

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**CORPORATE LEADERSHIP TEAM'S
REPORT TO**

Audit and Standards Committee
29 June 2026

Report Title: Internal Audit Outturn Report 2025/26

Submitted by: Senior Audit Manager

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 consider the annual report of the Internal Audit activity for the financial year 2025/26.			
<u>Recommendation</u>			
That Committee:			
1. Receive the outturn report containing the annual internal audit opinion for 2025/26.			
2. Note the 'Substantial' assurance opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment) for the 2025/26 financial year.			
<u>Reasons</u>			
In accordance with the Internal Audit Charter, to report to the Audit and Standards Committee an annual outturn report including results of anti-fraud and corruption work / special investigations.			

1. Background

- 1.1 This report outlines the work undertaken by Internal Audit in respect of the 2025/26 annual plan.
- 1.2 Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements, i.e. the control environment of the organisation. Internal Audit acts as an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined

approach to evaluate and improve the effectiveness of risk management, control, and governance processes¹.

- 1.3 Internal Audit is required by professional standards i.e. the Global Internal Audit Standards (GIAS) in the UK Public Sector, to deliver an annual internal audit opinion and report to those charged with governance timed to support the Annual Governance Statement. In accordance with these requirements, the Chief Audit Executive must provide an annual opinion that covers the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report must incorporate:
- The opinion;
 - A summary of the work that supports the opinion; and
 - A statement on conformance with GIAS in the UK Public Sector, highlighting any areas of non-conformance.
- 1.4 The underlying principles to the 2025/26 plan were outlined in the Internal Audit Strategy and Plan approved by Members of the Audit & Standards Committee on 7th April 2025. Since the original plan was approved, an advisory engagement on the New Fleet Management System was cancelled. Following consultation with the Service Director for Finance (S151 Officer) and the Corporate Leadership Team, it was agreed that this would be replaced by a Trade Waste audit, which was brought forward from the reserve list approved by CLT.
- 1.5 Audit opinions are awarded for individual systems and compliance audits within one of the following categories: -
- Substantial Assurance (positive opinion);
 - Adequate Assurance (positive opinion); and
 - Limited Assurance (negative opinion).

2. Issues

Scope and Limitations

- 2.1 During the year, a number of audits experienced delays due to resource changes and the availability of key officers to support audit delivery. These matters were escalated where appropriate to the Service Director for Finance (Section 151 Officer) to ensure appropriate oversight and management.
- 2.2 Whilst such delays impacted the timing of individual audit engagements, it should be noted that they have not been assessed as impairments to the overall internal audit opinion.
- 2.3 In accordance with professional standards, an impairment would arise where restrictions are placed on access to information, documentation, or resources that would prevent Internal Audit from fulfilling its responsibilities; this was not considered to be the case during 2025/26.

2025/26 Audit Plan Outcomes

¹ Both the Public Sector Internal Audit Standards and the Global Internal Audit Standards definition of Internal Auditing.

2.4 Detailed below is a high-level summary of the work undertaken by the Internal Audit Service analysed over the following categories: -

- Core Financial Systems;
- Assurance Reviews (Other Systems Audits); and
- Counter Fraud and Corruption Work, including Special Investigations.

Core Financial Systems

2.5 The following core financial system reviews were carried out during 2025/26:

Core Financial Systems Description	Opinion			
	Substantial	Adequate	Limited	N/A Advisory*
Budgetary Control	✓			
Main Accounting	✓			
Accounts Receivable including Debt Management		Draft		
E-Payments	Draft			
Council Tax	✓			
Payroll			✓	
Total Audits Delivered (6)	4	1	1	0

2.6 The following table lists the core financial systems audits where high priority recommendations have been made to address control weaknesses, with further details provided in Appendix 1:

System Area	Areas for Improvement
Payroll	<p>The payroll audit resulted in three high priority recommendations, all relating to weaknesses in administrative access controls and system workflow design within the MyView payroll system.</p> <ul style="list-style-type: none"> • The use of a shared administrator account by multiple officers, which meant actions could not be attributed to individual users and access was not promptly removed when staff left relevant roles. • A recommendation was made in relation to inadequate separation of duties, as the system did not prevent administrative users from submitting and approving payroll amendments, including changes to their own records. • A further recommendation related to system security but it has not been included in this report in full due to its sensitive security nature. <p>Collectively, these weaknesses increased the risk of unauthorised or inappropriate changes to payroll records, fraud, error and reduced accountability, and were a key factor in the limited assurance opinion for this review.</p> <p>Management are liaising with the provider of the Payroll service, Stoke-on-Trent City Council, to ensure that Officers from Newcastle-under-Lyme Borough Council are issued individual accounts to address these control weaknesses.</p>
Accounts Receivable (inc. Debt Management)	<ul style="list-style-type: none"> • Debt recovery activity is not being progressed in a timely and controlled manner, with delays in reminder and escalation actions, prolonged inactivity on cases, and debts not being

System Area	Areas for Improvement
	<p>advanced to appropriate enforcement stages where recovery remains outstanding.</p> <p>Management indicated that automated scheduling of recovery action regarding debtors is currently being implemented by the Finance team.</p>

2.7 It should be noted that the recommendations above have not yet been formally agreed with management as the audits are still at a draft report stage at the time of writing. However, the findings and proposed recommendations have been fully disclosed and discussed with relevant officers during the exit meetings.

