

AUDIT COMMITTEE

Date: Thursday, 24 July 2025 Time: 1.30 p.m. Venue: Mandela Room, Town Hall
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AGENDA

1. Welcome and Evacuation Procedure

In the event the fire alarm sounds attendees will be advised to evacuate the building via the nearest fire exit and assemble at the Bottle of Notes opposite MIMA.

2. Apologies for Absence

3. Declarations of Interest

4. Middlesbrough Council - Audit Strategy Memorandum 2024/25 3 - 42

5. Teesside Pension Fund - Audit Strategy Memorandum 2024/25 43 - 78

6. Health and Safety Annual Assurance Report 2024 79 - 86

7. Counter Fraud Annual Report 2024/25 87 - 96

8. Head of Internal Audit - Annual Report 2024/25 and the Internal Audit Charter 97 - 138

9. Work Programme (Standard Item) 139 - 140

10. Date and Time of Next Meeting - 31 July 2025 at 1.30 p.m.

11. Any other urgent items which in the opinion of the Chair, may be considered.

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Wednesday, 16 July 2025

MEMBERSHIP

Councillors J Ewan (Chair), D Coupe (Vice-Chair), D Branson, B Hubbard, G Wilson and L Young

Assistance in accessing information

Should you have any queries on accessing the Agenda and associated information please contact Chris Lunn, 01642 729742, chris_lunn@middlesbrough.gov.uk



Audit Strategy Memorandum
Middlesbrough Council – Year ended 31 March 2025

July 2025

Audit Committee
Middlesbrough Council
PO Box 500
Middlesbrough
TS1 9FT

July 2025

Forvis Mazars

5th Floor
3 Wellington Place
Leeds
LS1 4AP

Dear Audit Committee Members,

Audit Strategy Memorandum – Year ended 31 March 2025

We are pleased to present our Audit Strategy Memorandum for Middlesbrough Council for the year ended 31 March 2025.

This report summarises our audit approach, including the significant audit risks and areas of key judgement we have identified, and provides details of our audit team. In addition, as it is a fundamental requirement that an auditor is, and is seen to be, independent of an audited entity, the section of the report titled '*Confirmation of our independence*' summarises our considerations and conclusions on our independence as auditors.

Two-way communication with you is key to a successful audit and is important in:

- reaching a mutual understanding of the scope of the audit and our respective responsibilities;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising during the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance, and other risks facing Middlesbrough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, this report, which has been prepared following our initial planning discussions with management, facilitates a discussion with you on our audit approach. We welcome any questions, concerns, or input you may have on our approach or role as auditor.

This report also contains appendices that outline our key communications with you during the audit, and forthcoming accounting issues and other issues that may be of interest to you.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me on 0113 294 2000.

This report was prepared solely for the use and benefit of Audit Committee and to the fullest extent permitted by law Forvis Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Yours faithfully

{{_es_:signer1:signature }}

Mark Kirkham

Forvis Mazars

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This document is to be regarded as confidential to Middlesbrough Council. It has been prepared for the sole use of Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents.

Engagement and responsibilities summary

Engagement and responsibilities summary

We are appointed to perform the external audit of Middlesbrough Council (the Council) for the year to 31 March 2025. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: [Statement of responsibilities of auditors and audited bodies from 2023/24](#). Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting.

Our audit does not relieve management or Audit Committee, as Those Charged With Governance, of their responsibilities.

The Chief Finance Officer is responsible for the assessment of Middlesbrough Council's ability to continue as a going concern. As auditors, we are required to obtain sufficient, appropriate audit evidence regarding, and conclude on:

- a) Whether a material uncertainty related to going concern exists, and
- b) The appropriateness of the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements.

Internal control

Management is responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Middlesbrough Council's internal control.

Whole of Government Accounts

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error, and non-compliance with law or regulations rests with both you and management. This includes establishing and maintaining internal controls over asset protection, compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud, we are required to inquire of you and key management, internal audit and other key individuals, where relevant, on their knowledge of instances of fraud, and their views on the risks of fraud and on internal controls that mitigate those risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. Our audit, however, should not be relied upon to identify all such misstatements.

Value for money

We are also responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources.

Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Council and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

02

Your audit team

2. Your audit engagement team

Your external audit service will be led by Mark Kirkham.

Who	Role	Contact
Mark Kirkham	Engagement Partner	mark.kirkham@mazars.co.uk 07747 764 529
Cath Andrew	Engagement Manager	cath.andrew@mazars.co.uk 07815 878 116
Rebecca Dearden	Engagement Team Leader	rebecca.dearden@mazars.co.uk 07881 283 351

An Engagement Quality Reviewer (EQR) has been appointed for this engagement.

03

Audit scope, approach, and timeline

Risk-based Approach



Audit scope, approach, and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with Code of Audit Practice. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations, or areas found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud), we develop our audit strategy and design audit procedures to respond to the risks we have identified.

If we conclude that appropriately-designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit has been planned and will be performed to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in the *'Materiality and misstatements'* section of this report.

The diagram on the next page outlines the procedures we perform at the different stages of our audit.

Rebuilding assurance

On 9 June, the NAO issued its guidance on rebuilding assurance - LARRIG 06. The LARRIG emphasises that auditors need to consider the specific circumstances of each local authority in following the guidance. It places significant emphasis on enhanced auditor risk assessments, and rebuilding assurance on reserves and property, plant and equipment. Additionally, it acknowledges the necessity of auditors prioritising their resources, recognising that not all rebuilding assurance procedures can be completed within a single year. Given the risks involved and the complexity of the guidance, our methodology team is currently working to translate it into practical guidance for audit teams. Once we have this guidance, we will meet with the Director of Finance and Transformation to confirm the scope and timing of our approach for rebuilding assurance as part of the 2024/25 audit. This will include consideration of the fact that we issued a disclaimed audit opinion to meet the statutory backstop date for the statement of accounts for the year ended 31 March 2024. It will also consider the financial reporting risks arising from the Council's financial sustainability issues and the low level of reserves, both general fund and HRA.

We discussed the implications of the backstop during the meeting of the Audit Committee in October 2024 and will keep Members informed of our progress in rebuilding assurance.

Audit scope, approach, and timeline

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Materiality and misstatements

Materiality and misstatements

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to Audit Committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities, and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented, and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors.

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provides a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Materiality and misstatements

Materiality (continued)

We consider that gross expenditure at surplus/deficit level is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold of 2% of gross revenue expenditure at surplus/deficit level.

