

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**CORPORATE LEADERSHIP TEAM'S
REPORT TO**

**Audit and Standards Committee
7 April 2025**

Report Title: Proposed Internal Audit Strategy & Plan 2025/26

Submitted by: Chief Internal Auditor

Portfolios: All

Ward(s) affected: All

<u>Purpose of the Report</u>	<u>Key Decision</u>	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
To inform Members of the proposed Internal Audit Plan for 2025/26 and to seek their approval on its contents.			
<u>Recommendation</u>			
1. In accordance with the Committee's terms of reference, the Internal Audit Plan for 2025/26 be approved.			
2. The Committee agree to receive quarterly reports on the delivery of the assignments within the plan and on the implementation of actions arising.			
<u>Reasons</u>			
The Accounts and Audit Regulations include the statutory requirement for the provision of an adequate and effective internal audit function. The Global Internal Audit Standards in the UK Public Sector place a duty on Internal Audit to plan effectively to ensure it contributes to the Council's objectives at strategic and operational levels. Planning also enables Internal Audit to demonstrate that they are making the best use of available resources.			

1. Background

1.1 This report presents the proposed Annual Strategic Internal Audit Plan (the Plan) and Counter Fraud Plan 2025/26 for consideration and approval by this Committee.

1.2 As part of its responsibilities, the Internal Audit Section is responsible for conducting independent reviews of the Council's internal control systems as a contribution towards the proper, economic, efficient and effective use of the Council's resources. The Accounts and Audit Regulations 2015 requires every local authority to maintain an adequate and effective internal audit function. Internal audit requirements are also laid down within the Council's Financial Procedures (D.5).

- 1.3** Internal Audit is a key source of independent assurance for management, designed to add value and improve how the Council operates.
- 1.4** The delivery of the Plan will support the Council by:
- providing assurance on key risks and controls;
 - enhancing financial and operational governance;
 - supporting continuous improvement and efficiency; and
 - helping the Council achieve its strategic objectives.
- 1.5** The Plan has been prepared in accordance with the Internal Audit Strategy, which is approved also by the Audit and Standards Committee. It has been compiled through a well-established risk assessment methodology, ensuring that the most significant areas of risk to the Council's operations are given appropriate audit coverage.
- 1.6** All auditable areas contained in the risk assessment have been allocated an 'audit risk' score based upon seven risk factors. In general, primarily only high-level risk areas have been included in the audit plan.
- 1.7** In developing the plan, discussions were held with all Service Directors to understand their key risks, operational challenges, and areas where Internal Audit can add value. These discussions helped shape the Plan to focus on audits that will provide meaningful assurance and support the Council in achieving its objectives.
- 1.8** To ensure continuous oversight of financial controls, a five-year cyclical timetable of key financial system reviews has been developed. This timetable has been agreed with the Service Director for Finance (S151 Officer) and external audit, ensuring a structured approach to financial audits that supports financial resilience and accountability. The cyclical approach allows for in-depth reviews of critical financial systems at regular intervals, ensuring ongoing compliance, efficiency, and risk mitigation.

