. [Not all jobs in the plan would warrant an audit opinion e.g. audit advice, Annual Governance Statement, external work etc.].
- 9.4 As a measure of the quality of the work produced, the Team was able to report that 100% of its recommendations were accepted by the service managers. [This does not take into account reports that were in draft at year end]. The percentage of previously agreed recommendations which had been implemented or partially implemented will be reported later in the year.
- 9.5 Getting audit reports out to clients in a timely manner is a key aspect of maintaining relationships and ensuring control weakness are addressed at an early stage.
- a. Final reports were sent out 8.5 days following receipt of management comments, against a target of 5 days.
  - b. Draft reports were sent out to clients 4.4 days after the completion of the audit work against a target of 17 days.
- 9.6 Of the audit evaluation questionnaires which were returned by operational managers, 100% were 'satisfied' or 'very satisfied' with the audit service they had received although it is recognised that timeliness of reporting needs to improve.

## **10. Conclusions**

- 10.1 It is considered that, over the course of the financial year, the objectives of the Team (as stated in paragraph 1.6) have been met.
- 10.2 The reporting procedures for all areas of the Team are now well established. Working practices are updated as a matter of course to underpin the quality of work undertaken. Team meetings are held on a regular basis to ensure all staff are kept aware of new developments and management can monitor progress of work against the plan.
- 10.3 The Team's management maintained a continuous review process throughout the year to ensure, where possible, that the highest risk areas were targeted and the Operational Plan for 2023/24 was also designed to ensure that any priority areas outstanding would be covered in the next financial year.
- 10.4 The objective of the Internal Audit Team is to provide assurance to Management and Members of the adequacy of the internal control environment, governance arrangements and risk management processes within Monmouthshire. Reduced audit staff resources leads

to less coverage across the services provided by the Council which limits the assurance that can be given. In addition the team becomes less flexible in its ability to undertake special investigations in response to allegations of fraud, theft or non compliance.

- 10.5 The Audit Manager will have to monitor the situation closely and use a range of options to ensure appropriate audit coverage is provided. Although demands on the resources are increasing, the Audit Manager is confident that adequate and appropriate coverage will be provided throughout the Council; prioritisation may be required.
- 10.6 Finally, the support of all audit staff as well as senior management must be acknowledged in helping to continue to provide a comprehensive and valuable service to the Authority.

## Definitions of Internal Audit Opinions Used

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

**Unqualified** – the terms and conditions of the grant were complied with.

**Qualified** - the terms and conditions of the grant were not complied with.



## Audit Opinions

<b>Overall Opinion</b>	<b>2022/23</b>	<b>Reasonable</b>
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## Summary

	21/22	22/23
Substantial	5	7
Considerable	6	10
Reasonable	7	4
Limited	2	1
Total Opinions	20	22
Unqualified	3	3
Qualified	0	0

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Final as at 31-3-22	Opinion given
P2223-05	Resources	Payroll & Systems	Payroll - system	High	Draft	Substantial
P2223-08	Resources	Commercial, Property, Fleet, Facilities	PTU Maintenance follow up	High	Finalised	Substantial
P2223-21	Children & Young People	Primary Schools	Dewstow	Low	Finalised	Substantial
P2223-22	Children & Young People	Primary Schools	Llanvihangel Crucorney	Low	Finalised	Substantial
P2223-24	Children & Young People	Primary Schools	Overmonnow	Medium	Draft	Substantial
P2223-26	Children & Young People	Secondary Schools	King Henry V111	Medium	Finalised	Substantial
P2223-66	Children & Young People	Primary Schools	Castle Park Follow-up	Medium	Draft	Substantial
P2223-01	Resources	Finance - Revenues, Systems & Exchequer	NNDR	Medium	Draft	Considerable
P2223-06	Resources	Digital	Freedom of Information	Medium	Finalised	Considerable
P2223-07	Resources	Commercial, Property, Fleet, Facilities	Fleet / Vehicle H&S follow up	High	Finalised	Considerable