As set out in the table below, based on the 2024/25 published draft financial statements we anticipate overall materiality for the year ended 31 March 2025 to be in the region of £10.5m (£9.5m in the prior year), and performance materiality to be in the region of £5.2m (£4.7m in the prior year).

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

	2024-25 £'000s	2023-24 £'000s
Overall materiality	£10,595	£9,596
Performance materiality	£5,297	£4,798
Clearly trivial	£317	£288

Misstatements

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to you and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £317,000, based on 3% of overall materiality. If you have any queries about this, please raise these with me.

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to you as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Misstatements also cover qualitative misstatements and include quantitative and qualitative misstatements and omissions relating to the notes of the financial statements.

Reporting

In summary, we will categorise and report misstatements above the reporting threshold to you as follows:

- adjusted misstatements;
- unadjusted misstatements; and
- disclosure misstatements (adjusted and unadjusted).

Significant risks and other key judgement areas

Significant risks and other key judgement areas

Following the risk assessment approach set out in the ‘*Audit scope, approach, and timeline*’ section, we have identified the risks of material misstatement in the financial statements. These risks are categorised as significant, enhanced, or standard. The definitions of these risk ratings are set out below.

Significant risk

A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. As required by auditing standards, a fraud risk is always assessed as a significant risk.

Enhanced risk

An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to:

- key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and
- risks relating to other assertions and arising from significant events or transactions that occurred during the period.

Standard risk

A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.

Significant risks and other key judgement areas

Audit risks and planned responses

In this section, we have set out the risks that we deem to be significant and enhanced, and our planned response. An audit is a dynamic process, and should we change our view of risk and/ or our approach to address those risks during our audit, we will report this to Audit Committee.

Significant risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
1	Revenue recognition (there is a rebuttable presumption that there is a significant risk of fraud in revenue recognition for all entities).	●	●	○	For Middlesbrough Council we see the risk of fraud in revenue recognition as being principally in relation to: <ul style="list-style-type: none">Fees and charges income.	We will address this risk by carrying out a range of substantive procedures including: <ul style="list-style-type: none">testing significant grants and capital receipts recorded around year end to ensure they have been recognised in the appropriate year;testing year end receivables; andobtaining direct confirmations of year-end bank balances and testing the reconciliations to the ledger.
2	Management override of controls (a mandatory significant risk for all entities).	●	○	●	Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits. You should assess this risk as part of your oversight of the financial reporting process.	In line with our methodology, we plan to address the management override of controls risk by carrying out audit work on: <ul style="list-style-type: none">accounting estimates;journal entries; andsignificant transactions outside the normal course of business or otherwise unusual.

Significant risks and other key judgement areas

Significant risks (continued)

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
3	Valuation of property, plant and equipment	○	●	●	<p>The 2024/25 financial statements contain material entries on the balance sheet as well as material disclosure notes in relation to the Council's holding of property, plant and equipment (PPE).</p> <p>Although the Council employs valuation experts to provide information on valuations, there remains a high degree of estimation uncertainty associated with the (re)valuations of property, plant and equipment due to the significant judgements and number of variables involved.</p>	<p>We will:</p> <ul style="list-style-type: none"> critically assess the Council's arrangements for ensuring that land and buildings valuations are reasonable and not materially misstated; critically assess the basis of valuations, using third party trend data where appropriate, as part of our challenge of the reasonableness of the valuations provided by valuers; consider the competence, skills and experience of the valuers and the instructions issued to the valuers; substantively test revaluations, including critically reviewing the Council's own consideration of assets not revalued in the year and why they are not materially misstated; and where necessary, perform further procedures on individual assets to ensure the basis of valuations is appropriate.
4	Valuation of the net defined benefit pension liability	●	●	●	<p>The 2024/25 financial statements contain material pension entries in respect of the retirement benefits.</p> <p>The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> critically evaluate the Council's arrangements relevant controls for making estimates in relation to pension entries within the financial statements; and challenge the reasonableness of the Actuary's assumptions that underpin entries made in the financial statements, using an expert commissioned by the National Audit Office; critically assess the competency, objectivity and independence of the Actuary; liaise with the auditors of the Pension Fund to gain assurance that the overall IAS19 procedures and controls in place at the Pension Fund are operating effectively; compare assumptions to expected ranges, using information provided by the consulting actuary engaged by the National Audit Office; and agree data in the Actuary's valuation report for accounting purposes to the relevant accounting entries and disclosures in the Council's financial statements.

Significant risks and other key judgement areas

Other key areas of management judgement that we have determined as enhanced risks

	Risk name	Error	Judgement	Risk description	Planned response
1	Debtors' impairment allowance	●	●	At 31 March 2025, the Council disclosed an impairment of debtors' allowance totalling £28.4m as an area of estimation uncertainty.	We will: •critically review the Council's calculation of its impairment of debtors' allowance; and •assess whether disclosures are in line with the Code of Audit Practice, including any exemptions relevant to non-contractual debt.

Significant risks and other key judgement areas

Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged With Governance*, we would like to seek your views/ knowledge of the following matters:

- Did you identify any other risks (business, laws & regulation, fraud, going concern etc.) that may result in material misstatements?
- Are you aware of any significant communications between Middlesbrough Council and regulators?
- Are there any matters that you consider warrant particular attention during the course of our audit, and any areas where you would like additional procedures to be undertaken?

We plan to do this by formal letter to the Audit Committee which we will obtain prior to completing our audit

Significant difficulties encountered during the course of audit

In accordance with ISA (UK) 260 *Communication with Those Charged With Governance*, we are required to communicate certain matters to you which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include matters such as:

- significant delays in management providing information that we require to perform our audit.
- an unnecessarily brief time within which to complete our audit.
- extensive and unexpected effort to obtain sufficient appropriate audit evidence.
- unavailability of expected information.
- restrictions imposed on us by management.
- unwillingness by management to make or extend their assessment of an entity's ability to continue as a going concern when requested.

We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).

Value for money arrangements

Value for money arrangements

The framework for our work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

This will be the first audit year where we are undertaking our value for money (VFM) work under the full 2024 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place, and to report in the auditor's report where we are not satisfied that arrangements are in place. Where we have issued a recommendation in relation to a significant weaknesses this indicates we are not satisfied that arrangements are in place. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

A key change in the 2024 Code of Audit Practice is the requirement for us to issue our Auditor's Annual Report for the year ended 31st March 2025 to you in draft by the 30th November 2025. This is required whether our audit is complete or not. Should our work not be complete, we will report the status of our work and any findings to up to that point (and since the issue of our previous Auditor's Annual Report). Further information will be provided in Appendix A.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services;
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks; and
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our approach

Our work falls into three primary phases as outlined opposite. We gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified, we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle, and we are not expected to wait until issuing our overall commentary to do so.

