

<b>SUBJECT:</b>	<b>INTERNAL AUDIT STRATEGY (2026/27)</b>
<b>MEETING:</b>	<b>GOVERNANCE &amp; AUDIT COMMITTEE</b>
<b>DATE:</b>	<b>FEBRUARY 2026</b>
<b>DIVISION/WARDS AFFECTED:</b>	<b>ALL</b>

**1. PURPOSE:**

- 1.1 To request the Governance & Audit Committee approve the Internal Audit Strategy for 2026/27 and the move to an Agile / Rolling Internal Audit Plan.

**2. RECOMMENDATIONS:**

- 2.1 That Members of the Governance & Audit Committee comment on and approve the Internal Audit Strategy for the 2026/27 Financial Year.
- 2.2 That the Governance & Audit Committee approve the move to a rolling Internal Audit plan subject to a review in 12 months time.

**3. KEY ISSUES:**

- 3.1 The Global Internal Audit Standards - Standard 9.2 (Internal Audit Strategy) requires the chief audit executive to develop and implement a strategy for the internal audit function. This needs to support the strategic objectives and success of the organisation and aligns with the expectations of the Governance & Audit Committee, senior management, and other key stakeholders.
- 3.2 An internal audit strategy is a plan of action designed to achieve a long-term or overall objective. The internal audit strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit function. An internal audit strategy helps guide the internal audit function toward the fulfilment of the internal audit mandate.
- 3.3 The first Internal Audit Strategy for Monmouthshire County Council was approved by the Governance & Audit Committee in May 2025.
- 3.4 The amended Strategy and this report recommends that MCC transitions from a traditional fixed single-year internal audit plan to a dynamic and agile rolling internal audit plan. The rolling plan will be updated quarterly throughout the year, allowing for greater responsiveness to emerging risks, regulatory changes and organisational priorities. This approach is increasingly recognised as best practice, supports greater alignment with strategic objectives and enhances the audit team's ability to adapt to a changing risk landscape. A small number of other Welsh Local Government Internal Audit teams have already started to take this approach.

## 4. REASONS:

- 4.1 Traditionally, Internal Audit Services operate with a fixed annual plan, set at a single point in time before the start of the financial year. A fixed annual audit plan, while familiar and predictable, often struggles to remain relevant as the year progresses. Risks, priorities, and resource availability can shift rapidly, leaving the audit plan quickly out-of-date and less effective. The audit team can be seen as chasing performance targets, such as the percentage of plan completed, rather than being reactive and ensuring that value is added. A rolling plan, by contrast, is continuously refreshed, ensuring that audit coverage remains current and responsive to the organisation's needs. This transition is supported by the new Global Internal Audit Standards and aligns with the move towards integrated assurance, risk based internal auditing and enterprise-wide risk management.
- 4.2 The planning process will continue to take into account all possible systems, processes, sections and establishments that could possibly be audited within Monmouthshire, our 'Audit Universe'. This includes all services, activities and functions which MCC commissions and/ or delivers itself, via a third party or a collaborative / partnership arrangement. Historically, the key part of the planning process involved an annual review of the corporate risk register and consultation with the Strategic Leadership Team, Chief Officers and Heads of Services across the Authority inviting them to highlight any emerging or changing risk profiles within their own service areas. It is proposed that this review will now take place continuously with documented reviews being completed on a quarterly basis.
- 4.3 As the financial position of the Council gets tighter, the Internal Audit team can become more proactive in completing reviews in areas where financial challenges exist which can impact on operational service delivery as and a consequence the Community & Corporate Plan.
- 4.4 Benefits of a Rolling Internal Audit Plan;
- Enhanced Agility: The plan is reviewed and updated quarterly. This enables swift adjustments in response to emerging risks, regulatory changes, and organisational developments, ensuring audit coverage remains relevant.
  - Continuous Risk Alignment: Regular updates to the plan ensure that audit activities are consistently aligned with the Councils latest risk assessments and the Community & Corporate Plan.
  - Improved Stakeholder Engagement: Frequent plan reviews foster ongoing dialogue between internal audit, management, and the Governance & Audit Committee, promoting transparency and collaboration.
  - Resource Optimisation: A rolling plan provides greater flexibility in resource allocation, allowing the audit team to focus efforts where they are most needed as circumstances change.
  - Follow-up work: At the present time, with the exception of following up previously issued unfavourable opinions, all follow-up work is completed at a single point in time during the year. With a move to a rolling approach, the follow-up can be tailored to a specific timescale following the final report being issued. The findings can then be reported to the G&AC more frequently, adding continual assurance that Internal Audit recommendations are being promptly addressed.