Assurance Reviews (Other Systems Audits)

2.8 The following other assurance systems reviews were carried out during 2025/26:

Other System Description	Opinion			N/A Advisory*
	Substantial	Adequate	Limited	
Regeneration Schemes		✓		
Management of Capital Programme & Budgets	✓			
Treasury Management - Borrowing	✓			
Cyber - Third Party Access			✓	
New Customer Relationship Management System		✓		
Azure		✓		
Cyber Assurance - Third Party Access			✓	
Local Government Reorganisation and Devolution *				✓
Delivering Good Governance - Corporate Decision Making Arrangements				
Compliance with the Code of Practice on Good Governance for LA Statutory Officers				
Supported Accommodation			✓	
Newcastle Partnership - Community Safety	✓			
Planning Appeals	✓			
Taxi Licensing	✓			
Homelessness and Rough Sleepers Grants		✓		
Disabled Facilities Grant	✓			
Workforce Sustainability		Draft		
Civil Contingencies		✓		
Use of Agency Staff and Consultants		Draft		
Lone Working		Draft		
Sustainable Environment Strategy		✓		
Trade Waste - Additional		Draft		
Total Audits Delivered (20)	6	10	3	1

*Consultancy / Advisory work undertaken therefore no assurance opinion required.

2.9 Two audits have not been completed due to a combination of Internal Audit staff turnover and timing constraints. The audits were initially assigned to an in-house auditor who left the County Council before they commenced and were subsequently reallocated to a contractor. However, delivery then coincided with the local election period, during which key officer input was not available. Following this, the departure of the Service Director for Legal and Governance resulted in further delay. Internal Audit is currently liaising with the Service Director for Finance (Section 151 Officer) to identify suitable officers to enable these audits to commence as soon as possible.

- 2.10 The following changes have been made to the Internal Audit Plan 2025/26:
- **New Fleet Management System – Advisory** – This audit was cancelled as no meaningful progress was deemed likely to happen by the end of the financial year that would 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).
 - **Trade Waste** – This audit was added to the audit plan from the list of reserved audits list, which was approved by CLT on 4 March 2025, to replace the cancelled audit.

2.11 The following table lists those other systems audits where high-level recommendations have been made and agreed to address control weaknesses, with further detail provided in Appendix 1:

System Area	Areas for Improvement
Homelessness and Rough Sleepers Grants	<ul style="list-style-type: none"> • A high priority recommendation was raised as no formal process was in place for approving credit card expenditure, with approvals given verbally and no documented audit trail retained. This weakened assurance that purchases were appropriate, authorised and linked to assessed client need, increasing the risk of improper use of public funds. <p>Management has since documented a formal approval regarding the use of credit cards within the Homelessness and Rough Sleepers team. All transactions are reviewed, prior to spend wherever possible and subsequent to spend where an emergency purchase has been required.</p>
Supported Accommodation	<p>The two high priority recommendations in this report relate to weaknesses in the Council's ongoing assurance over short-term supported accommodation.</p> <ul style="list-style-type: none"> • One of the recommendations relates to tenants remaining in short-term supported accommodation beyond the intended two-year transitional period, without a formal review process to confirm that support remains appropriate, that supported accommodation criteria are still met, and that clear move-on plans are in place. • The second relates to the absence of a formalised process for liaising directly with tenants and obtaining independent evidence that their support needs justify supported accommodation, that those needs are being met in practice, and that progress is being made towards moving on to unsupported accommodation. Together, these issues increase the risk of inappropriate or

System Area	Areas for Improvement
	<p>unsupported claims continuing over an extended period and were key factors in the limited assurance opinion.</p> <p>Management accepted both recommendations but advised at the time of reporting that implementation of the recommendations in full was constrained by capacity.</p> <p>Internal Audit has since been informed that capacity has been created to ensure that these control weaknesses can be addressed during the current financial year, the additional capacity will be used to ensure that formal reviews of the provision of supported accommodation beyond a 2 year transitional period, and the continued requirement of support can be undertaken.</p>
Third Party Access Policy	<ul style="list-style-type: none"> • A high priority recommendation was made due to the absence of a formal Third-Party Access Policy which is likely to have been an underlying factor contributing to a number of the other weaknesses identified through the audit. • A second recommendation was made in relation to access rights. <p>Management indicated that both control weakness were resolved between the issuance of the draft and final reports, with a new third party policy being in documented and access rights addressed.</p>
Regeneration Schemes	<ul style="list-style-type: none"> • One high priority recommendation relating to client-side contract management arrangements for the Ryecroft, Midway Car Park and Astley Place regeneration schemes was made. At the time of audit, key arrangements for oversight of the build phase were planned but not yet operational. <p>Management agreed to implement the necessary arrangements as the main contract works commenced. Internal Audit has since been advised that check and challenge meetings, formal progress meetings and draw down schedules are now used to monitor progress and spend along with the use of an independent quantity surveyor commissioned by the Council to value and certify the value of works and materials undertaken by the developer and to record progress against the total contract value with payments made in accordance with this .</p> <p>In view of this, assurance over client-side management has been included within the 2026/27 Internal Audit Plan, to provide follow-up assurance that the Council has established and embedded appropriate governance, oversight, monitoring and challenge arrangements for delivery partners and contractors across these regeneration schemes.</p>