P2223-09	Resources	Commercial, Property, Fleet, Facilities	H&S Buildings follow up	High	Finalised	Considerable
P2223-14	People & Governance	Legal	Land Charges	Medium	Finalised	Considerable
P2223-33	Social Care & Health	Managed Care/Looked After Children	Children with Disabilities	Medium	Draft	Considerable
P2223-42	Enterprise	Enterprise and Community Animation	Food Procurement Follow Up	High	Finalised	Considerable
P2223-47	Enterprise	Neighbourhood Services	Street Cleansing	Medium	Finalised	Considerable
P2223-52	Mon Life	Heritage	Caldicot Castle	Medium	Finalised	Considerable
P2223-64	Children & Young People	Primary Schools	Llandogo Primary School Follow Up	Medium	Finalised	Considerable
P2223-20	Children & Young People	Primary Schools	Deri View	Low	Draft	Reasonable
P2223-30	Social Care & Health	Adult Services	Carers Service	Medium	Draft	Reasonable
P2223-34	Social Care & Health	Wellbeing	Fostering	Medium	Draft	Reasonable
P2223-65	Enterprise	Neighbourhood Services	Concessionary Travel Follow-up	Medium	Draft	Reasonable
P2223-23	Children & Young People	Primary Schools	Our Lady & St Michael's RC	Medium	Draft	Limited
P2223-18	Children & Young People	CYP Finance & Support Services	School Improvement Grant	Low	Finalised	Unqualified
P2223-19	Children & Young People	CYP Finance & Support Services	Pupil Development Grant	Low	Finalised	Unqualified
P2223-45	Enterprise	Enterprise and Community Animation	Housing Support Grant	Medium	Finalised	Unqualified

**2022/23 Limited Assurance IA opinions**

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Final as at 31-3-22	Opinion given
P2223-23	Children & Young People	Primary Schools	Our Lady & St Michael's RC	Medium	Draft	Limited

**Our Lady & St Michael's RC Primary School**

RATING	RISK DESCRIPTION	IMPACT	TOTAL IDENTIFIED DURING REVIEW
1	Significant	(Significant) – Major / unacceptable risk identified. Risks exist which could impact on the key business objectives. Immediate action required to address risks.	5
2	Moderate	(Important) – Risk identified that requires attention. Risks identified which are not business critical but which require management attention as soon as possible.	17
3	Minor	(Minimal) – Low risk partially mitigated but should still be addressed. Audit comments highlight a suggestion or idea that management may want to consider.	10
4	Strength	(No risk) – Good operational practices confirmed. Well controlled processes delivering a sound internal control framework.	32

No.	Audit Ref.	Issue & Risk	Recommendation
1	3.4	<p>Starter/Leaver and Amendment Forms were not maintained and approved by the Headteacher.</p> <p><b>Risk - Changes may be processed without Headteacher approval.</b></p> <p><b>Errors may go undetected.</b></p>	<p>Starter/Leaver and Amendment Forms should be authorised appropriately.</p> <p><b>Management Response:</b>  <i>Ensure that we adhere to the processes and allow additional capacity via DHT.</i></p> <p><i>Ensure that the original is signed promptly on a weekly basis.</i></p> <p><i>Develop an area in the office for SLT to sign off regularly.</i></p>
2	4.3	<p>Purchase Orders were not raised in advance.</p> <p><b>Risk – Expenditure has not been pre-approved, resulting in unapproved and inappropriate spend.</b></p> <p><b>Invoice payment may be delayed if no purchase order is raised and expenditure that has not been committed could have significant impact on the budget.</b></p>	<p>All purchase orders should be raised in advance.</p> <p><b>Management Response:</b>  <i>Set up call offs use of business cards to allow a more appropriate response to payment of suppliers.</i></p> <p><i>Cook availability to complete invoices in a timely manner using 1.00-1.30pm for this task.</i></p>
3	4.4	<p>Invoice payments were not made in a timely manner.</p> <p><b>Risk - Late payments could result in additional fees, loss of suppliers and bad reputation.</b></p> <p><b>Budgeting and budget monitoring becomes difficult.</b></p>	<p>Payment should be made in a timely manner following the receipt of all goods and services ordered.</p> <p><b>Management Response:</b>  <i>Sheer volume of invoicing has made it difficult to keep up with</i></p>