#### 4.5 Drawbacks of a Rolling Internal Audit Plan

- Increased Administrative Effort: Frequent updates and reviews of the audit plan require additional time and coordination from audit management, however, this is considered to be a minimal increase in time over and above what currently takes place.
- Potential for Uncertainty: Auditees may perceive the plan as less predictable, with possible adjustments to audit scopes or timings during the year.
- Change Management: Transitioning to a rolling plan may require cultural and process adjustments across the organisation, necessitating effective communication and stakeholder buy-in.

4.6 The Rolling Internal Audit plan and the work being undertaken by the Internal Audit Section will be presented to the Governance & Audit Committee for approval each quarter within the Chief Internal Auditors quarterly report. Members of the Committee along with Officers of the Council are able to propose to the Chief Internal Auditor areas of concerns which they will consider for inclusion. Although the quarterly plan has been agreed, this will remain flexible and subject to change should an urgent request for work be made and agreed by the Chief Internal Auditor.

4.7 The reporting of Conclusions arising from Internal Audit Reviews will continue to be presented to the Governance & Audit Committee promptly at the end of each quarter. Although it may be necessary to redact certain information where investigatory processes are underway. This will be agreed between the Chief Internal Auditor and the Deputy Chief Executive with the Chair of the Governance & Audit Committee also being informed.

4.8 It is also proposed that the methodology in how the Internal Audit team completes its follow-up work will also change. The requirement for completing follow-up work sits within the Global Internal Audit Standards Domain V: Performing Internal Audit Services, specifically under Principle 15 – Communicate Engagement Conclusions and Monitor Action Plans.

- It is proposed that no change will be made to the current process where an Unfavourable audit opinion (Limited or No Assurance) has been issued. These will continue to be 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 complete a self-assessment, which Internal Audit may validate through testing. The change will be that historically, these self-assessments were issued at a single point in time during the financial year. Meaning that some areas may receive and complete their self-assessment much later than others and more than a year after the original report was issued. This also meant that G&AC and senior management only received feedback on how areas were implementing recommendations on an annual basis. In a change to this, these self-assessments will now be issued in the quarter following 12 months from the date of the final report being issued. The Chief Internal Auditors quarterly report will be used moving forward to report completion of this exercise so that the Committee and Management receive more real time information and can address any concerns proactively.-assessment, which Internal Audit may validate through testing.
- Follow-up reviews will be scheduled based on the date of the final report allowing enough time for management actions to be implemented and then embedded – normally a 12 month period.

- 4.9 Within the amended Internal Audit Strategy and to align with the new planning approach it is also necessary to review the key performance indicators for the team. The current suite of KPIs have been unchanged for many years and only measure against specific areas such as the percentage of plan completion and the timeliness of issuing draft and final reports based on end of fieldwork dates. Within the strategy a new list of KPIs have been included, however, this itself will be subject to ongoing review as the Welsh Chief Auditors Group are currently examining these along with other benchmarking data to standardise across Wales. The KPI's will continue to be reported in both the Internal Audit Service Business Plan and reports to the Governance & Audit Committee on a quarterly basis.
- 4.10 The revised Internal Audit Strategy and the change of planning methodology was discussed at a meeting of the Strategic Leadership Team in January 2026. They were supportive of the approach but sought assurance that appropriate coverage would still be made across all Council areas especially those areas which have previously received little to no coverage.
- 4.11 It is proposed that within the Governance arrangements for the amended Internal Audit Strategy that the Strategy itself along with the planning methodology (rolling plan) and KPI's will be formally reviewed and presented back through the Strategic Leadership Team and Governance & Audit Committee in 12 months to ensure that the new approach has been successfully implemented or if a return to the previous annual planning mechanism would be better.