Planning	<p>Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include:</p> <ul style="list-style-type: none">• NAO guidance and supporting information;• information from internal and external sources including regulators;• knowledge from previous audits and other audit work undertaken in the year; and• interviews and discussions.
Additional risk based procedures and evaluation	<p>Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.</p>
Reporting	<p>We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements which forms part of the Auditor's Annual Report.</p> <p>Our commentary will also highlight:</p> <ul style="list-style-type: none">• significant weaknesses identified and our recommendations for improvement; and• emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

Value for money arrangements

Identified risks of significant weaknesses in arrangements

The NAO’s guidance requires us to carry out work at the planning stage to understand the Council’s arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our planning and risk assessment work.

As part of our prior year audit, we identified significant weaknesses in the Council’s arrangements. The table on the next slide sets out the significant weaknesses identified, our previous recommendations and the work we intend to carry out as part of our 2024/25 audit.

We will report any further identified risks to the Audit Committee on completion of our planning and risk identification work.

Value for money arrangements

Our work to follow-up on previous recommendations

As part of our audit work in previous years we identified significant weaknesses in the Council’s arrangements. The table below sets out the significant weaknesses identified, our previous recommendations and the work we intend to carry out as part of our 2024/25 audit.

Previously identified significant weakness in arrangements	Relevant reporting criteria	Our 2023-24 recommendations	Planned procedures for 2024-25
<p>As part of the 2024/25 budget setting process, the Council made a request for, and received, exceptional financial support from the Government in order to balance the budget for 2024/25.</p> <p>The approach to budget setting has improved but needs to focus further on underlying assumptions to ensure funding gaps that could threaten the delivery of services and financial plans are identified and mitigated.</p> <p>The Council decision to seek such support in order to meet its spending commitments is evidence of a significant weakness in arrangements for planning to bridge funding gaps and identifying achievable savings.</p>	Financial sustainability	<p>1 The Council should continue to strengthen the approach to budget setting to ensure assumptions remain data driven and realistic, and planned savings are subject to a detailed delivery plans and risk assessment.</p> <p>2 The Council needs to implement a financial recovery plan to ensure services can be provided within available resources and should:</p> <ul style="list-style-type: none">complete a baseline assessment of the affordability of services in their current form;develop a detailed plan to address the deficit including further savings for 2025/26;ensure sufficient information is provided to Members so they can monitor the delivery of planned savings. <p>3 The Council should continue to apply the additional spending controls agreed in July 2023 to address the forecast in-year deficit.</p>	<p>We will review:</p> <ul style="list-style-type: none">Budget setting reports, including the application for exceptional financial support.Budget monitoring reports.Outturn reports.Updated medium term financial plans.Transformation programme.Links between MTFP and other plans, for example, people strategy.

Value for money arrangements

Our work to follow-up on previous recommendations

As part of our audit work in previous years we identified significant weaknesses in the Council’s arrangements. The table below sets out the significant weaknesses identified, our previous recommendations and the work we intend to carry out as part of our 2024/25 audit.

Previously identified significant weakness in arrangements	Relevant reporting criteria	Our 2023-24 recommendations	Planned procedures for 2024-25
<p>During 2023/24 the Council continued the process of reviewing and revisiting its Constitution and ensuring that the requirements of the Constitution were embedded in its decision-making processes.</p> <p>In addition, the Member development strategy and programme, which forms part of the culture and governance improvement plan, had not been delivered.</p> <p>These arrangements are needed to mitigate the risks of decision-making that could be unlawful or lead to significant loss or exposure to significant financial risk, or to reputational risks such as conflicts of interest.</p> <p>The lack of an up-to-date Constitution and Member development programme are evidence of a significant weakness in arrangements for making properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.</p>	Governance	The Council should apply and embed arrangements in line with the culture and governance improvement plan.	<p>Review:</p> <ul style="list-style-type: none">Internal audit plan and reporting.Annual governance statement.Transformation plan.Response to unplanned changes and informed decision making.Risk management arrangements.Standards monitoring.

Value for money arrangements

Our work to follow-up on previous recommendations

As part of our audit work in previous years we identified significant weaknesses in the Council’s arrangements. The table below sets out the significant weaknesses identified, our previous recommendations and the work we intend to carry out as part of our 2024/25 audit.

Previously identified significant weakness in arrangements	Relevant reporting criteria	Our 2023-24 recommendations	Planned procedures for 2024-25
<p>The Council's performance during the year was monitored by the Executive and measured against the Council Plan. While the 2023/24 quarterly reports tracked performance against the priority actions in the Council Plan and included a commentary on progress, we did not see evidence of a clear link between the Council Plan priorities, the strategic workplan and the detailed outcomes and measures reported.</p> <p>Without this link there is a risk that poor service performance is not identified and addressed.</p> <p>The lack of embedded performance management arrangements is evidence of a significant weakness in arrangements for evaluating service provision and identifying areas for improvement.</p>	<p>Improving the 3 Es</p>	<p>The Council should ensure</p> <ul style="list-style-type: none">the Mayor's priorities are clearly linked to the strategic workplan and feed down into detailed, measurable targets and staff performance appraisals; andsufficient information is provided to Members so they can monitor service delivery.	<p>Review:</p> <ul style="list-style-type: none">Updated Council plan and performance monitoring.Transformation programme.Partnership working.Procurement arrangementsRelevant internal audit reports.

07

Audit fees and other services

Audit fees and other services

Fees for work as the Council’s appointed auditor

Our fees (exclusive of VAT) as the Council’s appointed for the year ended 31 March 2025 are outlined below.

Our fees are designed to reflect the time, professional experience, and expertise required to perform our audit. The main aspect impacting upon the fee this year when compared to the prior year is the rebuilding of audit assurance following the disclaimed opinion.

At this stage of the audit, we are not planning any divergence from the scale fees set by PSAA.

Area of work	2024/25 Proposed Fee	2023/24 Actual Fee
Core Audit Work	£348,214	£190,646 *

* 60% of scale fee

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section ‘Confirmation of our independence’.

Area of work	2024/25 Proposed Fee	2023/24 Actual Fee
Housing Benefits Subsidy Assurance	TBC	£15,000
Teachers’ Pensions	TBC	£6,130

Confirmation of our independence

Confirmation of our independence

Requirements

We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Revised Ethical Standard.

Compliance

We are not aware of any relationship between Forvis Mazars and Middlesbrough Council that, in our professional judgement, may reasonably be thought to impair our independence.

We are independent of Middlesbrough Council and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.