No.	Audit Ref.	Issue & Risk	Recommendation
			<p><i>processing in a timely manner. Also due to training at the start of the year the administrator did not have the option of working from home 1 day each week for quite some time.</i></p> <p><i>The administrator is now in a position to get back on track with immediate effect.</i></p> <p><i>The process has been discussed and agreed with the school administrator.</i></p> <p><b>Audit Comment:</b> <i>This is intrinsically linked to Report Ref 2. If that recommendation is addressed successfully then the timeliness of invoice payment should improve, and the majority of the invoices will be processed by the Authority's Creditors Team.</i></p>
4	11.2	<p>Volunteers visiting the School site were not subject to all checks prior to their start date.</p> <p><b>Risk - Not adhering to the safe recruitment procedures. Volunteers may not be suitable to work with children.</b></p>	<p>Volunteers visiting the School site must be subject to DBS checks and other vetting prior to their start date.</p> <p><b>Management Response:</b> <i>Move to a paper-based file system in the summer term until Abergavenny Cluster Business Manager is able to support us to move to Kinetic.</i></p>

No.	Audit Ref.	Issue & Risk	Recommendation
5	11.5	<p>Governors did not all have DBS clearance.</p> <p><b>Risk – Staff and pupils could potential be put at risk.</b></p>	<p>All new governors must have DBS clearance and that this is obtained within 5 weeks of appointment.</p> <p><b>Management Response:</b>  <i>File with date of DBS number and date of issue has been set up to ensure that all Governors have (and will be) DBS Checked. Any gaps identified and addressed.</i></p>
6	1.6	<p>Charges for lettings were not subject to regular review.</p> <p><b>Risk - Failure to cover costs. Loss of income.</b></p>	<p>An agreed rate of charge for lettings should be set and approved. These should be reviewed annually.</p> <p>The lettings should be charged at this rate, where they deviate this should be agreed by governors with appropriate justification for the deviation.</p> <p><b>Management Response:</b>  <i>Use our existing letting agreements policy to allow an accurate charge. Which will increase inline with the actual usage of the building.</i></p> <p><i>A review meeting for the Ladybirds hire has been placed in the diary for early May and the lettings agreement will become part of the initial governor Finance Committee first meeting each academic year.</i></p>
7	1.7	<p>Formal lettings agreements were in place but had not been renewed on an annual basis and made no reference to safeguarding. There also appeared to be differences between the times of occupation and the opening hours of</p>	<p>Formal letting agreements should be in place and renewed annually.</p> <p>The times that the area is leased need to be clarified and documented. Once agreed this needs to be fed into the letting</p>

No.	Audit Ref.	Issue & Risk	Recommendation
		<p>the leaser.</p> <p><b>Risk - Lack of up to date agreements may lead to legal liability being unclear if an incident occurred.</b></p>	<p>charges.</p> <p>When the agreement is revised this should include references to the safeguarding responsibilities of both parties.</p> <p><b>Management Response:</b>  <i>A review meeting for the Ladybirds hire has been placed in the diary for early May and the lettings agreement will be updated. An annual review will become part of the initial governor Finance Committee first meeting each academic year.</i></p>
8	1.8	<p>Lettings for use of the School were not payable for in advance.</p> <p><b>Risk - Financial loss to the School may occur.</b></p>	<p>The School should ensure Lettings for use of the School are payable in advance or alternatively a Sundry Debtor invoice should be raised in accordance with the LEA's Debtor Policy</p> <p><b>Management Response:</b>  <i>Lettings will be asked to pay monthly in advance.</i></p> <p><b>Audit Comment:</b>  <i>Headteacher should note that the requirement to pay on the 1<sup>st</sup> of each month is in the current historic arrangement, the school will need to reinforce this in any new agreement and monitor to ensure that income is received in line with this.</i></p>
9	1.13	<p>Income could not be traced from official receipts to banking as there were no receipts issued.</p> <p><b>Risk - Not retaining primary records of income received</b></p>	<p>Official receipts should be issued for all income received.</p> <p><b>Management Response:</b>  <i>Restart the use of a receipt book to show the handing over of any</i></p>

