

Appendix 1

Internal Audit Charter

2025/26

Newcastle-under-Lyme Borough Council

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Introduction

This charter defines for the internal audit activity of Newcastle-under-Lyme Borough Council (the Council), its purpose, authority and responsibilities consistent with the requirements of the Global Internal Audit Standards in the UK Public Sector. It also aims to confirm relationships with key stakeholders. It is subject to annual approval by the Board¹.

Internal Audit has limited resources and therefore its workforce is deployed in accordance with the annual Audit Strategy having regard to relative risks and levels of assurance required, translated into an agreed annual Audit Plan and delivered through individual audit assignments. This is agreed by the Board each year.

The Audit Charter should be read in conjunction with the relevant sections of Financial Regulations of the Council (Appendix A refers).

Purpose

The purpose of the internal audit function is to strengthen Newcastle-under-Lyme Borough Council's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances Newcastle-under-Lyme Borough Council's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Newcastle-under-Lyme Borough Council's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with the Chartered Institute of Internal Auditor's (CIIA) Global Internal Audit StandardsTM, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

¹ The Audit & Standards Committee is referenced in the Global Internal Audit Standards in the UK Public Sector as the Board.

Commitment to Adhering to the Global Internal Audit Standards

Newcastle-under-Lyme Borough Council's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework through conformance with the Global Internal Audit Standards in the UK Public Sector. The Chief Audit Executive will report annually to the Board and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Mandate

Authority

The authority for the Internal Audit function is derived from legislation and the Council. The requirement for an Internal Audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs".

The Accounts and Audit (England) Regulations 2015, specifically require that a relevant body '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'.

Proper internal audit practices for Local Government are defined as constituting adherence to the requirements of the Global Internal Audit Standards in the UK Public Sector. These requirements are mandatory; instances of non-conformance must be reported to the Board as part of the Chief Audit Executive's annual outturn report. The Service Director – Finance (s151 Officer) has been delegated with this requirement by the Council.

The Internal Audit function's authority is created by its direct reporting relationship to the Audit and Standards Committee and the Corporate Leadership Team. Such authority allows for unrestricted access to the Audit and Standards Committee.

The board authorises the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.

- Obtain assistance from the necessary personnel of Newcastle-under-Lyme Borough Council and other specialized services from within or outside Newcastle-under-Lyme Borough Council to complete internal audit services.

Independence, Organisational Position, and Reporting Relationships

Newcastle-under-Lyme Borough Council's Internal Audit function is provided by Staffordshire County Council's in-house team supported by additional resources procured via an external support framework contract and from time-to-time agency staff procured via Staffordshire County Council's corporate agency staffing contract. The Chief Audit Executive role at Newcastle-under-Lyme Borough Council is performed by the Chief Internal Auditor from Staffordshire County Council (who is the nominated Officer) who reports into the Service Director – Finance (s151 Officer). Client responsibility therefore lies with a member of Senior Management at Newcastle-under-Lyme Borough Council. The above reporting relationships conforms with the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government (2025). In addition, the Chief Audit Executive has direct access to Newcastle-under-Lyme Borough Council's Monitoring Officer (Service Director – Legal & Governance) and Head of Paid Service (Chief Executive) and has unfettered access to the members and Chair of the Audit and Standards Committee.

These arrangements provide the organisational authority to bring matters directly to senior management and escalate matters to the Audit and Standards Committee, when necessary, without interference and supports the Internal Auditors' ability to maintain objectivity.

The Chief Audit Executive will confirm to the Audit and Standards Committee, at least annually, the organisational independence of the Internal Audit function. If the governance structure does not support organisational independence, the Chief Audit Executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Chief Audit Executive will disclose to the Audit and Standards Committee any interference Internal Auditors encounter related to the scope, performance, or communication of Internal Audit work and results. The disclosure will include communicating the implications of such interference on the Internal Audit function's effectiveness and ability to fulfil its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the Chief Audit Executive, Audit and Standards Committee, and senior management on the Internal Audit mandate or other aspects of the Internal Audit Charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganisation within the organisation.
- Significant changes in the Chief Audit Executive, Audit and Standards Committee, and/or senior management.

- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Board Oversight

The Audit & Standards Committee is a key component of the Council's governance framework. Their role is to operate as 'those charged with governance' and provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. For the purposes of the Global Internal Audit Standards in the UK Public Sector, the Audit & Standards Committee performs the role of the 'Board'.

To establish, maintain, and ensure that Newcastle-under-Lyme Borough Council's Internal Audit function has sufficient authority to fulfil its duties, the Audit and Standards Committee will:

- Discuss with the Chief Audit Executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the Chief Audit Executive has unrestricted access to and communicates and interacts directly with the board, including in private meetings without senior management present.
- Discuss with the Chief Audit Executive and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the Chief Audit Executive and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services and to review the Internal Audit Charter annually with the Chief Audit Executive to consider changes affecting the organisation.
- Approve the risk-based Internal Audit Strategy and Plan.
- Receive communications from the Chief Audit Executive about the Internal Audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results annually.

- Make appropriate inquiries of senior management and the Chief Audit Executive to determine whether scope or resource limitations are inappropriate.

To facilitate the above, Members of the Audit & Standards Committee have determined that they wish to receive the following documents:

- The annual Audit Strategy & Internal Audit Plan;
- The Internal Audit Mandate and Charter;
- The annual assessment of Internal Audit to ensure that it meets the requirements set out in the Accounts and Audit Regulations 2015 and the Global Internal Audit Standards in the UK Public Sector;
- The results of the external assessment of Internal Audit which must be performed every 5 years wef April 2013 (which was last completed January 2023);
- Regular updates on progress against High Level Recommendations;
- Periodic progress reports and the annual outturn report including results of anti-fraud and corruption work / special investigations;
- A copy of the audit report for those reviews given an opinion of “Limited Assurance”;
- A copy of the audit report for all major special investigations (i.e. those areas where the potential loss is greater than £10,000);
- A copy of the audit report/ briefing note for those reviews awarded the greatest risk score irrespective of opinion (The top risk areas within the Audit Plan as agreed with the Service Director – Finance (s151 Officer)).
- The Annual Governance Statement (AGS) prior to approval to consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit’s opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control.
- A copy of the audit report for those reviews relating to the governance and assurance arrangements for significant partnerships and/or collaborations.
- A copy of the Council’s Assurance Framework relating to key risk areas.

Note

Notwithstanding the above, all audit reports will be made available to members of the Audit & Standards Committee (either individually or collectively) upon request.

Members of the Audit & Standards Committee will agree key performance targets for the Internal Audit Section and ensure that they are reported upon as part of the annual outturn report and the review of the effectiveness of internal audit. Currently these are:

- Draft reports have been issued for at least 90% of the annual Audit Plan.
- Average score for quality questionnaires from auditees is equal to or exceeds the 'good' standard.

In addition, the performance evaluation of the Chief Audit Executive and the Internal Audit function will include feedback from the Chair of the Audit & Standards Committee and the Service Director – Finance (s151 Officer).

The Audit & Standards Committee will publish an annual report on its work including performance in relation to the terms of reference and effectiveness in meeting its purpose.

Chief Audit Executive Roles and Responsibilities

Ethics and Professionalism

The chief audit executive will ensure that internal auditors:

- Conform with the Global Internal Audit Standards in the UK Public Sector, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

The Chief Audit Executive will ensure that the Internal Audit function remains free from all conditions that threaten the ability of Internal Auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Chief Audit Executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Whilst Internal Audit is not responsible for the detailed development or implementation of new systems, they may be consulted during the system development process on the control measures to be incorporated in any new or amended systems. To maintain independence in these situations, the Auditor who

was involved in the 'consultancy style exercise' will not take any further part in the audit process. Any significant 'consultancy' activity not already included in the annual Audit Plan which may impact on the ability to provide the required assurance opinion will be reported to the Audit & Standards Committee for approval. The nature and scope of this type of work includes facilitation, process and/or control design, training, advisory services and risk assessment support.

