

**SUBJECT: INTERNAL AUDIT
Progress Report for Quarter 1 (2023/24)**

DIRECTORATE: Resources

MEETING: Governance & Audit Committee

DATE: 27th July 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 30th June 2023.

To consider the performance of the Internal Audit Section over the first 3 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 2023/24 Operational Audit Plan and the Section's performance indicators at the 3 month stage of the financial year which are currently ahead of the profiled target.

3. KEY ISSUES

- 3.1 Audit work has started in line with the 2023/24 agreed draft audit plan, considered by the Governance & Audit Committee in June 2023.
- 3.2 This report gives brief details of the work undertaken in the year to date. The report also gives details of the Section's performance indicators for the 3 months to 30th June 2023.
- 3.3 The Public Sector Internal Audit Standards came into force in April 2013 (updated March 2017) which the Internal Audit team needs to demonstrate compliance with.
- 3.4 The year end opinion for 2023/24 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.

- 3.5 As agreed during the Governance & Audit Committee on 29th June 2023, the opinions used by the Internal Audit team during 2023/24 (and beyond) have been revised to those recommended by CIPFA for use across the public sector. A copy of the opinions and risk ratings in use from 01st April 2023 can be seen in Appendix 2 of this report.

4. REASONS

- 4.1 Since the start of the financial year, the Internal Audit Section has completed 9 audit jobs to draft stage from its 2023/24 draft Operational Audit Plan; 4 of these being opinion related and are shown in the table at Appendix 1.
- 4.2 The following changes to the composition of the Internal Audit team occurred during Quarter 1 of the financial year.
- The previous Chief Internal Auditor left the Authority in April 2023 (16th April 2023).
 - The Audit Manager commenced employment with Monmouthshire County Council during Quarter 1 (24th April 2023). The Audit Manager is currently fulfilling the vacant role of the Chief Internal Auditor / Head of Internal Audit while consideration is given to the long-term vision of the service and possible wider collaboration. This arrangement will likely continue for the whole financial year.
 - The team was operating without a Senior Auditor for the whole of Quarter 1. However, it is pleasing to report that a successful recruitment process took place with a new post holder due to commence employment during August 2023.
- 4.3 In relation to audit opinion related reports, 4 had been issued in draft by the end of the 1st Quarter;
- Planning Applications – Substantial Assurance.
 - Revenues Shared Service – Reasonable Assurance.
 - Appointeeships & Deputyships – Reasonable Assurance.
 - Partnership Assurance – Reasonable Assurance.
- 4.4 It is pleasing to report that no 'unfavourable' (Limited Assurance / No Assurance) audit opinions have been issued during Quarter 1.
- 4.5 Work has been undertaken on the progress of the implementation of Internal Audit Recommendations from previously issued audit reports along with the provision of financial advice across directorates. During Quarter 1, the Internal Audit team have been working with the Digital Design & Innovation team to develop a 'Recommendation Tracker' application to allow operational managers and responsible officers to report when their agreed management actions have been completed and to highlight those which are overdue. User acceptance testing of this new system will begin early in Quarter 2 with a view to rolling out the package to all managers as soon as possible. Progress on this and the implementation of recommendations will be reported to the

Governance and Audit Committee and the Strategic Leadership Team (SLT) later in the year for consideration and timely action.

- 4.6 Other audit work in line with the plan has started and site visits have been undertaken to a number of establishments. At the end of Quarter 1, 36% of the agreed audit plan has been deemed as being started or in progress.
- 4.7 Where reports had been issued in draft, but not finalised, by the 31st March 2023, work has been undertaken during Quarter 1. As of the 30th June 2023, 8/10 had been successfully finalised. The 2 jobs which have not been finalised relate to School Audit reviews where the Headteacher is refusing to engage with Internal Audit following advice from the National Union of Headteachers (NAHT) in relation to their 'Action Short of Strike' which is currently ongoing. The Audit Manager has attempted to contact the Director of NAHT Cymru to discuss this issue further.

Audit Management are working to finalise these outstanding reports as soon as possible.

- 4.8 One special investigation commenced during Quarter 1 which is currently on-going.
- 4.9 Appendix 3 of the report gives details of the Section's performance indicators as at the 30th June 2023.
- 4.10 15% of the 2023/24 Audit Plan has been completed as at 30th June 2023. This is ahead of target (10%) and better than the previous year's performance (11%).
- 4.11 The team co-ordinates the administration of the National Fraud Initiative (NFI) data sets on behalf of the Council. Work has commenced during Quarter 1 reviewing the data matches returned by the Cabinet Office in early 2023. This will continue into Quarter 2.

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 addressing the issues identified 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 'unfavourable' (Limited Assurance / No Assurance) audit 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.
- 6.2 During Quarter 1, the Internal Audit team have continued to follow-up reviews where an unfavourable audit opinion had been issued. Currently the Internal Audit team have 3 follow-up reviews which are outstanding at the end of Quarter 1. All other previously issued unfavourable opinions have been reported to a previous meeting of the Governance & Audit Committee – these have all obtained a more positive audit opinion.
- 6.3 During 2019/20, 8 reports were issued with a **Limited** opinion. 2 of these have not yet had a final follow-up report issued and reported to the Governance & Audit Committee.