No.	Audit Ref.	Issue & Risk	Recommendation
		<i>could result in income not being correctly reconciled and payee disputes may arise.</i>	<i>monetary items that come into school i.e. donations etc.</i>
10	1.15	<p>Bankings were not subject to a secondary check.</p> <p><b><i>Risk - Lack of a secondary checks of amounts banked could result in errors and discrepancies being missed or malpractice may not be identified.</i></b></p>	<p>All banking documents should be subject to a secondary check and appropriately signed.</p> <p><b><i>Management Response:</i></b> <i>Banking records to be reviewed by a member of SLT.</i></p>
11	6.6	<p>The procurement “lodged card” procedure was not always followed. Delivery notes were not always available to compare against payment details before coding and authorisation.</p> <p><b><i>Risk - Items not received may be paid for.</i></b></p> <p><b><i>Disputes between suppliers may arise.</i></b></p>	<p>Delivery Notes should be compared against payment details before coding and authorisation.</p> <p><b><i>Management Response:</i></b> <i>Delivery notes will come over to the office after inspection by the school cook and any discrepancies identified and credit notes subsequently signed off.</i></p>
12	7.1	<p>There was no inventory in place.</p> <p><b><i>Risk – assets held at the School are not known, reimbursement would be difficult in the event of a need to claim against insurance.</i></b></p>	<p>An inventory register should be maintained of all durable items including furniture and fittings etc., This should include details on make, model, serial number (if applicable), description and cost of purchase.</p> <p>The inventory should be checked annually.</p> <p><b><i>Management Response:</i></b> <i>Complete an Inventory book initially and transfer the information into a template (provided by the auditors)</i></p>



No.	Audit Ref.	Issue & Risk	Recommendation
			<i>This will be updated at least annually.</i>
13	8.2	<p>The School had two authorised signatories included on the Private Fund, one of which is an employee who left on 31<sup>st</sup> August 2022.</p> <p><b>Risk - Unauthorised staff may have access to the School's Private Fund. There is no capacity to make cheque payments.</b></p>	<p>At least 2 signatories of current senior staff at the School should feature on the account and a bank mandate should be obtained for the Private Fund to evidence the signatories at the School, and this should be retained.</p> <p><b>Management Response:</b> <i>New signatories and the required updated banking information has been submitted to the bank week beginning 17/4/23.</i></p> <p><i>Only 1 office staff member has been set up and 3 SLT members.</i></p>
14	8.3	<p>Cheques were signed before full details of the payment were completed. Cheques were pre-signed.</p> <p><b>Risk - Pre-signed cheques could be lost, stolen and misused.</b></p>	<p>Cheques should only be signed once full details of the payment has been completed.</p> <p><b>Management Response:</b> <i>The process of presigning cheques will not occur anymore. The situation arose due to the transition of staff and a delay in the setting up of new signatories caused the situation. This has now been addressed.</i></p> <p><i>New signatories and the required updated banking information has been submitted to the bank week beginning 17/4/23.</i></p>

No.	Audit Ref.	Issue & Risk	Recommendation
15	8.5	<p>A private fund account debit card was being used by staff other than the named card holder.</p> <p><b>Risk - Non compliant with the Private Fund Guidance and Business Debit Card Terms and Conditions. Exposure to theft or loss of funds.</b></p>	<p>Private fund payments should be suitably controlled.</p> <p><b>Management Response:</b>  <i>New signatories and the required updated banking information has been submitted to the bank week beginning 17/4/23.</i></p> <p><i>All signatories will be issued with a card to allow a number of staff to purchase items when required.</i></p> <p><i>The cards will reside in the school safe and only be allowed to be used on the authority of the HT/DHT.</i></p> <p><b>Audit Comment:</b>  <i>Cards are issued to the individual(s) and therefore should be held securely by them.</i></p>
16	8.6	<p>The Private Fund cashbook had not been kept up to date and payments were not considered to be appropriate in providing benefit to the pupils of the School.</p> <p><b>Risk - Non-compliance with the Private Fund Guidance.</b></p> <p><b>Reconciliations cannot be performed</b></p> <p><b>Exposure to theft, loss of funds or error.</b></p>	<p>The cashbook should be maintained to record the Private Funds income and expenditure.</p> <p><b>Management Response:</b>  <i>Office staff to ensure that previous effective processes are put back in place. Statements are normally checked on receipt &amp; the fund spreadsheet is updated. This had fallen behind due to a change in office staff &amp; subsequent training.</i></p>

