

SUBJECT: INTERNAL AUDIT
Progress Report for Quarter 1 (2025/26)

DIRECTORATE: Resources
MEETING: Governance & Audit Committee
DATE: September 2025
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 2025.

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 2025/26 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 2025/26 agreed draft audit plan, considered by the Governance & Audit Committee in June 2025.
- 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 2025.
- 3.3 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.
- 3.4 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.

4. REASONS

- 4.1 Since the start of the financial year, the Internal Audit Section has completed 6 audit jobs to draft stage from its 2025/26 draft Operational Audit Plan; 5 of these being opinion related and are shown in the table at Appendix 1.
- 4.2 In relation to audit opinion related reports, 5 had been issued in draft by the end of the 1st Quarter;
1. Welfare & Family Law
 2. Thornwell Primary
 3. My Mates
 4. Monmouth Leisure Centre
 5. Markets
- 4.3 One audit opinion was subject to an unfavourable opinion which was issued during Quarter 1 – My Mates. The findings from this review are included as Appendix 4 to this report.
- 4.4 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, 35% of the agreed audit plan has been deemed as being started or in progress.
- 4.5 A small number of reports were issued in draft, but not finalised, as at the end of the 2024/15 financial year. On the 30th June 2025, 5/8 had been successfully finalised.

Audit Management are working to finalise these outstanding reports as soon as possible. The reason for the delay in finalising the remaining 3 reports was due new Officers to commencing work with the Council who would each be instrumental in actioning the issued recommendations.

- 4.6 No special investigations / reactive pieces of work commenced during Quarter 1. However 2 investigations were open from the 2024/25 financial year, of these;
- 1 has been finalised with appropriate action taken under the Councils Disciplinary Policy.
 - 1 concern remains under investigation and is subject to HR processes where the Chief Internal Auditor has been appointed as the Investigating Officer. We envisage this to be finalised during quarter 2.
- 4.7 Appendix 3 of the report gives details of the Section's performance indicators as at the 30th June 2025.

- 4.8 As of 30th June 2025, 9% of the 2025/26 Audit Plan has been completed. This is slightly below the profiled target of 10%, but we are confident that this shortfall will be addressed in the second quarter.

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 No follow-up reviews have commenced during the first quarter of the financial year. The following reviews were subject to unfavourable audit opinions issued during previous financial years and the table below indicates when the follow-up work will be conducted by the Internal Audit team. The original findings from each of these reviews have already been presented to the Committee.

Year	Assignment	Opinion	Status
2023/24	Mileage	Limited	2025/26 – Q3
	General Expenses	Limited	2025/26 – Q3
	Children Looked After Savings	Limited	2025/26 – Q3
2024/25	Job Evaluation	Limited	2025/26 – Q2
	Procurement Cards	Limited	2025/26 – Q2
	Mardy Park Residential	Limited	2025/26 – Q4
	Facilities & Building Cleaning	Limited	2025/26 – Q4
	Bank Imprest - Severn View	Limited	2025/26 – Q3

	Residential		
	Caldicot School	Limited	2025/26 – Q4
	Supply Staff at Schools	Limited	2025/26 – Q4
	Contract Management	Limited	2026/27
	Pupil Referral Service	Limited	2026/27

6.3 The timing of a follow-up review is based on when the previous final report was issued plus enough time for management to successfully implement their management actions along with sufficient time to pass to ensure the changes are fully embedded within the service. Chief Officers and Senior Managers are given appropriate notice of follow-up audit reviews to so that proactive steps are being taken by management to act on the recommendations issued. As the table details, this is a challenging programme to ensure all these reviews are completed during quarter 3 and especially quarter 4 of the year. The Audit Management team are planning workloads to ensure as much of these can be completed within the year as possible.

6.4 Two planned follow-up reviews will not be completed during the 2025/26 financial year. These are Contract Management and Pupil Referral Service. The finalisation of both of these reviews has been delayed due to a new Strategic Procurement Lead starting in August 2025 and a new PRS Manager commencing part time from May 2025 and then full time from the new academic year in September. It was agreed that the finalisation process would be delayed allowing both Officers to commence employment and for the recommendations / management actions to be fully agreed between all parties.

7. RESOURCE IMPLICATIONS

None.

8. CONSULTEES

Deputy Chief Executive / Chief Officer Resources
Chair of Governance & Audit Committee

Results of Consultation:

N/A

9. BACKGROUND PAPERS

Draft Operational Audit Plan 2025/26

10. AUTHORS AND CONTACT DETAILS

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AUDIT COMMITTEE SEPTEMBER 2025

INTERNAL AUDIT SECTION PROGRESS REPORT 2025/26 – 3 MONTHS

APPENDIX 1

Internal Audit reviews from the 2025/26 Operational Audit Plan where fieldwork has been completed and/or final reports issued since 01/04/25 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 2025

Internal Audit Services - Management Information for 2025/26 – Quarter 1

Opinion Summary	Number
Substantial Assurance	1
Reasonable Assurance	4
Limited Assurance	1
No Assurance	0
Total	5

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Final / Draft	Opinion given (Assurance)
P2526-09	Law & Governance	Legal	Welfare & Family Law	Medium	Draft	Substantial
P2526-19	Learning, Skills & Economy	Primary Schools	Thornwell Primary	Medium	Draft	Reasonable
P2526-51	Customer, Culture and Wellbeing - Mon Life	Leisure Services	Monmouth Leisure Centre	Medium	Draft	Reasonable
P2526-19	Learning, Skills & Economy	Primary Schools	Thornwell Primary	Medium	Draft	Reasonable
P2526-54	Customer, Culture and Wellbeing - Mon Life	Environment & Culture	Markets	Medium	Draft	Reasonable
P2526-27	Social Care, Safeguarding	Adult Services	My Mates	Medium	Draft	Limited

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Non – opinion / Added Value Audit Work

Job number	Directorate	Service	Job Name
P2526-65	Corporate	Corporate	Annual Governance Statement

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 2025

INTERNAL AUDIT SECTION PROGRESS REPORT 2025/26 – 3 MONTHS

APPENDIX 3

Performance Indicators

N/A – not available

	2025/25	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%				10% in Q1 80% pa
2	Average no. of days from audit closing meeting to issue of a draft report	1.5 days				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%

* These statistics are based on the conclusion of an audit review (final report stage). As at 30th June 2025, no 2025/26 audit review had yet been finalised.