## **5. RESOURCE IMPLICATIONS:**

The Internal Audit team consists of 6 full time equivalents (FTE) headed by the Chief Internal Auditor. There is a dedicated resource of 1FTE to provide a Counter Fraud response both proactively and reactively.

## **6. CONSULTEES:**

Deputy Chief Executive & Strategic Director – Resources (S151 Officer)  
Chief Executive  
Strategic Leadership Team  
Chair & Vice Chair of the Governance & Audit Committee  
Cabinet Member for Resources  
Audit Wales  
Internal Audit Team

## **7. BACKGROUND PAPERS:**

Audit Universe – January 2026  
Internal Audit Update Report Quarterly Report Q3 (2025/26)

## **8. AUTHOR AND CONTACT DETAILS**

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# **INTERNAL AUDIT STRATEGY & PLAN**

**FEBRUARY 2026**

Version

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Approved by

Governance & Audit Committee



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## 1. Introduction & Purpose

- 1.1 The objective of this internal audit strategy is to describe the framework for conducting audits within Monmouthshire County Council that will support the strategic objectives and success of the Council and aligns with the expectations of the Governance & Audit Committee, senior management, and other key stakeholders. The strategy aims to ensure accountability, transparency, and the efficient utilisation of resources. It provides a structured approach for identifying, assessing, and managing risks, ensuring that the authority operates in compliance with relevant laws, regulations, and policies.
- 1.2 It is a requirement of the Global Internal Audit Standards that the vision and strategic objects of the Internal Audit Team is documented.

### **Standard 9.2 Internal Audit Strategy**

The chief audit executive must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organisation and aligns with the expectations of the board, senior management, and other key stakeholders. An internal audit strategy is a plan of action designed to achieve a long-term or overall objective. The internal audit strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit function. An internal audit strategy helps guide the internal audit function toward the fulfillment of the internal audit mandate. The chief audit executive must review the internal audit strategy with the board and senior management periodically.

- 1.3 The Internal Audit Strategy is designed to be read in conjunction with the Monmouthshire County Council Internal Audit Charter.

## 2. Objectives of Internal Audit

- 2.1 The primary objectives of the internal audit team are:
  - a) To deliver independent assurance regarding the adequacy and effectiveness of the authority's risk management, control, and governance processes.
  - b) To support the authority in achieving its strategic aims and objectives by providing recommendations for enhancing processes and systems.
  - c) Fulfilment of the Internal Audit Mandate as contained within the Internal Audit Charter.

- d) To ensure compliance with statutory and regulatory requirements.
- e) To foster a culture of continuous improvement within the authority.
- f) Deliver audit services in accordance with the Global Internal Audit Standards, subject to the interpretations and additional requirements set out in the Application Note of the Standards in the UK Public Sector, and the Code of Practice for the Governance of Internal Audit in UK Local Government.
- g) Support managers to develop and maintain a culture in which fraud, bribery and corruption are understood across the organisation as being unacceptable.

### 3. Vision of Internal Audit

- 3.1 The internal audit team aspires to be a cornerstone of accountability, integrity, and continuous improvement within Monmouthshire County Council. By providing independent, objective assurance and consulting services, the team will empower decision-makers, enhance public trust, and drive the efficient use of resources.
- 3.2 Our vision is to:
  - **Safeguard public resources:** Champion transparency and ensure the responsible management of taxpayers' funds to deliver value and meet community needs.
  - **Support robust governance:** Strengthen risk management, compliance, and ethical practices across all departments, fostering an environment of excellence and accountability.
  - **Be a trusted advisor:** Collaborate with stakeholders to provide actionable insights and strategic guidance that aligns with organisational goals and legislative requirements.
  - **Drive innovation:** Promote adaptability and forward-thinking solutions that enable continuous improvement and responsiveness to changing needs.
  - **Enhance public trust:** Demonstrate the highest standards of professionalism and objectivity, ensuring every audit contributes to building confidence in local government operations.