2. Issues

2.1 Analysis of the 2025/26 Internal Audit Plan

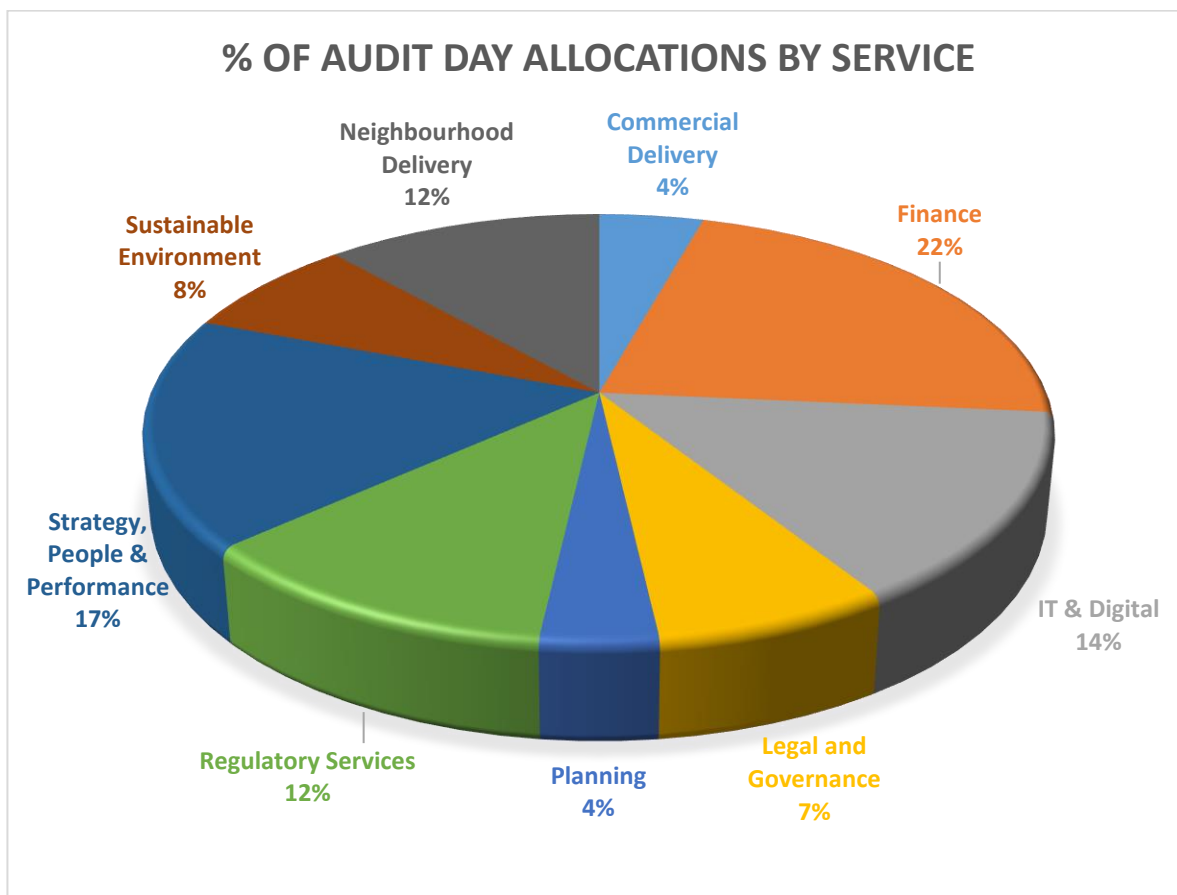
The internal audit service provided to the Council has a total of 341 days available for 2025/26. This includes:

- 25 days allocated to audit management activities, including planning, reporting, engagement with leadership, attendance at the Audit and Standards Committee and recommendation tracking.
- 40 days dedicated to counter fraud activities, supporting the Council's efforts in preventing, detecting, and responding to fraud risks.
- The remaining 276 days are allocated to assurance and consultancy work, providing independent oversight and advisory support across key service areas.

Whilst we strive to create a balanced audit plan across different services areas, the allocation of resources is ultimately driven by our risk assessment process. This ensures that audit activities are focused on the key current and emerging

risks and challenges facing the Council. At the same time, audit activities are also designed to support the aims set out in the Council's Plan (2022-26), providing assurance and recommendations that contribute to effective service delivery, financial sustainability and good governance.

The chart below illustrates the breakdown of the 276 days (by percentage), across different service areas.



The Plan also includes a range of audit types designed to provide comprehensive assurance across the Council's operations. The variety of audits ensures that key risk areas are addressed while supporting the Council's strategic priorities. The audits included in the plan have been categorised into the following types:

- **Financial Audits** – Providing assurance on the effectiveness of financial management, internal controls, and compliance with financial regulations.
- **IT/Digital Audits** – Assessing the security, functionality, and resilience of digital systems and technology infrastructure.
- **Governance Audits** – Reviewing the Council's decision-making structures, policies, and compliance with regulatory requirements.
- **Grant Audits** – Ensuring that external funding is managed transparently, meets grant conditions, and delivers intended outcomes.
- **Operational Audits** – Examining the efficiency, effectiveness, and controls in place for service delivery and operational processes.
- **Consultancy Audits** – Providing advisory and support services to help strengthen controls, improve processes, and manage risks proactively.