SUMMARY OF WEAKNESSES – MY MATES

The audit, conducted between February and June 2025, aimed to assess compliance with policies, budget management, eligibility criteria, and payroll controls.

The audit identified several significant weaknesses such as missing formal documentation for eligibility criteria, outdated application forms, insufficient grant funding, delayed banking, and non-compliance in payroll practices. The absence of the My Mates Manager during the audit fieldwork limited some discussions, but conclusions were drawn from available documentation. No critical risks were found, but the overall rating was Limited Assurance, indicating significant gaps requiring improvement

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.	13
MODERATE	Risk partially mitigated but should still be addressed.	11
STRENGTH	No risk. Sound operational controls and processes confirmed.	14

Ref.	SIGNIFICANT
1.05	There were missing member application forms and related supporting information. Several member folders were empty.
1.06	For the sample of activities selected, a risk assessment could not be located.
1.07	The Safeguarding Audit Framework for Evaluation (SAFE) had not been undertaken for the My Mates service.
1.08	All mandatory training classed as “Essential Learning” had not been completed by the team on the Thingi system.
1.09	Staff observations of incidents or problematic behaviours were not consistently retained. There was no framework over how to record, retain and disseminate this information to relevant parties.
2.06	The My Mates service was marketed as a ‘dating’ platform on application forms.
2.07	There was no formal written eligibility criteria available for those accessing the service.
3.04	RIF / ICF grant funding was not meeting the costs of running the My Mates service.
3.05	My Mates was a cash-based service and did not provide alternative methods of payment to members such as online payment or Chip&Pin. Sometimes, staff held cash temporarily prior to banking.

Ref.	SIGNIFICANT
3.06	Banking was not always undertaken in a timely manner.
4.03	Staff were not recognised as permanent employees and there was no evidence of justification for the on-going temporary employee status.
4.04	Subsistence claimed via Payroll was not claimed in line with the HMRC approved rate. Guidance drafted April 2024 within the Team did not provide rates applicable and did not appear to be finalised with HR.
4.05	The taking of enhanced time off in lieu (TOIL) was inconsistent with MCC's employment guidance around taking of overtime. TOIL and flexi time records were not always kept separately, and TOIL did not account for a mandatory 30-minute break after 6 hours of work.
1.05	There were missing member application forms and related supporting information. Several member folders were empty.
1.06	For the sample of activities selected, a risk assessment could not be located.
1.07	The Safeguarding Audit Framework for Evaluation (SAFE) had not been undertaken for the My Mates service.
1.08	All mandatory training classed as "Essential Learning" had not been completed by the team on the Thingi system.
1.09	Staff observations of incidents or problematic behaviours were not consistently retained. There was no framework over how to record, retain and disseminate this information to relevant parties.
2.06	The My Mates service was marketed as a 'dating' platform on application forms.
2.07	There was no formal written eligibility criteria available for those accessing the service.
3.04	RIF / ICF grant funding was not meeting the costs of running the My Mates service.
3.05	My Mates was a cash-based service and did not provide alternative methods of payment to members such as online payment or Chip&Pin. Sometimes, staff held cash temporarily prior to banking.
3.06	Banking was not always undertaken in a timely manner.
4.03	Staff were not recognised as permanent employees and there was no evidence of justification for the on-going temporary employee status.
4.04	Subsistence claimed via Payroll was not claimed in line with the HMRC approved rate. Guidance drafted April 2024 within the Team did not provide rates applicable and did not appear to be finalised with HR.
4.05	The taking of enhanced time off in lieu (TOIL) was inconsistent with MCC's employment guidance around taking of overtime. TOIL and flexi time records were not always kept separately, and TOIL did not account for a mandatory 30-minute break after 6 hours of work.

Ref.	MODERATE
1.10	<p>The business case for the original pilot of My Mates and subsequent roll of the service was missing.</p> <p>Since the first presentation regarding the service to the Adults Select Committee in December 2016, no progress to date has been formally reported back to Members.</p>

Ref.	MODERATE
1.11	Internal performance reporting does not provide sufficient coverage of the My Mates service.
1.12	The MS Forms application form database did not contain a number of key consent fields and reference contact information was also missing. Errors in age calculations existed and incorrect start dates for members were recorded.
1.13	The My Mates application form incorrectly stated that members' information would only be shared with My Mates staff.
2.08	WhatsApp was used for colleague-to-colleague communications.
2.09	Dealing with members can extend beyond working hours.
3.07	MCC official receipt books were not used to record income received.
3.08	The cost of staff attending events was not recorded within the ICF/RIF return.
3.09	Audit could not locate the supporting paperwork for the S128 £3,835.02 accrual at the end of the 2023/24 financial year.
4.06	Appointment letters and job descriptions were inaccurate and did not align with the rota or weekend working arrangements for a team member. Additionally, the compressed hours arrangements within the team were not documented in the employee's HR file.
4.07	Although copies of employees driving licences and MOT certificates were retained, only two of the three motor insurance certificates were available. Additionally, there was no summary record confirming that the manager conducted annual checks.