Counter Fraud and Corruption work

- 2.12 The following counter fraud and corruption audit work was carried out during 2025/26:

Counter Fraud and Corruption Work	Opinion			
	Substantial	Adequate	Limited	N/A Advisory*
Continuous Controls Monitoring		✓		
National Fraud Initiative		✓		
Journals	Fieldwork on going			
Use of Procurement Exceptions		Draft		
Total Audits Delivered (3)	0	3	0	0

- 2.13 In addition to the specific pieces of counter fraud and corruption work undertaken, fraud risks are considered and reviewed as part of our planned system audits.
- 2.14 No high priority recommendations have been made directly from counter fraud and corruption audit work.

Special Investigations (Internal)

- 2.15 Internal Audit investigated one whistleblowing concern and concluded that the complaint was not upheld, a report is currently pending. In addition, a number of potential fraud referrals were triaged and, where appropriate, referred to Revenues and Benefits and/or external organisations such as the DWP and housing providers.

Fraud and Error Losses Identified

- 2.16 The following losses have been identified to date from proactive work and/investigations.

Proactive work and/investigations	Financial Loss Value	Control Area
Polygamous Employment	£tbc	Investigation ongoing
NFI losses identified to date	£1070	One finding reported from housing benefit to housing tenancy match reviewed.
Total	£1070	

- 2.17 Further details of the counter fraud and corruption work carried out in-year are provided in Appendix 2 of this report, including the outcomes from our Continuous Controls Monitoring programme of work.

Other in Year Activities

- 2.18 The Internal Audit Manager continues to meet with the Service Director for Finance (S151 Officer) on a monthly basis. In addition, pre-Audit and Standards Committee meetings are held with the Chair of the Audit and Standards Committee. Liaison is also undertaken with External Audit as required and during Audit and Standards Committee meetings.

Key Themes and Systemic Issues

- 2.19 In addition to the individual findings raised within specific audit reviews, a number of recurring themes have emerged across the 2025/26 Internal Audit programme:
- 2.20 **Policies, procedures and governance documentation**
A recurring theme arising from audit work in 2025/26 was the need to strengthen the quality, completeness and formal status of policies, procedures and governance documentation. In a number of areas, arrangements were operating in practice but were not fully documented, formally approved, version controlled or kept up to date. This was evident in Newcastle Partnership – Community Safety, where weaknesses were identified in relation to version control and formal approval of key governance documents; Accounts Receivable including Debt Management, where the policy had not been reviewed since 2023 and written procedures were limited; E-Payments, where key processes were not clearly documented; Lone Working, where the policy framework was as fragmented and not fully finalised; Procurement and Contract Monitoring, where procedural guidance was incomplete in some areas; and Civil Contingencies, where review and approval arrangements for guidance documents required strengthening.
- 2.21 **Monitoring, oversight and management information**
A further theme was the need to improve monitoring, oversight and the use of management information. While governance arrangements were often in place, audit work identified a number of examples where reporting was incomplete, monitoring activity was not consistently evidenced, or reliance on manual or informal processes reduced visibility and structured oversight. This was reflected in Newcastle Partnership – Community Safety, where formal financial monitoring reports were not routinely provided to the Board; Accounts Receivable including Debt Management, where there was limited visibility due to reliance on manual spreadsheets; E-Payments and Main Accounting, where reconciliations were manual, not independently reviewed and did not retain a sufficient audit trail; Lone Working, where monitoring activity was not always consistently recorded; Procurement and Contract Monitoring, where project-level financial monitoring and customer satisfaction monitoring required improvement; and Sustainable Environment Strategy, where performance monitoring and progress reporting arrangements required strengthening.
- 2.22 **Segregation of duties, independent review and audit trail**
Audit work also identified a recurring need to reinforce segregation of duties, independent review and audit trail arrangements in order to strengthen accountability and reduce the risk of error or inappropriate activity. This was particularly evident in Accounts Receivable including Debt Management, where weaknesses were identified in relation to credit note authorisation and customer account approval; E-Payments, where separation of duties over refunds was not enforced and reconciliations were not subject to independent review; Procurement and Contract Monitoring, where instances were identified in which segregation of duties was not maintained; and Supported Accommodation, where weaknesses were identified in the quality of supporting records and audit trail arrangements, together with reliance on a single officer in some approval processes.