Non-audit and Audit fees

We have set out a summary of the non-audit services provided by Forvis Mazars (with related fees) to Middlesbrough Council, together with our audit fees and independence assessment.

We are committed to independence and confirm that we comply with the FRC's Revised Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate, Forvis Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with me in the first instance.

Prior to the provision of any non-audit services, I will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and the associated safeguards we have identified and/ or put in place are set out in Terms of Appointment issued by PSAA available from the PSAA website: [Terms of Appointment from 1 July 2021 - PSAA](#). Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

Appendices

A: Key communication points

B: Current year updates, forthcoming accounting and other issues

C: Consultations on measures to tackle the local government financial reporting and audit backlog

Appendix A: Key communication points

We value communication with Audit Committee, as a two-way feedback process is at the heart of our client service commitment. The Code of Audit Practice as well as ISA (UK) 260 *Communication with Those Charged With Governance* and ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* specifically require us to communicate a number of matters with you. We meet these requirements, principally, through presenting the following documents to you:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Our Auditor’s Annual Report.

These documents will be discussed with management prior to being presented to you and their comments will be incorporated as appropriate.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements.
- The planned scope and timing of the audit.
- Significant audit risks and areas of management judgement.
- Our commitment to independence.
- Responsibilities for preventing and detecting errors.
- Materiality and misstatements.
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control.
- Significant findings from the audit.
- Significant matters discussed with management.
- Significant difficulties, if any, encountered during the audit.
- Qualitative aspects of the entity’s accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
- Our conclusions on the significant audit risks and areas of management judgement.
- Summary of misstatements.
- Management representation letter.
- Our proposed draft audit report.
- Independence.

Changes introduced by the 2024 Code of Audit Practice

The 2024 Code now requires the auditor to issue the draft Auditor’s Annual Report by 30th November following each year end. For the 2024/25 audit, this means that we must issue our draft Auditor’s Annual Report by 30 November 2025, whether our audit is complete or not.

In instances where our audit work is not complete by 30 November for any given year, the 2024 Code requires us to provide a summary of the status of the audit at the time of issuance and should reflect the work completed to date since we issued our previous Auditor’s Annual Report. In such instances, we will issue an Interim Auditor’s Annual Report to meet the 30 November deadline. On completion of any outstanding financial statement audit work or value for money arrangements work, we will re-issue the Auditor’s Annual Report which will include an updated commentary on value for money arrangements.

Appendix A: Key communication points

ISA (UK) 260 *Communication with Those Charged With Governance*, ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and Those Charged With Governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
<div> <div>Page 35</div> <div> <div>With respect to misstatements:</div> <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. </div> </div>	Audit Completion Report
<div> <div>With respect to fraud communications:</div> <ul style="list-style-type: none"> • inquiries with Audit Committee to determine whether you have knowledge of any actual, suspected, or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. </div>	Audit Completion Report and discussion at Audit Committee meeting(s), audit planning meeting(s), and audit clearance meeting(s)

Appendix A: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	Audit Completion Report
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to Council or Audit Committee in the context of fulfilling your responsibilities. 	Audit Completion Report

Appendix A: Key communication points

Required communication	Where addressed
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to the Council to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and inquiry of Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that Audit Committee may be aware of.	Audit Completion Report and Audit Committee meeting(s)
<div> <div>Page 37</div> <div> <p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements. </div> </div>	Audit Completion Report
<div> <p>Communication regarding our system of quality management, compliant with ISQM (UK) 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, our firm’s System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our System of Quality Management:</p> <ul style="list-style-type: none"> • ensure there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership • establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm’s strategies and priorities • identify, review, and update quality risks each quarter, taking into consideration the number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm’s root cause analysis and remediation functions, etc.) • identify, design, and implement responses as part of the process to strengthen our firm’s internal control environment and overall quality • evaluate responses and remediate control gaps or deficiencies <p>We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion were set out in our 2022/2023 Transparency Report and our latest is set out in our 2023/24 Transparency Report, which is available here: Transparency reports - Forvis Mazars - United Kingdom.</p> </div>	Audit Strategy Memorandum

Appendix B: Current year updates, forthcoming accounting & other issues

Current and forthcoming accounting issues

New standards and amendments

Effective for accounting periods beginning on or after 1 January 2019

IFRS 16 Leases (Issued January 2016)

- IFRS 16 Leases (IFRS 16) will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17. Lessees will need to recognise right of use assets and associated lease liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed. Subsequent to initial recognition, a service concession arrangement liability will subsequently measured following the principles set out in IFRS 16. The introduction of this standard is likely to lead to significant work being required in order to identify all leases and service concession arrangements to which the Council (and its schools) are party to. There will also be consequential impacts upon capital financing arrangements at many authorities which will need to be identified and addressed. IFRS 16 was adopted by the Code of Practice on Local Authority Accounting in 2024/25.

Effective for accounting periods beginning on or after 1 January 2023

IFRS 18 Presentation and Disclosure in Financial Statements (Issued April 2024)

- IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) is a new standard that replaces IAS 1 Presentation of Financial Statements. The new standard aims to increase the comparability, transparency and usefulness of information about companies' financial performance. It introduces three key new requirements focusing on the presentation of information in the statement of profit or loss and enhancing certain guidance on disclosures within the financial statements. As IFRS 18 was only issued in April 2024 it has yet to be adopted by the Code of Practice on Local Authority Accounting in 2024/25 therefore the applicability to local government is to be determined.

Appendix B: Current year updates, forthcoming accounting & other issues

International Standard on Auditing (UK) 600 Revised - Special considerations - Audits of group financial statements (Including the work of component auditors)

ISA (UK) 600 deals with the special considerations that apply to audits of group financial statements, including those circumstances when component auditors are involved. The auditing standard has been revised. The revised standard is effective for audits of group financial statements for periods beginning on or after 15 December 2023. The revisions made to ISA (UK) 600 impact how we perform audits of group financial statements, and how we communicate our audit strategy and audit findings arising from audits of group financial statements, going forward. This page sets out the key changes made to ISA (UK) 600 and how Forvis Mazars will apply the requirements of the revised standard in practice.

Key changes

The previous ISA (UK) 600 included prescriptive requirements in respect of the audit procedures required over ‘significant components’ of a group, i.e., a ‘full scope’ audit of a significant component’s financial information relevant to the group financial statements was required. Forvis Mazars defined a ‘significant component’ as one that contributed to the group financial statements more than 15% of the materiality benchmark selected to determine group materiality, e.g., if we had determined materiality using a profit before tax benchmark, any component that contributed more than 15% of the group’s reported profit before tax would be classified as a significant component and a ‘full scope’ audit would be performed over that component’s financial information.