Year	Assignment	Opinion	Revised Opinion/ Status	Date Issued
2019/20	Castle Park Primary School	Limited	Substantial	Draft issued March 2023
	Tintern Old Station	Limited	Q2 2023/24	

- 6.4 Although the draft report has been issued to the Headteacher at Castle Park Primary School, as detailed within section 4.7 of this report, they are receiving advice from the NAHT not to engage further with the Internal Audit team and are therefore refusing to finalise the report.
- 6.5 The Follow-up review of Tintern Old Station commenced in late June 2023 with a site visit planned for July 2023. 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. The Audit Manager will provide a verbal update to the Committee on the current status of this audit review as requested during the June 2023 meeting.
- 6.6 Of the 20 opinions issued in 2022/23, 1 **Limited** opinion was issued. The details of why this was considered to be unfavourable was reported to the June 2023 meeting of the Governance & Audit Committee. A follow-up review for this School is planned during the latter part of the 2023/24 financial year.

Year	Assignment	Opinion	Revised Opinion/ Status	Date Issued
2022/23	Our Lady and St Michael's R.C. School	Limited	Q3/4 2023/24	Final issued May 2023

7. RESOURCE IMPLICATIONS

None.

8. CONSULTEES

Deputy Chief Executive / Chief Officer Resources

Results of Consultation:

N/A

9. BACKGROUND PAPERS

Draft Operational Audit Plan 2023/24

10. AUTHORS AND CONTACT DETAILS

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AUDIT COMMITTEE SEPTEMBER 2022

INTERNAL AUDIT SECTION PROGRESS REPORT 2022/23 – 3 MONTHS

APPENDIX 1

Internal Audit reviews from the 2023/24 Draft Operational Audit Plan where fieldwork has been completed and/or final reports issued since 01/04/23 are listed in the table below.

Internal Control Opinions give the auditor's overall conclusion on the control environment operating in each system/establishment under review. Opinions range from Substantial Assurance through to No Assurance (Appendix 2).

Draft issued indicates that a draft report has been issued and a response is awaited from the client before the report can be finalised.

Status of reports as at 30th June 2023

Internal Audit Services - Management Information for 2023/24 – Quarter 1

Opinion Summary	Number
Substantial Assurance	1
Reasonable Assurance	3
Limited Assurance	0
No Assurance	0
Total	4

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Final / Draft	Opinion given
P2324-40	Communities & Place	Placemaking, Housing, Highways and Flood	Planning Applications	Medium	Draft	Substantial Assurance
P2324-07	Resources	Finance - Revenues, Systems & Exchequer	Revenues Shared Service	Medium	Draft	Reasonable Assurance
P2324-34	Social Care, Health & Safeguarding	Social Services Finance	Appointeeships & Deputyships	Medium	Draft	Reasonable Assurance
P2324-59	Corporate	Corporate	Partnership Assurance	Medium	Draft	Reasonable Assurance

Non – opinion / Added Value Audit Work

Job number	Directorate	Service	Job Name
P2324-09	Resources	Resources General	Audit Advice
P2324-27	Children & Young People	CYP General	Audit Advice
P2324-37	Social Care, Health & Safeguarding	SCH & Safeguarding General	Audit Advice
P2324-45	Communities & Place	Communities & Place General	Audit Advice
P2324-54	Chief Executive's	Chief Executives General	Audit Advice

APPENDIX 2

Internal Audit Opinions

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

OPINION	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.

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

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

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.

AUDIT COMMITTEE SEPTEMBER 2022

INTERNAL AUDIT SECTION PROGRESS REPORT 2022/23 – 3 MONTHS

APPENDIX 3

Performance Indicators

N / A – not available

	2022/23	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	11%	28%	52%	72%	80% pa
2	Average no. of days from audit closing meeting to issue of a draft report	14 days	5 days	4 days	4.4 days	15 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	8.5 days	10 days
4	Percentage of recommendations made that were accepted by the clients	90%	100%	100%	100%	95%
5	Percentage of clients at least 'satisfied' by audit process	N/A	N/A	N/A	100%	95%
6	Percentage of directly chargeable time (actual v planned)	68%	67%	66%	73%	60%
7	Number of special investigations	0	0	0	0	

	2023/24	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	15%				10% in Q1 80% pa
2	Average no. of days from audit closing meeting to issue of a draft report	2				15 days
3	Average no. of days from receipt of response to draft report to issue of the final report	N/A*				10 days
4	Percentage of recommendations made that were accepted by the clients	N/A*				95%
5	Percentage of clients at least 'satisfied' by audit process	N/A*				95%
6	Percentage of directly chargeable time (actual v planned)	67%				60%
7	Number of special investigations	1				

* These statistics are based on the conclusion of an audit review (final report stage). As at 30th June 2023, no 2023/24 audit review had yet been finalised.