- 2.23 **Risk management and risk-based assurance activity**
A further cross-cutting theme was the need to strengthen the formalisation and evidencing of risk management and risk-based assurance activity. In several reviews, specific risks were not clearly identified, documented, monitored or supported by sufficiently structured assurance arrangements. This was evident in Newcastle Partnership – Community Safety, where a dedicated partnership risk register was not maintained; E-Payments, where risks specific to the process were not clearly defined or documented; Lone Working, where the completeness and review of risk assessments could not be fully evidenced; Sustainable Environment Strategy, where action plan monitoring, reporting and benchmarking arrangements required improvement; and Supported Accommodation, where the audit identified gaps in compliance and risk-based assurance activity
- 2.24 **Capacity, resourcing and control resilience**
Audit work also indicated that, in some areas, capacity and resourcing pressures were affecting the consistency with which controls could be operated or followed through in practice. This was apparent in Accounts Receivable including Debt Management, where reconciliations were not completed for a period due to resourcing pressures; Supported Accommodation, where routine reviews and follow-up activity were restricted by capacity limitations; and Health and Safety, where the report makes clear that limited central resources affect how responsibilities are discharged across the organisation. While this was not, in itself, the principal finding in most audits, it was a contributing factor to control weakness in a number of areas reviewed during the year

Overall Opinion of the Control Environment

- 2.25 The GIAS in the UK Public Sector requires that the CAE to deliver an annual internal audit opinion on the overall internal control environment of the Authority. The methodology for formulating this opinion is set out within the Internal Audit Strategy which was approved by the Audit & Standards Committee on 7 April 2025. This methodology has been applied in formulating the annual audit opinion for 2025/26.
- 2.26 Each separate category of audit work is assessed against a benchmark of achieving a score of at least 80% of the total number of audits performed being awarded an opinion of “adequate or above” within each category. For reasons of simplicity, each category attracts equal weighting, and a simple pass/fail assessment is used to differentiate the overall opinion between “Substantial, Adequate and Limited” as illustrated below:

Overall Opinion Level	No. of categories achieving the 80% benchmark
Substantial Assurance	3 out of the 3 categories
Adequate Assurance	2 out of the 3 categories
Limited Assurance	1 and below out of the 3 categories

Calculation of the 2025/26 Overall Assessment

2.27 The following table details the calculation of the 2025/26 overall assessment:

Audit Category	% Awarded an Opinion of at Least “Adequate”	2025/26
		Pass/Fail
Core Financial Systems	83%	Pass
Assurance Reviews (Other System Reviews)	86%	Pass
Counter Fraud & Corruption Work, including Special Investigations	100%	Pass
Overall Total		3 out of 3 categories

2.28 **Based on the above, a “Substantial” assurance opinion on the overall adequacy and effectiveness of the organisation’s governance, risk and control framework (i.e. the control environment) can be given for the 2025/26 financial year.**

Basis for the Annual Internal Audit Opinion

2.29 The annual internal audit opinion for 2025/26 is based on the results of work completed against the approved risk-based Internal Audit Strategy and Plan, together with counter fraud work and special investigations undertaken during the year.

2.30 Applying the Council’s agreed methodology, all three assessment categories met the benchmark for the year, supporting an overall Substantial Assurance opinion. In forming this view, Internal Audit considered the high priority weaknesses identified in Payroll, Supported Accommodation, Third Party Access and Third-Party Access, together with other control issues reported during the year. However, these were balanced by a wider body of positive assurance work across the audit plan, including substantial assurance opinions in Treasury Management – Borrowing, Taxi Licensing, Main Accounting and Disabled Facilities Grant Verification. Taken together, this work supports the conclusion that the Council’s framework of governance, risk management and control was overall effective during 2025/26.

Performance Measures

2.31 The results of key performance measures for the Internal Audit Service, as agreed in the Internal Audit Strategy and Plan, are detailed below:

Description	Target	2025/26
% of Audit Plan Completed (draft report stage)	90%	92.85
Average scores achieved on customer satisfaction questionnaires	4	4.7

Performance against the GIAS in the UK Public Sector

- 2.32 All public sector internal audit services are required to measure how well they are conforming to the GIAS in the UK Public Sector. This is achieved through undertaking periodic self-assessments which consist of both (i) internal quality assessments and (ii) external quality assessments.
- 2.33 As part of our Internal Audit Quality Assurance and Improvement Framework (QAIP), the following is in place:
- *On-going monitoring of the performance of the internal audit activity - This is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. On-going monitoring is incorporated into the routine practices and protocols used to manage the internal audit activity and uses processes, tools and information considered necessary to evaluate conformance with the Mission of Internal Audit, Definition of Internal Auditing, and the standards of ethics and professionalism; and*
 - *Periodic self-assessment - On an annual basis, the Chief Audit Executive will develop and conduct internal assessments of the Internal Audit function's conformance with the standards and communicate the results to Senior Management and this Committee.*
 - *External Quality Assessments (EQA) – External assessments will be undertaken at least once every five years by a qualified, independent assessor or assessment team from outside the organisation and may be either a full external assessment or a self-assessment with independent validation.*
- 2.34 For information, the Internal Audit service's last EQA was undertaken in January 2023. For ease of reference, the key highlights from the External Quality Assessor's report published in February 2023 were that 'the review established that there were no areas of non-compliance or partial compliance with the standards identified'. Based on the assessor's work undertaken, the overall conclusion was – 'It is our opinion that the self-assessment for the Staffordshire County Council's Internal Audit Service is accurate and as such we conclude that the Internal Audit Service GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note'. This is the highest category level that can be awarded via the CIPFA assessment process.
- 2.35 The results of the 2025/26 self-assessment against the GIAS in the UK Public Sector indicate that **83.5%** of applicable standards were fully in place.