ISA (UK) 600 Revised eliminates the ‘significant component’ concept, opting instead for consideration of risks of material misstatement at the assertion level of the group financial statements that are associated with components. This results in a group audit that is better focused on the risks of material misstatement of the group financial statements and affords greater flexibility in how we classify components and how we may design the nature and extent of audit procedures to be performed over a component’s financial information, i.e., we can determine the nature and extent of the audit procedures to be performed over a component’s financial information based on the specific risks relevant to the group financial statements.

ISA (UK) 600 also, however, removed the option to limit the procedures performed over a ‘non-significant’ component’s financial information to desktop analytical procedures. We are now required to perform substantive audit procedures (or a combination of substantive audit procedures and tests of controls) over the group financial statements, including the financial information relating to components in the group, until the residual, untested balances, classes of transaction and disclosures in the group financial statements are below our group materiality. This is to ensure that aggregation risk (the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole) is addressed appropriately.

In combination, these changes may result in a change to the nature and extent of the audit procedures we perform over the financial information of components on a group audit compared to previous years and may result in components that were not previously in scope of our group audit being brought into scope going forward to ensure that we address aggregation risk appropriately.

To ensure consistency of approach, Forvis Mazars will apply the definitions set out below when performing audits of group financial statements going forward:

Key component	Material component	Non-material component
Any component: i. Which is greater or equal to 15% of the benchmark chosen for calculating group materiality (key by size); or ii. Where the specific nature or circumstance of its financial information make it likely to include significant risks of misstatement of the group financial statements (key by risk).	Any component, other than a key component, that contributes to one or more group financial statement areas an amount that is above group financial statement materiality.	A component, that is not a key component or a material component, that is scoped into a group audit to reduce the risk of material misstatement of the group financial statements to an acceptably low level (based on size or risk) in situations when, after assessing which components are key components and material components, the aggregate amount of a financial statement area related to un-scoped components is still above group financial statement materiality.

Appendix B: Current year updates, forthcoming accounting & other issues

International Standard on Auditing (UK) 600 Revised - Special considerations - Audits of group financial statements (including the work of component auditors)

Key changes (continued)

Definition of ‘component’ - The definition of ‘component’ has been revised to “an entity, business unit, function or business activity, or some combination thereof, determined by the group auditor for the purposes of planning and performing audit procedures in a group audit”.

This provides clarity on how components may be identified in a group audit and may result in a change to how we identify components on a group audit compared to previous years. For example, we may group separate legal entities (e.g., subsidiaries) in a group based on common characteristics (such as common management, common information systems, and common geographical locations) and treat those components as a single component, when appropriate to do so.

Common controls - The definition of ‘group-wide’ controls has been removed and we are instead required to consider ‘common controls’, being controls that operate in a common manner for multiple entities or business units.

This may assist us in grouping separate legal entities, business units, functions, or business activities in a group into a single component for the purposes of a group audit; or it may result in us grouping specific account balances or classes of transaction recorded by individual legal entities, business units, functions, or business activities into a single population for the purposes of our audit procedures.

For audits where we are adopting a controls-based audit strategy, this may result in efficiencies, as we can rely on a single control for the purposes of the audits of more than one component where that control is common to those components.

Definition of ‘engagement team’ - The definition of ‘engagement team’ has been revised to include component auditors. While this change may seem inconsequential, it forms part of the overall changes intended by ISA (UK) 600 Revised to enhance two-way communication between the group auditor and component auditors during a group audit. This will result in enhanced direction and supervision of component auditors by the group auditor during a group audit.

Calculation of component materiality - The requirement to set overall materiality for a component has been removed. We are now only required to determine component performance materiality.

Other changes - ISA (UK) 600 Revised includes new and revised requirements and application material that better aligns the standard with recently revised standards such as ISQM (UK) 1, ISA (UK) 220, and ISA (UK) 315. The new and revised requirements also strengthen our responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and audit documentation. These changes are to encourage proactive management of quality at the group engagement level and the component level; reinforce the need for robust communication and interactions during a group audit; and foster an appropriately independent and challenging sceptical mindset.

Scope of audit work to be performed over a component’s financial information - Forvis Mazars will, going forward, determine the scope of work to be performed over a component’s financial information on a group audit using the definitions set out below:

Full scope	Specific scope	Group Engagement Team Instructed Procedures
Designing and performing audit procedures on the entire financial information of a component.	Designing and performing audit procedures on one or more specified account balances, classes of transaction, and/ or disclosures of a component.	Performing specified audit procedures, as designed and instructed by the group engagement team.

Contact

Forvis Mazars

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Audit Strategy Memorandum - DRAFT
Teesside Pension Fund – Year ending 31 March 2025

June 2025

Audit Committee
Middlesbrough Council
PO Box 500
Middlesbrough
TS1 9FT

June 2025

Forvis Mazars
The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Dear Audit Committee Members,

Audit Strategy Memorandum – Year ending 31 March 2025

We are pleased to present our Audit Strategy Memorandum for Teesside Pension Fund for the year ending 31 March 2025.

This report summarises our audit approach, including the significant audit risks and areas of key judgement we have identified, and provides details of our audit team. In addition, as it is a fundamental requirement that an auditor is, and is seen to be, independent of an audited entity, the section of the report titled ‘*Confirmation of our independence*’ summarises our considerations and conclusions on our independence as auditors.

Two-way communication with you is key to a successful audit and is important in:

- Reaching a mutual understanding of the scope of the audit and our respective responsibilities;
- Sharing information to assist each of us to fulfil our respective responsibilities;
- Providing you with constructive observations arising during the audit process; and
- Ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance, and other risks facing Teesside Pension Fund which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, this report, which has been prepared following our initial planning discussions with management, facilitates a discussion with you on our audit approach. We welcome any questions, concerns, or input you may have on our approach or role as auditor.

This report also contains appendices that outline our key communications with you during the audit.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with

the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me.

This report was prepared solely for the use and benefit of Audit Committee and to the fullest extent permitted by law Forvis Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Yours faithfully


Mark Kirkham (Apr 29, 2025 09:04 GMT+1)

Mark Kirkham

Partner

Forvis Mazars

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This document is to be regarded as confidential to Teesside Pension Fund. It has been prepared for the sole use of Audit Committee as the appropriate group charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents.

Engagement and responsibilities summary

Engagement and responsibilities summary

We are appointed to perform the external audit of Teesside Pension Fund (the Pension Fund) for the year to 31 March 2025. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: [Statement of responsibilities of auditors and audited bodies from 2023/24](#). Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting.

Our audit does not relieve management or Audit Committee as Those Charged With Governance, of their responsibilities.