Furthermore, Internal Auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for Newcastle-under-Lyme Borough Council or its affiliates.
- Initiating or approving transactions external to the Internal Audit function.
- Directing the activities of any Newcastle-under-Lyme Borough Council employee that is not employed by the Internal Audit function, except to the extent that such employees have been appropriately assigned to Internal Audit teams or to assist Internal Auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually to the Chief Audit Executive.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

To facilitate the above, as a Condition of Service, all employees are expected to maintain conduct of the highest standard such that public confidence in their integrity is maintained. This includes declarations of interest, as appropriate (organisational level). Furthermore, all directly employed staff are required to make an annual declaration to ensure that Auditors objectivity is not impaired and that any potential conflicts of interest are appropriately managed in line with the requirements of Domain II – Ethics & Professionalism within the Global Internal Audit Standards in the UK Public Sector and the Nolan Committee's Standards on the Seven Principles of Public Life (individual auditor level). In addition, all staff complete an audit declaration as part of each review which requires any conflicts of interest or impairments to be disclosed (individual engagement level).

All Internal Audit Contractor staff and agency staff are also required to declare any potential conflicts of interest at the start of any assignment to the Chief Audit Executive.

Managing the Internal Audit Function

The Chief Audit Executive must be a suitably professionally qualified individual who has the appropriate skills, knowledge, experience and resources to effectively perform in the role in accordance with the Global Internal Audit Standards in the UK Public Sector. They should also ensure that they take part in continuing professional development activities to remain up to date with developments within Internal Audit.

The Chief Audit Executive must establish an environment of trust, confidence and integrity in the work of the Internal Audit Section within the Council.

The Chief Audit Executive has the responsibility to:

- Annually, submit a risk-based internal audit plan to senior management for review and endorsement and then to the board for consideration and approval.
- Communicate the impact of resource limitations on the Internal Audit Plan to the Audit and Standards Committee and senior management.
- Review and adjust the Internal Audit Plan, as necessary, in response to changes in Newcastle-under-Lyme Borough Council's business, risks, operations, programs, systems, and controls.
- Communicate with the Audit and Standards Committee and senior management if there are significant interim changes to the Internal Audit Plan.
- Ensure Internal Audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards in the UK Public Sector.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and periodically communicate the results of Internal Audit services to the Audit and Standards Committee and senior management.
- Ensure the Internal Audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards in the UK Public Sector and fulfil the Internal Audit mandate.
- Identify and consider trends and emerging issues that could impact Newcastle-under-Lyme Borough Council and communicate to the Audit and Standards Committee and senior management as appropriate.
- Consider emerging trends and successful practices in Internal Auditing.

- Establish and ensure adherence to methodologies designed to guide the Internal Audit function.
- Ensure adherence to Newcastle-under-Lyme Borough Council's relevant policies and procedures unless such policies and procedures conflict with the Internal Audit Charter or the Global Internal Audit Standards in the UK Public Sector. Any such conflicts will be resolved or documented and communicated to the Audit and Standards Committee and senior management.
- Maintain awareness of the work of other internal and external providers of assurance and advisory services and consider relying upon these where appropriate.

In addition, the Chief Audit Executive should be consulted on all proposed major projects, programmes and policy initiatives, as appropriate.

The Chief Audit Executive should be consulted on proposed changes to the following key policy documents:

- a. Financial Regulations
- b. Procurement Regulations
- c. Anti-Fraud and Anti-Corruption Framework
- d. Fraud Response Plan
- e. Whistleblowing policy
- f. Anti Money Laundering Policy & Guidance
- g. Officers' Code of Conduct
- h. Risk Management Policy

Where partnership/ joint venture/ outsourced and shared service arrangements exist that require joint working with other organisations and their respective auditors, the Chief Audit Executive will produce a protocol outlining the respective roles and responsibilities of each partner, access to working papers, confidentiality and sharing of audit reports including reporting to Audit & Standards Committee (where appropriate).

In instances, where services are provided by third parties, the Chief Audit Executive must ensure that suitable clauses are included within Contract documentation to ensure that internal audit retains the right of access to documents/ personnel and systems as and when required.

Communication with the Audit and Standards Committee and Senior Management

The Chief Audit Executive will:

- Brief the Audit & Standards Committee Chairman regarding the content of Audit & Standards Committee agenda papers, including agreeing future agenda items and potential areas for training.
- Contribute to the review of the Audit & Standards Committee effectiveness, advising the Chair of any suggested improvement.
- Be responsible for the overall development of the Internal Audit Strategy and annual Internal Audit Plan, which demonstrates value for money to the organisation.