The full 2025/26 Internal Audit Plan can be found at **Appendix 1** to this report.

In creating the Internal Audit Plan, we considered:

- 1) Local Government Reorganisation (LGR) and Devolution;
- 2) The Council Plan and One Council Transformation Programmes (One Green, One Commercial and One Digital);
- 3) Strategic risks reported to the February Audit and Standards Committee; and
- 4) Key financial systems.

Further detail on these considerations is documented below.

2.2 Key Risk Consideration: Local Government Reorganisation and Devolution (1)

One of the most significant risks identified during the development of the Internal Audit Plan is the impact of LGR and Devolution. The potential structural changes, governance realignments, and transition-related uncertainties have been carefully considered to ensure that internal audit activities add value to the Council.

Given the significance of LGR, the Internal Audit Plan has been developed with the following principles in mind:

- **Risk-Based Prioritisation** – Audits have been prioritised based on risk assessments and discussions with key stakeholders to ensure alignment with the Council's strategic objectives.
- **Value-Added Assurance** – The plan includes audits that provide long-term benefits, ensuring that recommendations remain relevant beyond any organisational restructuring.
- **Flexibility and Adaptability** – Recognising the evolving nature of LGR, the plan remains dynamic and subject to periodic review to address emerging risks and priorities.
- **Compliance and Good Governance** – Ensuring that the Council maintains strong governance, financial control, and regulatory compliance throughout the transition and beyond.

2.3 Supporting LGR through Governance Audits

The Internal Audit Plan also incorporates key governance audits designed to support the Council's transition through LGR. These audits will ensure that governance frameworks remain robust and adaptable. Key areas of focus include:

- **Time Set Aside for LGR Developments:** Internal Audit will allocate time to keep abreast of LGR discussions and developments, ensuring the Council is well-prepared for structural and operational changes.
- **Workforce Sustainability:** A review of the workforce strategy to assess how the Council is maintaining a sustainable workforce throughout the LGR process, ensuring retention, recruitment, and skills development align with future needs.
- **Corporate Decision-Making:** Auditing the effectiveness of corporate decision-making frameworks to ensure transparency, accountability, and compliance with statutory obligations during the reorganisation. Ensuring

robust decision-making processes will support effective governance and mitigate risks associated with the reorganisation.

- **Compliance with the Code of Practice on Good Governance for Local Authority Statutory Officers:** This audit will provide assurance that statutory officers are operating within the principles of good governance, ensuring strong leadership and accountability during the LGR transition. Compliance with this Code is essential to maintaining public trust, legal compliance, and effective decision-making, which will be critical as the Council navigates organisational change. Ensuring that statutory officers are fulfilling their governance responsibilities effectively will be pivotal in achieving a smooth transition and ensuring that governance structures remain fit for purpose.

2.4 Linking the Internal Audit Plan to the Council Plan and One Council Transformation Programmes (2)

The Internal Audit Plan has been developed to align with the Council's Plan and Vision, ensuring that audit activities support the successful delivery of the three One Council programmes of work. These programmes are integral to achieving the Council's Plan and Vision, and our plan has been structured to provide assurance and added value in the following ways:

Council Plan – Priority One

- The 'Newcastle Partnership – Community Safety' audit aligns with **working with partners to deliver the best for our communities** by assessing the effectiveness of collaborative arrangements with key partners to enhance community safety and deliver improved outcomes for residents.
- The 'Workforce Sustainability' audit directly supports the aim of **delivering a Workforce Strategy** and aims to add value by providing independent assurance on the effectiveness of the Council's Workforce Strategy, identifying strengths and areas for improvement in recruitment and retention.