Standard			
In Place	Partially In Place	Not In Place	Not Applicable
86 (83.5%)	5 (4.9%)	0 (0%)	12 (11.7%)

For those areas assessed as partially in place a detailed action plan has been produced, although none of these are considered to significantly affect the effectiveness of Internal Audit. The full action plan is attached as Appendix 3.

- 2.36 With the above in mind, the work undertaken by the Internal Audit Service during 2025/26 and reported within the Annual Outturn Report has been performed in accordance with GIAS in the UK Public Sector. In relation to this,

there are no impairments or restrictions in scope or impairments in independence or objectivity during the year which prohibit the Chief Internal Auditor or the Service from delivering the annual Chief Audit Executive opinion for 2025/26.

3. Recommendation

- 3.1 Members receive the outturn report containing the annual internal audit opinion for 2025/26.

4. Reasons

- 4.1 The Internal Audit annual outturn report also builds upon the assurance given by the section in support of the Annual Governance Statement on internal control.
The planning and delivery of a robust audit plan ensures that an annual opinion and overall level of assurance can be provided by the Chief Audit Executive to those charged with governance, thereby complying with constitutional requirements and sector standards. This opinion is one of the elements of the assurance framework which is reported in the annual governance statement.

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”. This report supports compliance with both the Regulations and the PSIAS.

7. Equality Impact Assessment

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

8. Financial and Resource Implications

- 8.1 The work outlined for 2025/26 was 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 are 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 Senior Audit Manager fulfilling the CAE role, 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 delivered through this agreement is 341.

9. Major Risks & Mitigation

- 9.1 Internal Audit examines objectively, 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 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.

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 - High priority recommendations
- 14.2 Appendix 2 - Fraud and corruption Outturn Report
- 14.3 Appendix 3 - Action Plan 2025/26 – QAIP

15. Background Papers

Global Internal Audit Standards in the UK Public Sector (effective 1 April 2025).
Accounts and Audit (England) Regulations 2015.
CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2019 Edition).
Annual Audit Plan & Strategy 2025/26
2025/26 Audit Charter
2025/26 Progress Reports to Audit & Standards Committee & various Internal Audit Reports

16. Appendix 1 – High priority recommendations

No.	Audit	Final Report Issued	Recommendations	Target Date for Implementation	Current Status
1	Homelessness and Rough Sleepers Grants	23/3/2026	The Council should introduce a formal approval process for credit card expenditure, requiring documented pre-approval where possible and prompt retrospective approval for urgent client-related spend, supported by clear evidence and justification for each transaction. A member of the Homeless Team should be named as responsible for checking credit card expenditure for reasonableness.	30/06/2026	Implemented A formal, fully documented, approval process has been developed regarding the use of credit cards within the Homelessness and Rough Sleepers team. All transactions are reviewed, prior to spend wherever possible and subsequent to spend where an emergency purchase has been required.
2	Supported Accommodation	2/6/2026	It is recommended that a formal, documented review process for all claimants recorded as being in short-term supported accommodation is implemented. As a minimum, where a claimant has been in the same short-term placement for 18 months or more, the Council should complete (and retain evidence of) a review to confirm: (i) that the claimant continues to meet the supported accommodation criteria, (ii) that the support being claimed for is still being provided and remains appropriate to the claimant's needs, and (iii) that a clear, time-bound move-on plan is in place (or where this is not achievable, the reasons are documented). Management should also consider undertaking regular, scheduled reviews of all short-term supported accommodation cases (for example six-monthly), with the outcome recorded (including reviewer, date, decision rationale and any actions agreed). Reviews should be prioritised where length of stay exceeds the	No implementation date was set at the time of the audit due to unavailability of capacity and lack of available move-on provision. A template for implementation will be finalised by September 2026	In Progress Capacity has now been created to ensure that these control weaknesses can be addressed during the current financial year, the additional capacity will be used to ensure that formal reviews of the provision of supported accommodation beyond a 2 year transitional period, and the continued requirement of support can be undertaken.