The Chief Audit Executive will report at least annually to the Audit & Standards Committee and Senior Management regarding:

- The Internal Audit function's Mandate and Charter.
- The Internal Audit Plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the Internal Audit Plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the Internal Audit function's conformance with the Global Internal Audit Standards in the UK Public Sector and action plans to address the Internal Audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit and Standards Committee that could interfere with the achievement of Newcastle-under-Lyme Borough Council's strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the Internal Audit function determines may be unacceptable or acceptance of a risk that is beyond Newcastle-under-Lyme Council's risk appetite.

Role of the Service Director - Finance (Section 151 Officer)

The Service Director - Finance (section 151 Officer) has overall delegated responsibility from the Council for the Internal Audit function. Following consultation with the Corporate Leadership Team, they will endorse the annual Internal Audit

Strategy and Plan before it is formally approved by the Audit & Standards Committee.

The Service Director – Finance (Section 151 Officer) will ensure that they are periodically briefed by the Chief Audit Executive on the following:

- Overall progress against the annual Internal Audit Plan;
- Those audit areas where a “Limited Assurance” opinion has been given;
- Progress on the implementation of all “high” level audit recommendations; and
- Progress on all fraud and irregularity investigations carried out by the Internal Audit Section.

Following on from the above, the Service Director – Finance (Section 151 Officer) will ensure that update reports are reported regularly to the Audit & Standards Committee, to include an annual outturn report.

Role of Corporate Leadership Team Members

For the purposes of the Global Internal Audit Standards in the UK Public sector, the Council’s Corporate Leadership Team (CLT) performs the role of the ‘senior management’.

Relevant extracts of those reports referred to above will receive prior consideration by the relevant CLT Member. This includes any fraud and corruption related exercises.

To assist the discharge of those responsibilities defined at **Appendix A**, CLT Members may appoint a senior officer to act as the first point of contact between Internal Audit and their area of responsibility.

The Chief Audit Executive will present the annual Internal Audit Strategy and Plan to CLT members for their consideration and endorsement. The annual outturn report, together with the overall opinion of the Organisation’s control environment will also be circulated to CLT, where appropriate.

CLT Members are also responsible for ensuring that staff within their areas participate fully in the audit planning process and actively enforce the implementation of agreed audit recommendations by the required date. The quality of these relationships impacts on the effective delivery of the internal audit service, its reputation and independence. Co-operative relationships with management can enhance Internal Audit’s ability to achieve its objectives.

Scope & Type of Internal Audit Services

The Chief Audit Executive is required to provide an annual opinion to the Council and to the Service Director – Finance (Section 151 Officer) through the Audit & Standards Committee, on the adequacy and effectiveness of the risk management, governance and control environment for the whole organisation and the extent it can be relied upon, in line with the Accounts and Audit (England) Regulations 2015.

To achieve this, the Internal Audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources.
- To provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures.
- To provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.
- To provide assurance that significant risks to the Council's objectives are being managed. This is achieved by annually assessing the adequacy and effectiveness of the risk management process.
- To provide advice and support to management to enable an effective control environment to be maintained.
- To promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud.
- To investigate, in conjunction with the appropriate agencies when relevant, allegations of fraud, bribery and corruption.
- To evaluate whether the information technology governance of the Council supports its strategies and objectives.

In accordance with the Global Internal Audit Standards in the UK Public Sector, most individual audits are undertaken using the risk-based systems audit approach, the key elements of which are listed below:

- Identify and record the objectives, risks, controls and tests;
- Where relevant, audit work programmes will be linked to the Council's strategic risks recorded in the Enterprise Risk Management (ERM) module of K10.
- Establish the extent to which the objectives of the system are consistent with corporate priorities and to link audit work programmes to the Council's priorities and principles of the Council, where relevant;
- Evaluate the controls in principle to decide whether they are appropriate and can be reasonably relied upon;

- Identify any instance of over/under control;
- Determine an appropriate strategy to test the effectiveness of controls;
- Arrive at a conclusion and produce a report leading to management actions and provide an opinion on the effectiveness of the control environment.