The Director of Finance is responsible for the assessment of Teesside Pension Fund's ability to continue as a going concern. As auditors, we are required to obtain sufficient, appropriate audit evidence regarding, and conclude on:

- a) Whether a material uncertainty related to going concern exists, and
- b) The appropriateness of the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements.

Internal control

Management is responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Teesside Pension Fund's internal control.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error, and non-compliance with law or regulations rests with both you and management. This includes establishing and maintaining internal controls over asset protection, compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud, we are required to inquire of you and key management personnel, including internal audit, on their knowledge of instances of fraud, and their views on the risks of fraud and on internal controls that mitigate those risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. Our audit, however, should not be relied upon to identify all such misstatements.

Consistency reporting

We are responsible for forming and expressing an opinion on the consistency of the financial statements within the Pension Fund's annual report and the Pension Fund's financial statements included in the Statement of Accounts of Middlesbrough Council.

Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Pension Fund and consider objections made to the accounts. This would include an objection made to the accounts of the Pension Fund included in the administering authority's financial statements. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

02

Your audit team

Your audit team

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03

Audit scope, approach, and timeline

Audit scope, approach, and timeline

Risk-based Approach



Audit scope, approach, and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with the Code of Audit Practice. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations, or areas found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud), we develop our audit strategy and design audit procedures to respond to the risks we have identified.

If we conclude that appropriately designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit has been planned and will be performed to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in the *'Materiality and misstatements'* section of this report.

The diagram on the next page outlines the procedures we perform at the different stages of our audit.

Managements and our experts

Management makes use of experts in specific areas when preparing the Pension Fund's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Our expert
Disclosure Notes on funding arrangements and actuarial present value of promised retirement benefits	Hymans Robertson	NAO consulting actuary, PwC.
Investment Properties	CBRE, Cushman and Wakefield	Forvis Mazars Valuation team

Service organisation

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Pension Fund that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Pension Fund and our planned audit approach.

Item of account	Service organisation	Audit approach
Investment Valuations and related disclosures	Investment Managers	Substantive testing of in year transactions and valuation applied to investments at the year end.
Investment Valuations and related disclosures	Northern Trust (Fund's Custodian)	Substantive testing of in year transactions and valuation applied to investments at the year end.

Audit scope, approach, and timeline

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Audit scope, approach, and timeline

Follow up on significant deficiencies in internal control

Set out below are the significant deficiencies in internal control that we identified during our prior period audit. During the course of the audit, we will request that you and management provide us with evidence of the progress made to address these deficiencies. We will report an update on the progress made for each significant deficiencies in internal control detailed below in our Audit Completion Report.

Deficiencies identified in 2023/24

1. Declarations of interests.

Description of deficiency

For the financial year 2023/24, we reviewed the meeting minutes and attendance records of committee members as listed on the Middlesbrough Council website. We identified three instances where management could not provide declarations of interest for individuals who attended the meetings. According to the Middlesbrough Council constitution, “voting rights are held by all members, including scheme member representatives, as long as they are not employees of Middlesbrough Council.” This means a member could potentially vote on a motion without declaring their interest.

We note from discussion with the Pension Fund that members are asked to declare their interests at the beginning of all Pension Fund committee meetings and are appraised at induction training for potential conflicts of interest.

Potential effects

Committee members may vote on agenda items in which they have an undeclared personal interest, leading to potential conflicts of interest.

Recommendation

The Monitoring Officer should ensure that the register of interests is regularly checked throughout the year.

Management response

The Monitoring Officer will conduct a regular review of members of the Pension Fund Committee and ensure that all members attending meetings have provided an up-to-date declaration of interest form.

Audit scope, approach, and timeline

Deficiencies identified in 2022/23

In the 2022/23 audit completion report presented to the December 2024 audit committee, the predecessor auditor identified internal control recommendations in the following areas:

- Recording of assets valuations
- Production of financial statements
- Reconciliation to custodian reports
- Support for sensitivity disclosures
- Review of submissions to the Actuary
- Retention of Fund Membership Data

We have discussed these matters with management, who have had limited time to make changes since the report was presented at the last audit committee. We understand that work is currently ongoing to respond to identified internal control recommendations and these will be implemented for the 2024/25 accounts.

1. Recording of asset valuations *(initially raised in 2022/23)*

Description of deficiency

The testing of investment valuations identified significant levels of error in the recorded value of individual investments, including investments recorded in the wrong currency and transactions close to yearend being omitted from the financial statement valuations. Gross misstatements identified totalled £107m, which is more than 2% of the Fund's net assets, although we note the net impact of misstatements was smaller but not insignificant. This level of misstatement leads us to conclude that controls over the recording of investment valuations are not operating effectively.

Potential effects

Information relating to the market value of investments at the year-end could be materially misstated in the Fund's financial statements.

Recommendation

Recommend management review the controls in place to ensure accurate recording of investment valuations, including ensuring there is a robust review process, to ensure that investments are not recorded at the incorrect value.

Management response

The Head of Pensions and Governance will implement a process to undertake a quarterly review of the basis of recording investment valuations by a supervising officer. This will be implemented in producing the 2024/25 accounts and will also review the draft 2023/24 accounts that remain subject to audit.

Audit scope, approach, and timeline

2. Production of the financial statements *(initially raised in 2022/23)*

Description of deficiency

Our audit work identified a number of material disclosure errors including disclosures being prepared on the incorrect basis and not in accordance with the requirements of the Pension Fund’s reporting framework. Also note that knowledge supporting the production of the financial statements is concentrated with a small number of people (2 officers), which significantly increases the risk of loss of corporate knowledge should there be a turnover in staff.

Potential effects

Errors in disclosures can lead to inaccurate financial statements.

Recommendation

Recommended management review the controls in place to ensure the financial statements are prepared in accordance with the requirements of the reporting framework, including ensuring there is a robust review process. We also recommend that knowledge of how to prepare material disclosures is formally documented to reduce the risk of loss of corporate knowledge.

Management response

The Director of Finance is due to implement a revised operating model within the accountancy disciplines within the Finance Directorate in the 2025/26 financial year subject to approval of the associated investment in the budget by Council in February 2025. There will be a new role of Chief Accountant who will be required to oversee the production of both the Council and Pension Fund Accounts to ensure compliance with relevant legislation, reporting standards and the code of practice and to build resilience within the Pensions and Accountancy Teams.