Council Plan – Priority Two

- The 'Sustainable Environment Strategy' audit will support the aim of **delivering the Sustainable Environment Strategy and securing a carbon-neutral borough** by providing assurance on the effectiveness of governance, decision-making, and cross-departmental collaboration, ensuring that sustainability is embedded across the Council's operations and that progress towards carbon neutrality is effectively monitored and supported.

Council Plan – Priority Four

- The Regeneration Scheme audit has been included to directly support Priority 4 of the Council Plan – Town Centres for All. Given the Council's commitment to revitalising and repurposing underused town centre spaces to foster economic growth, community engagement, and sustainable development, effective governance of these schemes; Ryecroft Site, York Place, and the Midway Car Park is critical.

One Digital Programme

Our audit reviews in 2025/26 will assess the implementation of digital transformation projects, including the:

- Implementation of a new Customer Relationship Management System;
- move from on-premise hosting, to cloud based through the Microsoft Azure platform; and
- implementation of a new Fleet Management System.

Our audit reviews in 2025/26 will also provide cyber security assurance through reviews of:

- The Council's cyber incident preparedness and response effectiveness; and
- Third party access – which has been the cause of cyber incidents at other organisations and local authorities.

One Green Programme

An audit of the Sustainable Environment Strategy has been included to provide assurance that the Council is on track to achieve the aims set out in the strategy.

2.5 Consideration of Strategic Risks in the Audit Plan (3)

Strategic risks have been carefully considered during the formulation of the Internal Audit Plan to ensure that key risk areas receive appropriate assurance. The following strategic risks, which were reported to the February Audit and Standards Committee, include:

- **Community Cohesion:** Audits related to partnership working, community safety, and homelessness will support efforts to strengthen community resilience and social cohesion.
- **Cyber Security and Data Breach:** Two dedicated cyber security audits will assess the Council's resilience against cyber threats and its preparedness and response effectiveness.
- **Failure to Deliver Strategic Projects:** Reviews of major projects such as the new CRM system and move to Azure as well as projects in the Environmental Sustainability Action Plan will provide assurance that they are well-managed and governed.
- **Financial Risks:** Internal Audit will continue to review financial management processes, including budgetary controls and borrowing, to mitigate financial risks.
- **Workforce:** An audit on workforce sustainability will help ensure the Council maintains a skilled and resilient workforce.
- **Failure to Deliver the Environmental Action Plan:** An audit on the Environmental Sustainability Strategy will assess progress towards key environmental objectives and the effectiveness of governance arrangements supporting the Environmental Action Plan.

2.6 Key Financial Audits (4)

Key financial audits to be undertaken during 2025/26 in accordance with the agreed timetable include:

- Payroll;

- Budgetary Control;
- Debtors;
- E-Payments;
- Main Accounting; and
- Council Tax

2.7 As part of our risk assessment process, 5 top risks have been identified:

- 1) Local Government Reorganisation and Devolution;
- 2) Regeneration Schemes;
- 3) Cyber - Incident Preparedness and Response Effectiveness;
- 4) New Customer Relationship Management System; and
- 5) Workforce Sustainability

2.8 2025/26 Counter Fraud Plan

The full 2025/26 Counter Fraud Plan can be found at **Appendix 1** to this report. In 2025/26, emphasis will continue to be placed on developing the proactive elements of the Plan and increasing the profile of the Counter Fraud work. The Counter Fraud Plan for 2025/26 is based, as in previous years on the CIPFA's Counter Fraud Code of Practice. Counter Fraud work totalling 40 days in 2025/26 is split across the following five key areas of activity:

- Strategic Development (3 days);
- Creating an anti-fraud Culture (2 days);
- Prevent & Deter (20 days);
- Detection (5 days); and
- Investigations (10 days).

The internal audit service will continue to develop its continuous controls monitoring (CCM) programme of work for the Council. This work falls under the Prevent and Deter heading, as detailed above.

2.9 Other Audit Time Allocations

Time has been included in the Plan for management activities required to ensure the effective delivery of the Internal Audit Service.

