

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

CORPORATE LEADERSHIP TEAM'S REPORT TO

Audit and Standards Committee 2 February 2026

Report Title: 2025/26 Q3 Internal Audit Progress Update

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"/> |
|---|----------------------------|------------------------------|--|
| This report provides an update on Internal Audit progress in relation to the 2025/26 Internal Audit plan for the period from 1 October 2025 to 31 December 2025. | | | |
| <u>Recommendation</u> That Committee: 1. Members note progress against the 2025/26 Internal Audit Plan. 2. Members note progress on the implementation of audit recommendations. | | | |
| <u>Reasons</u> The role of Internal Audit is to ensure that the Council has assurance that controls are in place and operating effectively across all Council Services and Departments. | | | |

1. Background

- 1.1** This progress report is submitted to the Audit and Standards Committee as part of our ongoing commitment to providing robust and transparent oversight of internal control, risk management, and governance processes within the Council. The internal audit function plays a critical role in ensuring that the Council operates in compliance with relevant laws, regulations, and internal policies, while also seeking to enhance the efficiency and effectiveness of its operations.
- 1.2** The Accounts and Audit (England) Regulations 2015 require specifically that relevant authorities 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 (GIAS in the UK Public Sector) along with relevant Codes of Practice, specifically the Code of Practice for the Governance of Internal Audit in UK Local Government.

- 1.3** In accordance with the Global Internal Audit Standards in the UK Public Sector, the Code of Practice for the Governance of Internal Audit in UK Local Government (CIPFA) and our own Internal Audit Charter, the Chief Audit Executive (Chief Internal Auditor) is required to provide the board (Audit & Standards Committee) with the information necessary to conduct its oversight responsibilities (Principle 8 – Overseen by the Board, Standard 8.1 – Board Interaction refers). Also, the Chief Audit Executive is required to periodically communicate the results of internal audit services to the Board (Principle 11 – communicate Effectively, standards 11.1 to 11.3 communicating to stakeholders and the Code of Practice (provision 3.1) – Audit Committee Interaction refers).
- 1.4** This progress report provides an overview of the activities undertaken by Internal Audit from 1st October 2025 to 31st December 2025. The purpose of the progress report is to outline the progress made against the approved Internal Audit Plan for the year, highlight any significant findings and emerging risks identified during the audits conducted, and provide an update on the implementation of management actions in response to previous audit recommendations.
- 1.5** Since the last progress report, two audits have been finalised (summarised in section 2.1), four draft reports have been issued (Cyber – Third Party Access, Disabled Facilities Grant, Homelessness and Rough Sleepers Grants and Regeneration Schemes), fieldwork has commenced for five audits, and fieldwork has been completed for a further two audits, which are now progressing through quality assurance. In addition, all audits are now scheduled, excluding two.
- 1.6** The two audits that have not yet been scheduled are Delivering Good Governance - Corporate Decision Making Arrangements and Compliance with the Code of Practice on Good Governance for LA Statutory Officers. These have now been allocated to a trusted external contractor we work closely with, due to internal resource constraints following the resignation of the staff member previously assigned to them.

2. Issues

Completed Audit Reviews

- 2.1** A summary of audit reports issued during this period is shown in the table below.

| Audit | Opinion | Recommendations | | | |
|---|-------------|-----------------|--------|-----|-------|
| | | High | Medium | Low | Total |
| New Customer Relationship Management System | Adequate | 0 | 6 | 3 | 9 |
| Taxi Licensing | Substantial | 0 | 0 | 0 | 0 |

- 2.2** The New Customer Relationship Management System audit was classified as a Top Risk Review in the 2025/26 Internal Audit Plan and has also been awarded an **adequate assurance** audit opinion. Therefore, in accordance with the Internal Audit Charter, this report (Appendix 1) is submitted to the Audit & Standards Committee as an exempt item for their attention.

The audit of the Council's implementation of the new Microsoft Dynamics 365 CRM system concluded that overall arrangements provide **adequate assurance**, with most controls operating effectively; however, several areas require strengthening to ensure successful delivery.

Of the 37 controls evaluated, 28 were adequate, 3 partial, and 6 weak. Key weaknesses included the absence of a Project Initiation Document, undocumented governance roles, limited agendas and lack of minutes for Steering Group and Project Board meetings, project risk and issues logs are not effectively maintained, insufficient project reporting, high-level milestones, no formal test or communications plan and incomplete development of user access rights.

Despite these issues, the audit found positive assurance in areas such as project structure, migration planning, testing processes, and authentication controls, and concluded that risks are generally well managed with some improvements required to strengthen control maturity.

- 2.3** The Taxi Licensing audit concluded with **substantial assurance**, as all 14 controls reviewed across public safety, safeguarding, governance, applications, and enforcement were found to be adequate with no control weaknesses identified.