			intended two-year transitional timeframe for short-term supported housing, and where reviews identify that support is no longer required or is not evidenced, appropriate corrective action should be taken (including reclassification where applicable and/or engagement with the provider to agree next steps).		
3	Supported Accommodation	2/6/2026	<p>It is recommended that management formalise and implement the intended tenant engagement approach by adopting the existing tenant questionnaire/review template.</p> <p>As a minimum, this should be completed for all new claimants (post-scheme approval) and management should introduce a risk-based schedule of follow-up reviews for tenants in residence to evidence (i) current support needs, (ii) whether support is being delivered, and (iii) move-on plans/progress. Where the full roll-out of routine follow-ups is not achievable under current staffing arrangements, management should define and document a proportionate approach (e.g., prioritisation criteria, minimum review frequency, and triggers for review), with outcomes recorded on the case file to provide an auditable trail.</p>	<p>No implementation date was set at the time of the audit due to unavailability of capacity and lack of available move-on provision.</p> <p>The existing tenant questionnaire is fit for purpose should capacity be created to roll it out to all claimants on a prioritised basis. A proportionate approach template will be drafted by September 2026 for use if capacity becomes available to progress with tenant engagement.</p>	<p>In Progress</p> <p>Capacity has now been created to ensure that these control weaknesses can be addressed during the current financial year, the additional capacity will be used to ensure that formal reviews of the provision of supported accommodation beyond a 2 year transitional period, and the continued requirement of support can be undertaken.</p>
4	Regeneration Schemes	13/2/2026	<p>Contract management arrangements, including contractor engagement and oversight, risk management and performance measures, were planned but not operational at the time of the review.</p>	<p>These will be in place upon commencement of the main contract works of each of the three development sites and will slot in alongside the contract management processes that the developer (Capital&Centric) will</p>	<p>Implemented</p> <p>Management utilise check and challenge meetings, formal progress meetings and draw down schedules are used to monitor progress and spend along with the use of an independent quantity surveyor commissioned by the Council to value and certify the value of works and materials undertaken by the developer – and to record progress</p>

				implement with their contractors.	against the total contract value, payments are made in accordance with this .
5	Third Party Access	18/2/2026	A Third-Party Access policy is documented, approved and communicated.	N/A	Implemented A new third-party access policy is now in place.
6	Third Party Access	18/2/2026	This recommendation related to access rights but is not being included in this report in full due to its sensitive security nature.	N/A	Implemented Corrective action was undertaken to resolve the control weakness during the audit.
7	Payroll	This report is in draft	This recommendation related to system security but is not being included in this report in full due to its sensitive security nature.	Target date not yet agreed	In Progress Following disclosure of this control weakness to management during the audit, work is ongoing with the provider of the Payroll service, Stoke-on-Trent City Council, to ensure that Officers from Newcastle-under-Lyme Borough Council are issued individual accounts to address these control weaknesses.
8	Payroll	This report is in draft	Management should liaise with the payroll provider to ensure: <ul style="list-style-type: none"> Individual user accounts are set up for each officer who requires administrative access to the MyView system, and their login details, including passwords, are not shared with other officers. A process is implemented to promptly remove administrative access to the payroll system for any officer no longer requiring such access. 	Target date not yet agreed	In Progress Following disclosure of this control weakness to management during the audit, work is ongoing with the provider of the Payroll service, Stoke-on-Trent City Council, to ensure that Officers from Newcastle-under-Lyme Borough Council are issued individual accounts to address these control weaknesses.
9	Payroll	This report is in draft	Management should liaise with the payroll provider to ensure: <ul style="list-style-type: none"> A separation of duties is enforced and maintained in payroll processes by amending system parameters to remove the ability for 	Target date not yet agreed	In Progress Following disclosure of this control weakness to management during the audit, work is ongoing with the provider of the Payroll service, Stoke-on-Trent

			<p>administrative users to self-authorise any amendments they have made.</p> <ul style="list-style-type: none"> Once all users have been assigned their own individual administrative accounts, further restrictions are implemented in the system to ensure that users are not able to process or approve amendments to their own contracts. 		<p>City Council, to ensure that Officers from Newcastle-under-Lyme Borough Council are issued individual accounts to address these control weaknesses.</p>
9	Accounts Receivable including Debt Management	This report is in draft	<p>Management should ensure that the debt recovery process is progressed in line with policy timeframes, with clear escalation points from reminders through to legal action or write-off. This should include regular management review of aged and inactive cases, clear triggers for escalation where instalment plans default or cases remain unactioned, and oversight to ensure significant debts are progressed promptly.</p>	Target date not yet agreed	<p>In Progress</p> <p>Following disclosure of this control weakness to management prior to issuance of the draft report, automated scheduling of recovery action regarding debtors is currently being implemented by the Finance team. Management noted that there will always be exceptions to this scheduling whereby separate financially prudent arrangements are made with debtors.</p>

Appendix 2 Fraud and corruption Outturn Report

2025/26



Our Mission

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Senior Audit Manager
Alex Cannon

Lead Auditor
David Fletcher – Counter Fraud Audit Manager

Report Status
Issued – 15 June 2026

1 Internal Audit Outturn Report 2025/26– Corporate Counter Fraud and Corruption Activity

1.1 Introduction and Context

- 1.1.1 During the 2025/26 financial year, Internal Audit have provided a Counter Fraud service to Newcastle-under-Lyme Borough Council (the 'Council').
- 1.1.2 This report details our counter fraud work completed in 2025/26 and looks forward to anticipated developments in 2026/27.