Audit scope, approach, and timeline

3. Reconciliation to custodian reports *(initially raised in 2022/23)*

Description of deficiency

Our testing of the Pension Fund’s reconciliation of its accounting records against the investment valuations provided by the custodian identified that the reconciliation is performed shortly after each month end, when final valuations are often still to be reported to the custodian by investment managers. There is no subsequent revisiting of this reconciliation to identify where valuations have changed, which we consider was a factor in why the Pension Fund did not identify the misstatements of investment valuations reported.

Potential effects

There is a possibility the transactions are misreported, and this could have a material impact on Pension Fund financial statements.

Recommendation

Recommended management review the timing of the reconciliation to custodian reporting to ensure the reconciliation takes place at a time when the custodian records are up-to-date. If this is not possible due to delays in custodian reporting, an additional check back against the accounting records should be introduced to support year-end reporting.

Management response

The Head of Pensions and Investments will introduce a year end closure task to reconcile custodian reports to investment manager valuations. This will be adopted in closing the 2024/25 accounts and a check of the draft 2023/24 accounts will be undertaken prior to the audit.

Audit scope, approach, and timeline

4. Support for sensitivity disclosures *(initially raised in 2022/23)*

Description of deficiency

Note 13 to the financial statements includes various disclosures of the sensitivity of the Pension Fund's balances to movements in external factors, such as exchange rates or market movements. Our testing of these disclosures found that management were unable to support the sensitivities disclosed in the financial statements, partly because the reporting to the Pension Fund by the external party which provided them is limited and the external party is no longer trading

Potential effects

There is a possibility that misstatements are carried through the reconciliation as they have not been sufficiently reviewed, which may in turn lead to misstatements in the figures reported for the purchases, sales and market value of investments reported in the Pension Fund's accounts.

Recommendation

Recommended management review the controls in place to obtain, and retain support for, the sensitivities disclosed within the financial statements to ensure that disclosures made in the financial statements can be supported.

Management response

The Head of Pensions and Investments will ensure that all documentation relevant to the preparation of the financial statements is retained for management and audit purposes.

Audit scope, approach, and timeline

5. Review of submissions to the Fund actuary *(initially raised in 2022/23)*

Description of deficiency

Where the Pension Fund's actuary provides IAS 19 valuations to individual participating employers for inclusion in the employer's financial statements, they rely on employer-specific information submitted by the Pension Fund. Our testing of this process identified that information submitted to the actuary is prepared and submitted by one individual, with no review performed by someone other than the preparer. A lack of review process increases the risk of error in the information provided to the actuary, though we note we did not identify any such errors.

Potential effects

There is a possibility the transactions are misreported, and this could have a material impact on Pension Fund financial statements.

Recommendation

Recommended management review the process supporting submission of IAS 19 information to the actuary to ensure there is an adequate review to provide assurance that the submission is accurate.

Management response

The Head of Finance and Investment and the Head of Pensions and Investments will liaise to establish an appropriate review process to support the IAS19 position which will improve the assurance and resilience arrangements in relation to this return.

Audit scope, approach, and timeline

6. Retention of Fund Membership Data *(initially raised in 2022/23)*

Description of deficiency

The IT system used to administer the Pension Fund is not able to report the membership of the Fund at a past date. Whilst live membership reports are run at key dates, such as the date of triennial valuations, these are not retained and management are therefore unable to subsequently evidence the membership numbers reported at a point in time. The inability to subsequently evidence the membership of the Fund at key dates increases the risk that errors in membership numbers may go undetected, and we consider this a factor in the Pension Fund having to include what is effectively a balance line in their reconciliation of changes in membership between the start and end of the financial year.

Potential effects

Without the ability to verify past membership numbers, there is a higher risk of inaccuracies and errors in the reported figures, which can affect the reliability of financial statements.

Recommendation

Recommended management put in place a process to retain supporting evidence for membership data obtained at key dates, such as the date of triennial valuations of the Pension Fund.

Management response

The Head of Pensions and Investments will put in place a process to ensure that all key data required to evidence key membership at key dates is retained for financial reporting and audit purposes for the 2024/25 accounts.

Materiality and misstatements

Materiality and misstatements

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to Audit Committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities, and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented, and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors.

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provides a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Materiality and misstatements

Materiality (continued)

We consider that net assets is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold of 1% of net assets.

As set out in the table below, based on currently available information provided to the Pension Fund Audit Committee in March 2025, we anticipate overall materiality for the year ended 31 March 2025 to be in the region of £55.6m (£54.9m in the prior year), and performance materiality to be in the region of £27.8m (£27.4m in the prior year).

Additionally, we expect to set a materiality threshold of 10% of benefits payable for auditing the fund account. As set out in the table below, based on a month 12 trial balance provided by management in April 2025, we anticipate overall materiality for the year to 31 March 2025 to be in the region of £20.0m (£18.3m in the prior year), and performance materiality to be in the region of £10.0m (£9.1m in the prior year).

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

	2024-25 £'000s	2023-24 £'000s
Overall materiality	£55,578	£55,290
Performance materiality	£27,789	£27,645
Clearly trivial	£1,667	£1,659
Fund Account – Overall materiality	£20,048	£18,252
Fund Account – Performance Materiality	£10,024	£9,126

Misstatements

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to you and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £1.667m, based on 3% of overall materiality. If you have any queries about this, please raise these with me.

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to you as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Misstatements also cover qualitative misstatements and include quantitative and qualitative misstatements and omissions relating to the notes of the financial statements.

Reporting

In summary, we will categorise and report misstatements above the reporting threshold to you as follows:

- adjusted misstatements;
- unadjusted misstatements; and
- disclosure misstatements (adjusted and unadjusted).

Significant risks and other key judgement areas

Significant risks and other key judgement areas

Following the risk assessment approach set out in the ‘*Audit scope, approach, and timeline*’ section, we have identified the risks of material misstatement in the financial statements. These risks are categorised as significant, enhanced, or standard. The definitions of these risk ratings are set out below.

Significant risk

A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. As required by auditing standards, a fraud risk is always assessed as a significant risk.

Enhanced risk

An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to:

- key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and
- risks relating to other assertions and arising from significant events or transactions that occurred during the period.

Standard risk

A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.

Significant risks and other key judgement areas

Audit risks and planned responses

In this section, we have set out the risks that we deem to be significant and enhanced, and our planned response. An audit is a dynamic process, and should we change our view of risk and/ or our approach to address those risks during our audit, we will report this to you.

Significant risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
1	Management override of controls (a mandatory significant risk for all entities).	●	○	○	Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. The unpredictable way in which such override could occur means there is a risk of material misstatement due to fraud on all audits. You should assess this risk as part of your oversight of the financial reporting process.	In line with our methodology, we plan to address the management override of controls risk by carrying out audit work on: <ul style="list-style-type: none">• accounting estimates;• journal entries; and• significant transactions outside the normal course of business or otherwise unusual.