- **Inspire internal auditors:** To continuously improve emphasising the importance of fostering a culture of excellence and innovation within the internal audit team.
- 3.3 By delivering insightful recommendations and ensuring compliance with regulations, the internal audit team will be instrumental in shaping a Council that operates with transparency, efficiency, and a relentless commitment to serving its community.

## 4. Governance and Oversight

- 4.1 Effective governance and oversight are critical to the success of the internal audit strategy. The Governance & Audit Committee and the Senior Leadership Team will play a pivotal role in:
- a) Providing oversight and direction to the internal audit function.
  - b) Ensuring that the audit process is conducted in accordance with established standards and practices.
  - c) Reviewing and approving the audit plan and reports.
  - d) Monitoring the implementation of audit recommendations.

## 5. Internal Audit Plan

- 5.1 From the start of the 2026/27 financial year the Monmouthshire County Council Internal Audit team will be transitioning from a traditional fixed single-year internal audit plan to a dynamic rolling internal audit plan, sometimes known as ‘agile’ internal auditing. The rolling plan will be updated quarterly throughout the year, allowing for greater responsiveness to emerging risks, regulatory changes and organisational priorities. This approach is increasingly recognised as best practice, supporting greater alignment with strategic objectives and enhancing the audit team’s ability to adapt to a changing risk landscape.
- 5.2 The scheduled plan of work for the team will be reported to the Governance & Audit Committee quarterly throughout the year along with the results and conclusions from the reviews undertaken.

### **Non-negotiables**

- 5.3 As part of the transition to a rolling plan of work, it has been agreed that a number of non-negotiables will need to be considered by the Chief Internal Auditor when developing the quarterly plan. These are;
- a) Provide strategic assurance by ensuring that internal audit activity is aligned to organisational priorities and delivered consistently across all Council Directorates.
  - b) Engage proactively with the Strategic Leadership Team and the Governance & Audit Committee on a quarterly basis to identify emerging risks early and ensure they are reflected in forward-looking assurance plans.
  - c) Maintain strategic oversight of the Council's risk landscape by monitoring the Strategic Risk Register and prioritising review activity around the most significant and evolving risks.
  - d) Strengthen the Council's financial governance by sustaining a planned, risk-based cycle of reviews for all key financial systems.
  - e) Lead the delivery of the Council's Counter Fraud response (see Section 6), ensuring that internal audit work provides a robust and evidence-based platform for organisational integrity and accountability.
  - f) Champion proactive financial governance by offering advisory support outside formal audit cycles and continuing to deliver financial assessments on behalf of Adult Services Commissioning.
  - g) Expand the use of Control Risk Self-Assessments to embed stronger ownership of internal controls, enhance risk awareness, and promote best practice across service areas.
  - h) Ensure that the breadth and depth of Internal Audit work undertaken provides the Chief Internal Auditor with a strong evidence base for issuing an annual opinion on the Council's internal control environment.
  - i) Escalate any resource pressures that may affect delivery of the assurance plan to the Deputy Chief Executive & Chief Officer for Resources (S151 Officer) and the Chair of the Governance & Audit Committee to support informed decision-making.

### **Follow-up work**

- 5.4 In accordance with the Global Internal Audit Standards the Internal Audit team will continue to follow-up the implementation of recommendations and agreed management actions from previously issued reports. This will be completed in two different ways;
- Where a positive opinion (Substantial or Reasonable Assurance) has been issued – the responsible officers will be required to complete a self-assessment approximately 12 months from the date of the final report. The

Internal Audit team will review the return and reserve the right to complete testing to validate the assessment.

- When the review receives an ‘unfavourable’ opinion (Limited or No Assurance) the area in question will be supported and a formal follow-up review completed at an appropriate moment in time, normally between 6 to 12 months from the date of the issued final report. The date of when the follow-up review will be completed is at the discretion of the Chief Internal Auditor. A new conclusion will be issued based on the control environment at the time of the follow-up review.