Where possible Internal Audit will seek to identify and place reliance on assurance work completed elsewhere within the Council's areas of responsibility as part of the planning process. In addition, Internal Audit will as part of the audit plan contribute to the development of an assurance framework for the Council.

Internal Audit may undertake consulting activities. The Institute of Internal Auditors (IIA) defines consulting as 'Advisory' and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming responsibility'. Also see Audit Independence elsewhere in the Charter.

Internal Audit does not undertake value for money studies routinely unless specifically requested.

The Chief Audit Executive cannot be expected to give total assurance that control weaknesses or irregularities do not exist. Managers are fully responsible for the quality of internal control and managing the risk of fraud, corruption and potential for bribery within their area of responsibility. They should ensure that appropriate and adequate control and risk management processes, accounting records, financial processes and governance arrangements exist without depending on internal audit activity to identify weaknesses.

Fraud and Corruption Related Work

The role of the Chief Executive, Service Directors and Business Managers in relation to the reporting of all instances of potential and actual irregularity affecting the finances of the Council is documented in both the Anti-Fraud and Anti-Corruption Framework and Fraud Response Plan which is reviewed and approved annually.

The internal audit role and the counter fraud roles that internal auditors will be involved in, relating to fraud and corruption work are broken down into three divisions:

- Core internal audit roles that all internal auditors should include in their risk-based approach;
- Counter fraud roles that internal audit can undertake without compromising audit independence;
- Counter fraud roles where internal audit may provide consultancy or advisory services, with safeguards.

Core Internal Audit role - The primary role of Internal Audit is to provide assurance on counter fraud arrangements and fraud risks in accordance with the standards.

The Internal Audit Section as part of its activity will evaluate the potential for the occurrence of fraud and how the Council manages its fraud risk. To enable this, the Chief Audit executive will ensure that individual internal auditors have sufficient knowledge of fraud risks and fraud risk management practice. Fraud risks that are covered within standard audit work programmes are identified within the K10 Audit System. Controls within audit work programmes are also categorised as either preventative type controls or detective type controls.

Supporting counter fraud roles – The Internal Audit Section may also take on additional roles or undertake work as part of an advisory or consultancy role to support or promote the development of effective counter fraud practice in the Council. In these instances, the Chief Audit Executive will ensure that internal auditors have adequate proficiency to undertake the activity (standard 3.1). Any impairment to independence or objectivity will also be identified and managed prior to the work commencing (standards 2.1 and 7.1).

The Internal Audit Section will carry out a thorough investigation of all potential and actual irregularities in accordance with the Section's Fraud Manual. For employee related frauds, the investigation is dealt with under the Council's Staff Disciplinary Procedure and upon conclusion; the matter may be referred to the Police. It should be noted that if the offence committed is serious and/or high value, the matter may be referred to the Police prior to the disciplinary proceedings being concluded. In these instances, the Police will be made aware of the Council's on-going investigations. It is not the normal practice of Internal Audit to issue formal cautions to suspects under the Police and Criminal Evidence Act (P.A.C.E.) 1984.

The Counter Fraud Manager will consult the Service Director – Finance (Section 151 Officer), relevant Service Director, and the Service Director for Strategy, People and Performance to determine whether any matter should be referred to the Police for criminal investigation. This is in accordance with the Fraud Response Plan.

A Counter Fraud Plan is produced and reviewed on an annual basis. In addition to the investigation of potential irregularities, work is undertaken to promote an anti-fraud culture.

In particular:

a) Creation of an Anti-Fraud Culture:

- Raising awareness of the e learning package.
- Adherence to the recommendations contained in the Fighting Fraud Locally Strategy and the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.
- Circulation of the Fraud-Watch Publication.
- Promotion of a Poster Campaign to raise awareness.

b) Deterrence

- Publicise both local and national cases of proven fraud within the Council.

c) Prevention

- A programme of continuous controls monitoring (CCM) is carried out throughout the year to identify 'red flags' for further investigation using our data analysis and file interrogation solution, IDEA. Areas susceptible to fraud are monitored on an on-going basis. Areas where CCM is utilised may include creditor payments, purchasing card transactions, mileage and expenses claims and casual hours claims and overtime.

d) Detection

- Participation in the Cabinet Office's national fraud initiative data matching exercise.

e) Investigation

- Hotline monitoring and intelligence gathering.
- Investigations of all areas of concern identified through routine audit, reported to management or via whistleblowing communication channels.