As part of this time, Internal Audit will continue to track the implementation of previous recommendations made to give on-going assurance to management that the control environment continues to improve. The implementation of audit recommendations will be periodically reported to the Audit & Standards Committee.

3. Recommendation

3.1 That Committee approve the Internal Audit Plan for 2025/26 and agree to receive quarterly reports on the delivery of the assignments within the plan and on the implementation of actions arising.

4. Reasons

- 4.1 By agreeing to the proposed plan, the Audit & Standards Committee are supporting the Internal Audit service in fulfilling its responsibility to plan effectively and ensure that it contributes to the Council's objectives at strategic and operational levels. The plan will also enable Internal Audit to demonstrate that they are making the best use of their resources balanced against the perceived risks to the Council

5. Options Considered

- 5.1 None.

6. Legal and Statutory Implications

- 6.1 The Accounts and Audit (England) Regulations 2015, state that "A relevant authority [the Council] must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." (para 5(1)).
- 6.2 Section 151 of the Local Government Act 1972 states that every local authority should make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'. CIPFA has defined 'proper administration' in that it should include 'compliance with the statutory requirements for accounting and internal audit'.
- 6.3 The activities of Internal Audit are planned in accordance with the Accounts and Audit Regulations which place a duty upon the Chief Internal Auditor to report to members on a regular basis. By acting upon recommendations within internal audit reports, the Council is demonstrating its commitment to maintain an adequate and effective system of internal control, as required by these regulations. Satisfactory delivery of the audit plan assists the Service Director for Finance (Section 151 Officer), in discharging her duties under section 151 of the Local Government Act 1972

7. Equality Impact Assessment

- 7.1 There are no equality impact issues identified from this proposal

8. Financial and Resource Implications

- 8.1 The work outlined for 2025/26 will be carried out within the agreed price specified in the agreement with Staffordshire County Council for Internal Audit services which is in line with the budgeted cost. The financial implications resulting from the recommendations made within audit reports will be highlighted within individual reports wherever possible. It is the responsibility of managers receiving audit reports to take account of these financial implications, and to take the appropriate action.

8.2 Internal Audit is directed by the Chief Internal Auditor provided through a service agreement by Staffordshire County Council. This agreement provides the Borough Council with access to a range of Internal Audit staff with specific areas of experience and knowledge. The number of days to be delivered through this agreement is 341.

9. Major Risks & Mitigation

9.1 The risks associated with this report are that internal audit resources are not used efficiently and effectively to provide assurance over the key risks faced by the Council and therefore as a result at the end of the financial year, the Chief Internal Auditor is unable to provide their annual audit opinion on the overall adequacy and effectiveness of the Organisation's governance, risk and control framework, i.e., the control environment. If this were to happen, this would damage the Council's reputation.

10. UN Sustainable Development Goals (UNSDG)

10.1 The Internal Audit and Counter Fraud Arrangement via Staffordshire County Council and the Fraud Hub supports UNSG and Climate Change objectives in a number of ways. Principally, through partnership working and supporting sustainable cities and communities via the correct use of public monies. The following UNSGs are supported.



11. One Council

Please confirm that consideration has been given to the following programmes of work:

One Commercial Council

We will make investment to diversify our income and think entrepreneurially.

One Digital Council

We will develop and implement a digital approach which makes it easy for all residents and businesses to engage with the Council, with our customers at the heart of every interaction.

One Green Council

We will deliver on our commitments to a net zero future and make all decisions with sustainability as a driving principle.

12. Key Decision Information

12.1 Not Applicable.

13. Earlier Cabinet/Committee Resolutions

13.1 Not Applicable

14. List of Appendices

14.1 Appendix 1 – 2025/26 Internal Audit Strategy & Plan

15. Background Papers

15.1 Global Internal Audit Standards – revised with effect from 1st April 2025.

15.2 Global Internal Audit Standards in the UK Public Sector Application Note – with effect from 1st April 2025

15.3 Accounts and Audit (England) Regulations 2015.
CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government (February 2025)