No.	Audit Ref.	Issue & Risk	Recommendation
17	8.7	<p>Receipts should be issued for monies received into the Private Fund.</p> <p><b>Risk - Cash received may not be accounted for.</b></p>	<p>Class lists or supporting documentation should be retained for any cash income received to confirm this has been banked intact, if individual cash amounts exceed £25 a receipt should be issued from the green MCC receipt books</p> <p><b>Management Response:</b> Office staff to ensure that previous effective processes are put back in place.</p>
18	8.9	<p>Income and Expenditure has not been monitored for school trips and overdue income has not been pursued.</p> <p><b>Risk - Collecting parental contributions may be more difficult after a school trip has taken place. Financial loss to the School Fund if expected contributions are not collected.</b></p>	<p>All income for trips should be collected prior to the trip date, historic debts should be recovered.</p> <p><b>Management Response:</b> Outstanding amounts needs to be recovered and for the academic year 23/24. The Longtown trip will be paid a month before the trip and those families who haven't paid will be unable to attend.</p> <p>Other trip expenditure will be monitored to ensure costs are recovered.</p>
19	8.12	<p>Private Fund reconciliations had not been completed since August 2022.</p> <p><b>Risk – error, fraud or misappropriation is not identified.</b></p>	<p>The Private Fund should be reconciled at least monthly by staff not responsible for the processing of receipts and payments.</p> <p>Bank reconciliations should be signed by the person performing the reconciliation and countersigned by a senior person who reviews it.</p> <p><b>Management Response:</b> This will be completed on a weekly basis to ensure that reconciliation occurs regularly. Statements are normally checked on receipt &amp; the</p>

No.	Audit Ref.	Issue & Risk	Recommendation
			<i>fund spreadsheet is updated. This had fallen behind due to a change in office staff &amp; subsequent training.</i>
20	8.13	<p>The audited statement of accounts for the Private Fund had been submitted after the deadline and not presented to Governors.</p> <p><b>Risk - Delays in completing the audit increases the risk that any fraud or errors go undetected for longer.</b></p> <p><b>Not submitting the audited statement for the Private Fund before the deadline delays the reporting process for CYP Finance.</b></p> <p><b>Governors are not fully informed of the financial situation of the School and therefore effects decision making.</b></p>	<p>The Private fund account should be audited annually, presented to the full Governing Body and submitted to CYP by 31<sup>st</sup> October.</p> <p><b>Management Response:</b> <i>It did take some time to find a new auditor after the previous one could no longer complete the task.</i></p> <p><i>The Auditor had been working through the private fund accounts prior to the audit visit. Going forward the new auditor will be able to complete the private fund report in a timelier manner.</i></p> <p><i>The Headteacher will report the private fund auditors report to the governors finance committee after the report has been completed.</i></p>
21	9.2	<p>The Governing Body had not established the financial limits of delegated authority.</p> <p><b>Risk - Lack of clarity over limits agreed and members of the finance committee, leading to unapproved spend.</b></p>	<p>Financial limits of approval should be detailed annually in the minutes.</p> <p><b>Management Response:</b> <i>This will become part of the initial governors AGM meeting and the agreed amount placed in the meeting minutes.</i></p>