1.2 Strategic

- 1.2.1 The Internal Audit Manager – Fraud is an Accredited Counter Fraud Specialist with 15 years of experience working in Public Sector Fraud.
- 1.2.2 To keep abreast of emerging fraud risks and opportunities, the Internal Audit Manager – Fraud, is a regular attendee of the West Midlands Fraud Forum and the Midland Counties Fraud Group. The Staffordshire Counter Fraud Partnership forum has restarted in 2025/26, and is expected to continue into 2026/27, as a forum to develop networking and information exchange.
- 1.2.3 A programme of Continuous Controls Monitoring (CCM) is in place, with an associated strategy document being shared with key members of staff. Full details of the CCM programme to date can be found at paragraph 1.5 below. Efforts are being made to expand testing carried out as part of our CCM programme into 2026/27.

1.3 Communications

- 1.3.1 Counter Fraud information and guidance has been published on the Council's Intranet, including links to the Fraud Policy, and how to report fraud. A communications strategy has been developed with the expectation that emerging risks and interest articles will be added to the intranet on a regular basis, all seeking to raise the awareness of fraud, and highlight reporting mechanisms in place.
- 1.3.2 An Intranet page has been established, and in 2025/26, contents have been provided for this and distributed regarding:
 - How to spot fraud in the workplace
 - How to prevent fraud in the workplace
 - Impersonator Fraud
 - Separation of Duties
 - A case study on a high profile Fraud case at another Council that received significant press coverage.
- 1.3.3 The intranet site will continue to be updated with interest articles and advice, designed to prevent, detect and deter fraud.

1.4 Counter Fraud Outcomes 2025/26

- 1.4.1 The risk of fraud is considered during the process of designing Internal Audit briefing documents, and by auditors whilst an audit is being conducted. As a result, several

recommendations have been raised throughout the year which contribute to the prevention, detection and deterrence of fraud.

1.4.2 For reference, the table below summarises the volume of recommendations related to fraud risks arising from our 2025/26 internal audit reviews.

Auditable area	Low Priority	Medium Priority	High Priority
Regeneration Schemes	0	0	1
Homelessness and Rough Sleepers Grants	1	1	1
Cyber - Incident Preparedness and Response Effectiveness	0	5	0
Disabled Facilities Grant	1	0	0
Budgetary Control	0	1	0
Cyber Assurance - Third Party Access	1	2	1
Treasury Management - Borrowing	1	0	0
Accounts Receivable including Debt Management	2	4	0
Newcastle Partnership - Community Safety	1	0	0
Supported Accommodation	1	1	0
Council Tax	1	0	0
Azure	0	2	0
NuLBC Main Accounting	2	0	0
Use of Procurement Exceptions	2	4	0
Payroll	1	3	3
E-Payments	1	0	0
Totals	15	23	6

1.4.3 All recommendations are subject to follow up to ensure appropriate steps are taken to mitigate and manage identified risks. This is carried out using our on-line recommendation portal, K10.

1.5 Continuous Controls Monitoring



1.5.1 CCM is a programme of testing designed to use data analytics tools efficiently to test large volumes of transaction data in order to identify “high risk” transactions for further review.

1.5.2 The purpose of continuous controls monitoring is to:

- Detect fraud;
- Detect error;
- Deter fraud and error through the use of publicity, highlighting the existence of CCM; and
- Provide reassurance where appropriate that controls are operating correctly, or otherwise.

1.5.3 The key benefit of CCM over random sample testing is that 100% sample sizes can be used to test for specific anomalies. It is anticipated that following the introduction of a test, algorithms used can be refined to improve the results, limiting ‘false positive’ matches and learning from positive findings to best target adverse findings.

- 1.5.4 As CCM findings are identified and verified, key findings will be reported to management. Where appropriate, issues identified will be considered as part of the Internal Audit plan for current or future years. Opportunities to expand CCM will also consider those control weaknesses identified in Internal Audit reports.
- 1.5.5 A CCM Strategy has been prepared and agreed with management. This outlines initial areas of testing, and potential areas for expansion going forward. The strategy will be revisited on a periodic basis.
- 1.5.6 CCM testing in 2025/26 continued to focus on the following data sets:
- Invoice Payments; and
 - Purchase Card Statements.
- 1.5.7 To date, purchase card spending data provided to Internal Audit has been either PDF copies of statements or journal reports summarising transactions as they are input to the Finance System. This limits the amount of analysis options available. Internal Audit will continue to liaise with the Council to examine options for presenting data in a format that facilitates more comprehensive data analysis. Detailed transaction data including card holder, value and merchant/merchant category data will allow additional tests to be carried out, such as comparison of transactions to cardholder absence data, and identification of purchase activity at unexpected categories of merchants.
- 1.5.8 A summary of findings to date are detailed below:

Test	Findings to date	Risk Rating
Duplicate Invoices	<p>After initial difficulty in obtaining data, payment data from April 2025 to March 2026 has been received and subject to analysis.</p> <p>Analysis identified ten potentially duplicate invoices, totalling £2,872. These have been reported back to Finance for review. This review will identify whether the matches are genuine, erroneous duplicate payments which require recovery, have previously been identified, or are in fact valid payments.</p> <p>The matches are based on invoices of identical value and supplier invoice references that are either identical, or identical after leading zeroes and non-alpha-numerical characters are removed.</p> <p>It is anticipated that this exercise will be repeated on a quarterly basis in 2026/27.</p>	
Purchase Cards vs Invoices	<p>Purchase Card transactions from July to October 2025 have been compared to invoice payments, seeking to identify erroneous duplicate payments between the two systems.</p> <p>No adverse findings were identified.</p> <p>This matching will be continued as further data becomes available.</p>	

- 1.5.9 It is anticipated that CCM can be expended further in 2026/27, subject to improving the data available around purchase card usage. This will include review of unexpected/atypical merchant types, and purchase card usage during periods of cardholder absence from work.