5.5 The findings from all follow-up work will be reported to the G&AC quarterly, adding assurance that Internal Audit recommendations are being promptly addressed.

## **6. Counter Fraud**

8.1 Within the Internal Audit team is a dedicated resource (1 FTE) covering both proactive and reactive Counter Fraud work across the Council. The work undertaken will be supported by a Counter Fraud Risk Assessment which will be reviewed and reported to the Governance & Audit Committee at least annually.

8.2 Counter Fraud work undertaken will be reported through the Chief Internal Auditors quarterly reports to the Governance & Audit Committee although it may be necessary on occasion to redact or withhold information where there are ongoing sensitive concerns which could result in disciplinary action, a referral to the Police or another outside agency such as the Education Workforce Council / Social Care Wales.

## **7. Continuous Professional Development**

7.1 Continuous professional development for auditors is crucial to maintaining high standards of audit quality and effectiveness. The Chief Internal Auditor will ensure there are opportunities to help internal auditors develop their competencies. This can be achieved through:

- Regular participation in professional training programs and workshops.
- Obtaining industry-recognised certifications and qualifications.
- Engaging in peer reviews and benchmarking exercises.

- Staying updated with the latest developments in audit methodologies, regulations, and best practices.
- Encouraging knowledge sharing and collaboration among audit staff.

## **8. Continuous Improvement**

8.1 The internal audit strategy promotes a culture of continuous improvement by:

- Regularly reviewing and updating the audit universe, audit methodologies and practices.
- Incorporating feedback from stakeholders, the Senior Leadership Team and the Governance & Audit Committee to better understand their expectations and provide valuable insight.
- Adopting best practices and industry standards.
- Enhancing the skills and capabilities of audit personnel.
- The Chief Internal Auditor regularly evaluating the technology used by the internal audit function and pursue opportunities to improve effectiveness and efficiency.

## **9. Performance Indicators**

9.1 Risk-based agile internal auditing is a dynamic process and therefore more difficult to manage than traditional methodologies. Monitoring progress against a plan that is constantly changing is a challenge. However, the rewards outweigh these difficulties and we have reviewed our performance measures to ensure the difficulties in measuring internal audit's effectiveness are considered. We have in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit service. We have adopted a reduced and streamlined suite of performance measures to determine the effectiveness of our work, which can be seen in the table below.

<b>Performance Indicator</b>	<b>Target (2026/27)</b>
Audits completed to draft within 4 months	90%
Number of Audit Conclusions issued during the quarter	8
Number of Audit Conclusions issued during the rolling 12 month period	32
Clients satisfied with service received	100%
Number of staff	6 FTE
Frequency of Plan Updates	Quarterly
Recommendations either fully or partially implemented within 12 months	90%
Response to fraud allegations or requests for advice	2 days

9.2 As this is the first year of a rolling Internal Audit Plan, the performance indicators will be reviewed in 12 months time to ensure they are fit for purpose or if there are other areas which require monitoring. In addition, the Welsh Chief Auditors Group are currently reviewing its suite of performance measures for benchmarking purposes to ensure they remain relevant and consistent across all 21 member councils. The Performance Indicators for MCC will be examined again once this review has been completed.

## **10. Review**

10.1 This internal audit strategy will be reviewed on an annual basis or whenever changes occur to Monmouthshire County Councils strategic objectives. Given the change in planning methodology, the next strategy review will assess the implementation and impact of this change and to consider if a rolling plan was to continue.

10.2 Factors that may prompt an immediate review of the internal audit strategy include:

- Changes in the Council's strategy or the maturity of its governance, risk management, and control processes.
- Significant changes in the Council's Constitution, policies and procedures or relevant laws and/or regulations.

- Significant changes in members of the Governance & Audit Committee, senior management, or the Chief Internal Auditor.
- Results of internal and external assessments of the internal audit function.



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