The audit confirmed compliance with statutory legislation and Department for Transport guidance, robust safeguarding and vetting arrangements, effective governance through clearly defined officer responsibilities, and transparent decision-making supported by published committee minutes and up-to-date policy frameworks. Application processing was evidenced as thorough, with complete records and mandatory checks consistently applied, supported by trained and experienced staff, while enforcement was shown to be proactive, intelligence-led, and well documented, with clear escalation and appeals processes in place and participation in national safeguarding mechanisms.

Progress of the Internal Audit Plan

- 2.4** Delivery against the 2025/26 audit plan up to 30th December 2025 is summarised below.

| Directorate | Audit | Status | Opinion Awarded |
|----------------------------|---|---------------------|-------------------------|
| Commercial Delivery | Regeneration Schemes | Draft Report Issued | Adequate (Draft) |
| Finance | Budgetary Control | Fieldwork Complete | - |
| | Main Accounting | Scheduled February | - |
| | Management of Capital Programme & Budgets | In Progress | - |
| | Accounts Receivable including Debt Management | Scheduled February | - |

| | | | |
|---|---|---------------------|---------------------|
| | Treasury Management - Borrowing | In Progress | - |
| | E-Payments | In Progress | - |
| IT & Digital | Cyber - Incident Preparedness and Response Effectiveness | Final Report Issued | Limited |
| | New Customer Relationship Management System | Final Report Issued | Adequate |
| | Azure | Scheduled March | - |
| | Cyber Assurance - Third Party Access | Draft Report Issued | Limited (Draft) |
| Legal and Governance | Local Government Reorganisation and Devolution | Scheduled February | - |
| | Delivering Good Governance - Corporate Decision Making Arrangements | Not Started | - |
| | Compliance with the Code of Practice on Good Governance for LA Statutory Officers | Not Started | - |
| Neighbourhood Delivery | Supported Accommodation | Scheduled February | - |
| | Newcastle Partnership - Community Safety | Scheduled January | - |
| | Council Tax | Fieldwork Complete | - |
| Planning | Planning Appeals | In Progress | - |
| Regulatory Services | Taxi Licensing | Final Report Issued | Substantial |
| | Homelessness and Rough Sleepers Grants | Draft Report Issued | Adequate (Draft) |
| | Disabled Facilities Grant | Draft Report Issued | Substantial (Draft) |
| Strategy, People & Performance | Workforce Sustainability | Scheduled February | - |
| | Civil Contingencies | In Progress | - |
| | Use of Agency Staff and Consultants | Scheduled February | - |
| | Payroll | Scheduled February | - |
| | Lone Working | Scheduled February | - |
| Sustainable Environment | New Fleet Management System - Advisory | Cancelled | - |
| | Sustainable Environment Strategy | Final Report Issued | Adequate |
| | Trade Waste | Scheduled March | - |

Cancelled Audits

- 2.5** The New Fleet Management System – Advisory has been cancelled as no meaningful progress is deemed likely to happen by the end of the financial year that will allow Internal Audit to provide any value to NuLBC in relation to the implementation of the new system. This cancellation was agreed with the Service Director for Finance (Section 151 Officer).

Additional Audits

- 2.6** To replace the cancelled audit, Trade Waste has been added to the audit plan from the list of reserved audits list, which was approved by CLT on 4 March 2025. This addition was agreed with the Service Director for Finance (Section 151 Officer).

Counter Fraud

- 2.7** The 2025/26 Audit Plan also includes 40 days allocated to counter fraud activities. This work is managed by Staffordshire County Council's Audit Manager – Fraud.
- 2.8** The County Council has received a total of 11 referrals from members of the public reporting potential frauds in 2025/26 (one additional since our previous report). These predominately revolve around the fraudulent claiming of benefits / Single Person Discount. These reports are carefully triaged in line with our established fraud response processes and through liaising with the Council's Customer Hub Manager and other external agencies where relevant.
- 2.9** On 7 January 2026 Internal Audit were advised on a potential fraud regarding a former employee. Some initial fact finding has already been completed. Internal Audit are awaiting copies of potential evidence gathered to date to allow review, and then will agree a plan for further investigation if appropriate.
- 2.10** Processing of NFI and CCM matches continue, with no further notable findings to report to date.