No.	Audit Ref.	Issue & Risk	Recommendation
22	9.4	<p>Business Interest forms were not available for all Governors.</p> <p><b><i>Risk - Not obtaining business interest forms from all members of the Governing Body could result in management being unaware of a change in circumstances and/or a conflict of interests remaining undetected.</i></b></p>	<p>Business Interest forms should be completed in full by all members of the Governing Body on an annual basis.</p> <p><b><i>Management Response:</i></b>  <i>This will become part of the initial governor's AGM meeting. The business interests' forms have already been collected and are filed in the Headteachers office for this academic year.</i></p>

**Extract from (Draft) SRS Annual Internal Audit Report 2022/23**

Ref	Review	Opinion
SRS – 22002	Change Management (System)	SUBSTANTIAL
SRS – 22003	SOC/SIEM (System)	FULL
SRS – 22004	Firewall (System)	FULL
SRS – 22005	Virtualisation (System)	FULL
SRS - 22006	O365 (System)	FULL
SRS - 22007	Financial Regulations (Special)	n/a
SRS – 22008	Data Centre (System)	FULL
SRS – 22009	ISMS (Follow Up)	FULL
SRS – 22010	IT Governance (Follow Up)	FULL
SRS – 22011	ITSCM (Follow Up)	FULL
SRS – 22012	Mobile Computing (Follow Up)	FULL
SRS – 22013	Performance Management (Follow Up)	FULL

## Appendix E

### 2022/23 Planned jobs not undertaken

Job number	Directorate	Service	Job Name	Included in 2023/24 IA Plan
P2223-02	Resources	Finance - Revenues, Systems & Exchequer	Creditor Payments	Yes
P2223-03	Resources	Finance - Revenues, Systems & Exchequer	Revenues - Shared Services	Yes
P2223-13	People & Governance	Human Resources	Employment Status	No
P2223-17	People & Governance	People & Governance General	Implementation of previous recommendations	Yes
P2223-25	Children & Young People	Secondary Schools	Chepstow	Yes
P2223-31	Social Care & Health	Commissioning & Disability Service	Commissioning & Contracts	Yes
P2223-32	Social Care & Health	All Age Disability & Mental Health	Disability Team	No
P2223-35	Social Care & Health	Social Services Finance	Appointeeships / Deputyships	Yes
P2223-36	Social Care & Health	Public Protection	Animal Welfare	Yes
P2223-41	Enterprise	Strategic Projects	Town Centre Projects - Caldicot Regeneration	No
P2223-43	Enterprise	Placemaking, Housing, Highways and Flood	Planning	Yes
P2223-44	Enterprise	Placemaking, Housing, Highways and Flood	Private Sector Leasing	Yes
P2223-46	Enterprise	Neighbourhood Services	Winter Maintenance	Yes
P2223-51	Mon Life	Active	Memberships	No
P2223-53	Mon Life	Outdoor	Countryside	Yes
P2223-56	Chief Executive's	Policy, Performance & Scrutiny	Abergavenny Hub	No
P2223-60	Corporate	Corporate	Partnership Assurance	Yes

## Appendix F

### Non opinion related audit work 2022/23 Internal Audit Added Value

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
P2223-54	Mon Life	Mon Life General	Audit Advice
P2223-55	Mon Life	Mon Life General	Implementation of previous recommendations
P2223-57	Chief Executive's	Chief Executives General	Audit advice
P2223-58	Corporate	Corporate	Annual Governance Statement (AGS)
P2223-59	Corporate	Corporate	National Fraud Initiative (NFI)
P2223-61	Corporate	Corporate	Audit advice
P2223-63	Corporate	Corporate General	Implementation of previous recommendations



## Performance of the Internal Audit Section

<b>Performance Indicator</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Annual Target</b>	<b>2022/23</b>
Percentage of planned audits completed	77%	57%	64%	82%	72%
Average no. of days from audit closing meeting to issue of a draft report	26 days	16 days	6 days	17 days	4.4 days
Average no. of days from receipt of response to draft report to issue of the final report	20 days	38 days	5 days	5 days	8.5 days
Percentage of recommendations made that were accepted by the clients	98%	99%	99%	95%	100%
Percentage of clients at least 'satisfied' by audit process	100%	100%	100%	95%	100%
Percentage of Directly Chargeable Time (actual versus planned)	90%	N/A	74%	100%	73%