Audit Reporting

Assurance is provided on the organisation's risk management, governance and internal control processes to confirm that they are operating effectively. Audit assurance opinions are awarded on the completion of audit reviews reflecting the efficiency and effectiveness of the controls in place. Audit opinions are ranked either as; Substantial Assurance, Adequate Assurance or Limited Assurance.

Recommendations made will be ranked as; High, Medium or Low depending upon the relative importance of the audit finding. The methodology used is attached at **Appendix B**.

Work undertaken by Internal Audit will normally be concluded by the production of a formal written report to the respective individuals detailed below, dependent on the nature of the review and the opinion category:

Distribution	High Risk Reviews (Substantial Assurance / Adequate Assurance)	High Risk Reviews (Limited Assurance)	Other Reviews (Limited Assurance)	Major Irregularity / Special Investigation – (loss > £10,000)	Other Reviews (Substantial Assurance / Adequate Assurance)
Operational Manager	●	●	●	●	●
Corporate Leadership Team	●	●	●	●	●
Relevant Cabinet Member	●	●	●	●	
Cabinet Member for	●	●	●	●	

Finance, Town Centres & Growth					
Audit & Standards Committee Members	●	●	●	●	

Relationship with External Audit

Internal Audit will liaise with the external auditors of the Council to:

- Foster a co-operative and professional working relationship;
- Eliminate the incidence of duplication of effort;
- Ensure appropriate sharing of information; and
- Co-ordinate the overall audit effort.

Due Professional Care

Since April 2025, the Internal Audit Section (including its external providers) operates in accordance with the professional standards and practice statements included within the Global Internal Audit Standards in the UK Public Sector. Instances of non-conformance with the standards must be reported to the Audit & Standards Committee.

To demonstrate that due professional care has been exercised, the internal auditor is expected to:

- Exercise due professional care based upon appropriate experience, training, ability, integrity and objectivity;
- Perform their work with honesty and professional courage;
- Apply confidentiality as required by law and best practice;
- Obtain and record sufficient audit evidence to support their findings and recommendations;
- Show that audit work has been performed competently and in a way that is consistent with the Global Internal Audit Standards in the UK Public Sector;
- Apply professional skepticism to critically assess and evaluate information; and
- Consider the use of technology-based audit and other data analysis techniques.

Quality Assurance & Improvement Programme

The Chief Audit Executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the Internal Audit function. The program will include external and internal assessments of the Internal Audit function's conformance with the Global Internal Audit Standards in the UK Public Sector, as well as performance measurement to assess the Internal Audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to Internal Auditing. Also, if applicable, the assessment will include plans to address the Internal Audit function's deficiencies and opportunities for improvement. Significant deviations will be considered for inclusion in the Annual Governance Statement.

Annually, the Chief Audit Executive will communicate with the Audit and Standards Committee and senior management about the Internal Audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside Newcastle-under-Lyme Borough Council; qualifications must include at least one assessor having the characteristics outlined for Chief Audit Executive qualification.

Audit Processes

An Audit Manual is maintained detailing the procedures to be followed at each stage of the audit process including an instruction documents, guidance and videos guides for the operation of the Audit Management System, K10. The content of the Manual will be reviewed regularly and will include details of the arrangements to be followed in the event of suspected irregularities. The Chief Audit Executive shall periodically ensure adherence to its content. CLT Members will be consulted on any significant changes to the Manual.

A Data Utilisation Strategy is in place which outlines a vision of how the Internal Audit Service will use available data sources and analytics to enhance efficiency, reduce key risks and facilitate the Council in effectively making best use of data sources available.

Use of and the Processing of Data

Internal Audit is entitled to conduct its duties in line with its Charter and will review, appraise and report on the governance risk management, internal control and counter fraud environment. The provision of internal audit services may involve the processing of personal data. In respect of this, new data protection legislation came into force from the 25th May 2018, which aims to protect the privacy of all UK and EU citizens and prevent data breaches.