Recommendations

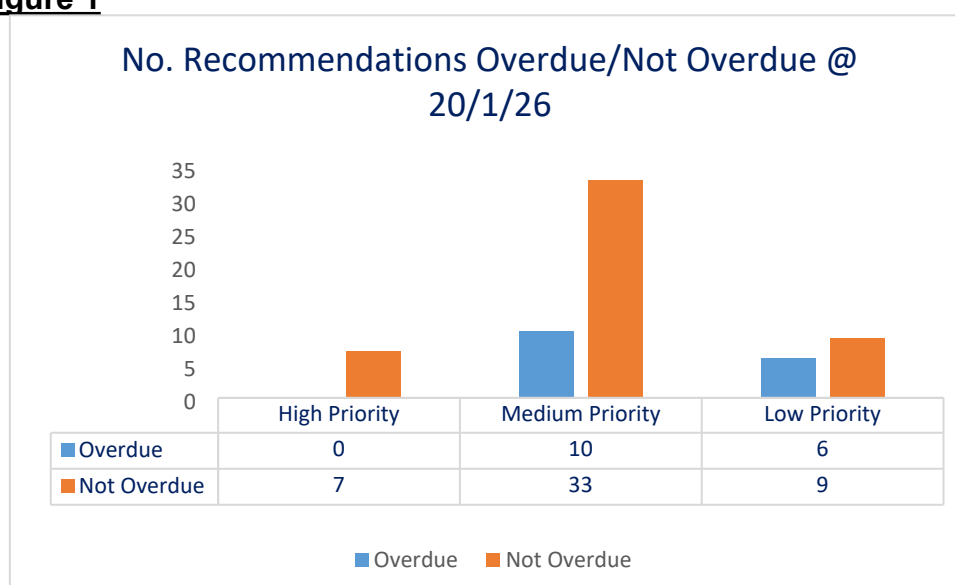
- 2.11** The implementation of all recommendations made is monitored via Internal Audit's K10 recommendation tracking portal. The portal is the web-based system of K10 that is accessible to business users (auditees). The portal allows auditees to search and view recommendations that have been assigned to them, provide regular updates directly against their recommendations in real-time as well as giving WLT/SLT leads greater oversight of recommendations raised and implemented across all their areas of responsibility.
- 2.12** As part of the recommendation tracking process, auditees who are assigned recommendations are provided with two notifications. The first notification is for any recommendations that they have been assigned to where its implementation date is within the next 30 days. This is to act as a reminder to auditees and will either prompt them to implement the recommendation or provide an update on the progress they have made, in the portal. The second reminder is a monthly reminder of recommendations that have past their implementation date and remain unimplemented for their attention and action.
- 2.13** Within the K10 recommendation tracking portal as of 20th January 2026, there are 150 audit recommendations which are currently being tracked. The status of each of these recommendations is summarised in the table below. A further 23 recommendations have been made this quarter.

| Area | Total | Implemented | Risk Accepted | Superseded | Not Yet Implemented | |
|--------------------------------|------------|-------------|---------------|------------|---------------------|-----------|
| | | | | | Not Overdue | Overdue |
| Commercial Delivery | 22 | 12 | 3 | 0 | 4 | 3 |
| Neighbourhoods | 12 | 11 | 1 | 0 | 0 | 0 |
| Regulatory Services | 12 | 8 | 0 | 0 | 4 | 0 |
| IT & Digital | 51 | 18 | 0 | 1 | 21 | 11 |
| Strategy, People & Performance | 18 | 3 | 0 | 1 | 14 | 0 |
| Legal and Governance | 17 | 11 | 0 | 0 | 4 | 2 |
| Sustainable Environment | 18 | 16 | 0 | 0 | 2 | 0 |
| Total | 150 | 79 | 4 | 2 | 49 | 16 |
| % | | 53% | 3% | 1% | 32% | 11% |

2.14 The number of implemented recommendations has increased from 44% to 53%, suggesting sustained commitment from management to implement agreed actions.

2.15 Figure 1 below shows the number of high, medium and low priority recommendations which have not yet been implemented (outstanding), and their status as either overdue or not overdue.

Figure 1



2.16 The 16 overdue recommendations continue to be closely monitored by Internal Audit through the monthly notifications issued via the K10 recommendation tracking portal, as well as through direct oversight by the Audit Manager.

2.17 No high priority recommendations are overdue.

2.18 No high priority recommendations have been made in this period.

3. Recommendation

- 3.1 The internal audit plan for 2025/26 remains under review to ensure best use of available resources.

4. Reasons

- 4.1 The audit plan is monitored on a regular basis to ensure that it is achievable and reflects the key risks affecting the council.

5. Options Considered

- 5.1 None.

6. Legal and Statutory Implications

- 6.1 Whilst there are no direct implications arising from this report, the Accounts and Audit Regulations 2015 specifically require that a relevant body must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”.

7. Equality Impact Assessment

- 7.1 There are no direct implications arising from this report.

8. Financial and Resource Implications

- 8.1 The service is currently on target to be provided within budget. 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.

9. Major Risks & Mitigation

- 9.1 Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Where relevant, the results of individual reviews will link into the Annual Governance Statement, providing assurance on the operation of key controls. Internal Audit will continue to align its work with the Corporate Risk Register.
- 9.2 Continual review of the work contained within the audit plan ensures that where necessary adjustments are made to provide the most appropriate coverage.

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 Approval of the Internal Audit Plan for 2025/26 (Audit and Standards Committee April 2025).

14. **List of Appendices**

14.1 Appendix 1 – Final Audit Report – New Customer Relationship Management System

15. **Background Papers**

15.1 Internal Audit Plan 2025/26.

15.2 Internal Audit Charter 2025/26.