1.6 National Fraud Initiative 2024

1.6.1 The Council's National Fraud Initiative (NFI) matches for 2024 have been available for review.

1.6.2 The table below summarises the review of matches completed to date.

Name	Number of Matches	Reviewed	Adverse Findings	Notes
Housing Benefit Claimants	27	27	1	27 matches have been received relating to Housing Benefit Claimants. All matches have been reviewed, with one adverse finding relating to Housing Benefit to Housing Tenancy, resulting in £1070 being identified for recovery.
Council Tax	643	0	0	These matches identify discrepancies between Council Tax payers and other data sets such as: <ul style="list-style-type: none">• Payroll and pensions data sets, to identify undeclared income.• HMRC income, property ownership and household composition data.• Other Authorities' Council tax data. As the Council takes part in similar exercises, as part of County wide exercise in 2025, and a forthcoming Experian exercise in 2026, it has been determined that review of the NFI matches is not effective use of resources.
Creditors	172	172	0	The creditors reports identify potential data entry errors or fraud in creditor account or payment records. No adverse findings were found.
Total	842	199	1	

1.7 Referrals and Investigations

1.7.1 One allegation has been received that relates to potential polygamous working. Investigation is ongoing. Polygamous employment fraud (individuals holding multiple jobs at different employers without declaring their roles to the other employer) is an emerging risk, and will be subject to proactive work in 2026/27.

17. Appendix 3 – Action Plan 2025/26 – QAIP

Ref	Standard Reference	Audit Standard	Gap Identified	Action Required	Officer Responsible	Timescale
1.	Standard 4.1	<p>The internal audit function's methodologies must be established, documented and maintained in alignment with the standards.</p> <p>Internal auditors must follow the standards and the internal audit function's methodologies when planning and performing internal audit services and communicating results.</p>	<p>Internal Audit's methodologies are established and documented within the Internal Audit Charter, Quality Manual and Audit Manual.</p> <p>The Audit Manual requires refreshing and updating to reflect the current standards in place.</p>	Refresh of Audit Manual to be undertaken to reflect GIAS.	CAE	30/9/2026
2.	Standard 8.3	<p>The CAE must develop, implement and maintain a quality assurance and improvement programme that covers all aspects of the internal audit function. The programme includes two types of assessments:</p> <ul style="list-style-type: none"> • external assessments • internal assessments. 	<p>Quality Assurance and Improvement Programme (QAIP) Framework was developed and updated in 2024. Reference is also made in the Internal Audit Strategy and Plan and Internal Audit Charter.</p> <p>The framework requires update to reflect new standards</p>	Quality Assurance and Improvement Programme (QAIP) Framework requires review and update to reflect current standards	CAE	30/9/2026
3.	Standard 11.1	The CAE must develop an approach for the internal audit function to build relationships and trust with key stakeholders, including the board, senior management, operational management, regulators and internal and external assurance providers and other consultants.	Whilst the CAE does liaise with Senior Management when required, this is typically during annual audit planning and engagement planning. Council's intranet page to compliment the counter fraud pages.	<p>Dashboards and performance monitoring reports are in development to support planned monthly/quarterly meetings with service directors.</p> <p>An Internal audit intranet page will also be considered to compliment the counter fraud intranet page.</p>	CAE	31/10/2026
4.	CIPFA Code of Practice for the	Providing opportunities for the chief audit executive to meet with the audit committee without	This has not been completed to date.	Chief Audit Executive to arrange an annual meeting with the Audit	CAE	TBD with the Chair of the Audit and Standards Committee

	Governance of Internal Audit in the UK Local Government Standard 2.1	senior management present. At least one such meeting must be held each year.		and Standards Committee without senior management being present.		
5.	CIPFA Application Note 12 – Applies to the UK Public Sector	<p>Are the internal audit team aware of the current approval for the topical requirement in the UK public sector?</p> <p>And</p> <p>When conducting a risk assessment for an area covered within a Topical Requirement, does the CAE identify why it is/is not being included within the audit plan/scope of the audit?</p>	<p>The Internal Audit Team were advised of the Topical Requirements via a team meeting and further guidance and information is held in the Team Learning section of the team’s SharePoint site.</p> <p>Topical requirements for Cyber have been considered as part of scoping for ICT reviews. These do not form part of the risk assessment for all reviews and the reason for not using this is not currently captured.</p>	<p>The Internal Audit Manual is to be updated to reflect GIAS, including the application of topical requirements.</p> <p>Topical Requirement justification to be included in the annual Risk Assessment as part of audit planning.</p> <p>Further awareness training to be undertaken with team at Team Meeting (September 2026).</p>	CIA	31/12/2026