Approval/Signatures

Chief Audit Executive

Date

Service Director – Finance (section 151 Officer)

Date

Board Chair

Date

Appendix A

FINANCIAL REGULATION D4-D7 – RISK MANAGEMENT AND CONTROL OF RESOURCES

Internal Control, Audit Requirements & Preventing fraud and corruption

D4. Internal Controls

D4.1 The Section 151 Officer and Service Director Legal and Governance are responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes, regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.

D4.2 It is the responsibility of Service Directors to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

D5. Internal Audit

D5.1 The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2015 more specifically require that a “relevant authority 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”.

D5.2 The Public Sector Internal Audit Standards (PSIAS) defines Internal Audit as “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”.

D5.3 This function can be delivered by a team internal to the council or it can be contracted out under the supervision of the Section 151 Officer.

D5.4 The Accounts and Audit Regulations 2015 require the council to review the effectiveness of its governance framework, including the system of internal control, on an annual basis and report the results in an Annual Governance Statement. This statement must provide a description of the governance framework within the council, a description of any work undertaken to assess its effectiveness and any significant governance weaknesses identified.

D5.5 To contribute to the production of the Annual Governance Statement, the Section 151 Officer is responsible for planning and delivering a programme of independent review of the council’s activities, the scope of the programme being

based on the council's objectives and an assessment of the risk, which may affect the achievement of these objectives.

D5.6 The Section 151 Officer is also responsible for reporting to those charged with governance and can satisfy this requirement by presenting an annual report to the Audit and Standards Committee, summarising the audit plan for the coming year and a commentary on audit activity which is completed or in progress. Quarterly reports setting out progress against the annual audit plan and delivery against its key performance indicators are also taken to the Audit and Standards Committee. In addition, any matters of material importance in relation to audit matters are also reported to Cabinet and the Audit and Standards Committee.

D5.7 Audit staff will have full access to all premises, staff, assets, records and third party fund transactions as is necessary to conduct their reviews. With regards to organisations participating in partnering arrangements, including alternative delivery vehicles where provided for in the contract or service level agreement, audit staff shall have such access to premises, staff, assets and records of the partner as is necessary for the purposes of the partnering arrangement.

D5.8 Partners will be required to grant reasonable access when requested and details of such access should be agreed with the partner and set down in the partnering agreement. Where the right of access has not been specified in existing arrangements then appropriate discussions with partners should take place. Similar rights of access should be determined as part of the establishment of any alternative service delivery vehicles, and should be similarly agreed and documented in the contract or service level agreement.

D6. External Audit

D6.1 The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.

D6.2 The Local Audit and Accountability Act 2014 (the Act) established new arrangements for the audit and accountability of relevant authorities and these new arrangements include the ability for local authorities to appoint their own local (external) auditors via an 'auditor panel'. An auditor panel can be established individually or jointly with one or more other authority.

D6.3 The Council may, from time to time, also be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

D7. Preventing Fraud and Corruption

D7.1 The Section 151 Officer is responsible for the development and maintenance of an Anti-Fraud and Corruption Strategy.

D7.2 The Council has an approved Anti-Fraud and Corruption Strategy that places responsibility for maintaining an anti-fraud culture with all Members, managers

and individual members of staff. Any matters which involve, or are thought to involve, any fraud or other significant irregularity involving council assets or those of a third party fund, must be notified immediately to the Section 151 Officer, in conjunction with other Officers detailed in the council's Anti-Fraud and Corruption Strategy, who will decide what steps are necessary.

D7.3 In line with the Anti-Fraud and Corruption Strategy, the Service Director Legal and Governance in his/her role as Monitoring Officer will, in consultation with the appropriate Service Directors, decide whether any matter under investigation should be referred to the Police or appropriate enforcement agency.

Appendix B

Audit Opinions

Recommendation Risk Ratings

At the conclusion of each audit, control weaknesses are rated based on their potential impact against the organisation, and likelihood of any associated risks occurring.

The scoring matrices below are used by Auditors as a guide to assessment of each control weakness, and therefore generating the priority rating of the resultant recommendation.

Priority ratings may subsequently be adjusted; for example, in a minor system with a total budget of £100,000, financial loss of £5,000 would be considered more a more significant risk to system objectives than the matrix below would initially suggest.

Impact Ratings

Risk Type	Impact Ref	Marginal 1	Significant 2	Fundamental 3	Catastrophic 4
Financial	A	Lack of VFM or overspend resulting in a financial loss below £10,000	Lack of VFM or overspend resulting in a financial loss between £10,000 and £100,000	Lack of VFM or overspend resulting in a financial loss between £100,000 and £0.5m	Lack of VFM or overspend resulting in a financial loss in excess of £0.5m
Reputation	B	Adverse publicity unlikely (e.g. Just can't demonstrate that probity has been observed.)	Needs careful public relations (e.g. Minor theft of property or income.)	Adverse local publicity (e.g. Minor fraud case.)	Adverse national publicity (e.g. Major fraud or corruption case.)
Legal/Regulatory	C	Breaches of local procedures / standards	Breaches of regulations / standards	Breaches of law punishable by fines only	Breaches of law punishable by imprisonment
Legal/Regulatory	D	Not an issue that would interest the External Auditors	An issue that may require further checks to satisfy the External Auditor that control is sufficient.	Would warrant mention in the Annual Audit Letter or Annual Governance Statement (AGS).	Could lead to qualification of Council's Statement of Accounts
Legal/Regulatory	E	Unlikely to cause complaint / litigation	High potential for complaint, litigation possible	Litigation to be expected	Litigation almost certain and difficult to defend
Performance	F	Doesn't materially affect a departmental performance indicator or service objective.	Has a material adverse affect on a departmental/corporate performance indicator or service objective.	Could adversely affect a number of departmental/corporate performance indicators or could seriously damage Departmental objectives / priorities.	Could call into question the Council's overall performance framework or seriously damage a Council objective / priority.
Service Delivery	G	Doesn't affect any identified objectives	Adversely affects a service objective	Seriously damage Departmental objective / priority	Seriously damage any Council objectives / priorities
Service Delivery	H	No significant disruption to service capability	Short term disruption to service capability	Short term loss of service capability	Medium term loss of service capability
Service Delivery	I	No more than 3 people involved	No more than 10 people involved	Up to 50 people involved	More than 50 people involved
Health & Safety	J	No injuries beyond "first aid" level	Medical treatment required - long term injury	Extensive, permanent injuries; long term sick	Death

Likelihood ratings:

Risk Score	Description	Example Detail Description
5	Very Likely	Likely to occur within a year / Over 80% Probability of Likelihood
4	Likely	Likely to occur within 1 to 3 Years / 60%- 80% Probability of Likelihood
3	Possible	Likely to occur within 3 to 5 Years / 40%-60% Probability of Likelihood
2	Unlikely	Likely to occur within 5 to 10 Years / 20%-40% Probability of Likelihood
1	Remote	Likely to occur greater than 10 Years / Less than 20% Probability of Likelihood

Priority Ratings Matrix

Catastrophic	I m p a c t	4	4	8	12	16	20
Fundamental		3	3	6	9	12	15
Significant		2	2	4	6	8	10
Marginal		1	1	2	3	4	5
			1	2	3	4	5
			Likelihood				
			Remote	Unlikely	Possible	Likely	Very Likely

Risk Score		Recommendation Rating
>=	<	
1	5	Minor Priority
6	10	Low Priority
10	13	Medium Priority
15	21	High Priority

Internal Audit Assurance Ratings

Each Internal Audit report completed provides a level of assurance of; Limited, Adequate or Substantial Assurance. The following table is a guide to how assurance levels are determined. Dependent on the nature of the recommendations raised, the auditor may increase or decrease the level of assurance provided. For example a single very significant control weakness may give rise to only one recommendation, but severely compromise the effectiveness of a system and therefore result in a limited assurance report, or on occasion an audit may give rise to recommendation numbers close to the thresholds shown below for two or more categories of recommendation.

Assurance Level	Typical Findings
Limited	Either: 2+ high priority recommendations, 8+ medium priority recommendations, or 13+ low priority recommendations
Adequate	Either: 1 high priority recommendation, 3-7 medium priority recommendations, or 7-12 low priority recommendations
Substantial	0 high priority recommendations, 0-2 medium priority recommendations, and 0-6 low priority recommendations