Significant risks and other key judgement areas

Significant risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
2	<p>Valuation of investments within level 3 of the fair value hierarchy</p> <p>2024-25: Not Calculated at Planning Stage</p> <p>2023-24: £1,413.9m</p>	○	●	●	<p>As at 31 March 2023 the fair value of investments classified within level 3 of the fair value hierarchy was £1,413.9m. The values included in the accounts are based on those provided by investment managers, updated by the Pension Fund for cash movements, where the most recently available information from fund managers is at a date prior to the year end.</p> <p>Level 3 assets are those assets where values are based on unobservable inputs, and consequently the estimation uncertainty for these assets is more significant than for assets valued at level 1 and 2.</p>	<p>We plan to address this risk by completing the following additional procedures on a sample basis:</p> <ul style="list-style-type: none">• agree holdings from fund manager reports to the global custodian's report;• agree valuations included in the Pension Fund's underlying financial systems to the most up-to date supporting documentation at the time of audit including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation;• agree the investment manager valuations to audited accounts or other independent supporting documentation, where available;• where audited accounts are available, check that they are supported by an unmodified opinion;• review the valuation methodologies through review of accounting policies within audited financial statements and challenge of the fund manager, where required; and• where available, review independent control assurance reports to identify any exceptions that could present a risk of material misstatement in the Pension Fund's financial statements.

Significant risks and other key judgement areas

Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged with Governance*, we would like to seek your views/ knowledge of the following matters:

- Did you identify any other risks (business, laws & regulation, fraud, going concern etc.) that may result in material misstatements?
- Are you aware of any significant communications between Teesside Pension Fund and regulators?

We plan to do this by formal letter to Audit Committee which we will obtain prior to completing our audit.

Significant difficulties encountered during the course of audit

In accordance with ISA (UK) 260 *Communication with Those Charged with Governance*, we are required to communicate certain matters to you which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include matters such as:

- significant delays in management providing information that we require to perform our audit;
- an unnecessarily brief time within which to complete our audit;
- extensive and unexpected effort to obtain sufficient appropriate audit evidence;
- unavailability of expected information;
- restrictions imposed on us by management; and
- unwillingness by management to make or extend their assessment of an entity's ability to continue as a going concern when requested.

We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).

Internal audit function

Based on our assessment of the extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors, the level of competence of the internal audit function, and whether the internal audit function applies a systematic and disciplined approach, including quality control, we do not expect to use the work of the internal audit function for the purpose of our audit.

Nonetheless, we will obtain a copy of the reports issued by internal audit relating to the financial period under audit determine whether any findings will have an impact on our risk assessment and planned audit procedures.

Audit fees and other services

Audit fees and other services

Fees for work as the Pension Fund’s appointed auditor

Our fees (exclusive of VAT) as the Pension Fund’s appointed for the year ended 31 March 2025 are outlined below.

At this stage of the audit, we are not planning any divergence from the scale fees set by PSAA.

Area of work	2024-25 Proposed Fee	2023-24 Actual Fee
Code Audit Work	£117,860	£102,380
Fee Variations	TBC	£7,840

The fee variation for 2023-24 includes fees in respect of additional audit work under revised ISA (UK) 315 and the related impact of ISA (UK) 240 (fraud) is required at all local audit bodies from the 2022/23 audits.

Further details of this fee variation can be found on the PSAA website: <https://www.psaa.co.uk/appointing-auditors-and-fees/auditor-appointments-and-scale-fees-2023-24-2027-28/2024-25-auditor-appointments-and-audit-fee-scale/2024-25-audit-fee-scale/3/>

07

Confirmation of our independence

Confirmation of our independence

Requirements

We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Revised Ethical Standard.

Compliance

We are not aware of any relationship between Forvis Mazars and Teesside Pension Fund that, in our professional judgement, may reasonably be thought to impair our independence.

We are independent of Teesside Pension Fund and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.

Non-audit and Audit fees

We have set out a summary of the non-audit services provided by Forvis Mazars (with related fees) to Teesside Pension Fund together with our audit fees and independence assessment.

We are committed to independence and confirm that we comply with the FRC's Revised Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and complete annual ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate, Forvis Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with me in the first instance.

Prior to the provision of any non-audit services, I will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and the associated safeguards we have identified and/ or put in place are set out in Terms of Appointment issued by PSAA available from the PSAA website: [Terms of Appointment from 1 July 2021 - PSAA](#). Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

Appendices

A: Key communication points

Appendix A: Key communication points

We value communication with Audit Committee as a two-way feedback process is at the heart of our client service commitment. The Code of Audit Practice as well as ISA (UK) 260 *Communication with Those Charged with Governance* and ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* specifically require us to communicate a number of matters with you. We meet these requirements, principally, through presenting the following documents to you:

- our Audit Strategy Memorandum; and
- our Audit Completion Report.

These documents will be discussed with management prior to being presented to you and their comments will be incorporated as appropriate.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements.
- The planned scope and timing of the audit.
- Significant audit risks and areas of management judgement.
- Our commitment to independence.
- Responsibilities for preventing and detecting errors.
- Materiality and misstatements.
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control.
- Significant findings from the audit.
- Significant matters discussed with management.
- Significant difficulties, if any, encountered during the audit.
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
- Our conclusions on the significant audit risks and areas of management judgement.
- Summary of misstatements.
- Management representation letter.
- Our proposed draft audit report.
- Independence.

Appendix A: Key communication points

ISA (UK) 260 *Communication with Those Charged with Governance*, ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and Those Charged with Governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
<div> <div>Page 75</div> <div> <div>With respect to misstatements:</div> <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. </div> </div>	Audit Completion Report
<div> <div>With respect to fraud communications:</div> <ul style="list-style-type: none"> • inquiries with Audit Committee to determine whether you have knowledge of any actual, suspected, or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. </div>	Audit Completion Report and discussion at Audit Committee meeting(s), audit planning meeting(s), and audit clearance meeting(s)

Appendix A: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	Audit Completion Report
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to Pension Fund or Audit Committee in the context of fulfilling your responsibilities. 	Audit Completion Report

Appendix A: Key communication points

Required communication	Where addressed
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and inquiry of Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that Audit Committee may be aware of.	Audit Completion Report and Audit Committee meeting(s)
<div> <div>Page 77</div> <div> <p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements. </div> </div>	Audit Completion Report
<p>Communication regarding our system of quality management, compliant with ISQM (UK) 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, our firm’s System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm’s System of Quality Management. These include:</p> <ul style="list-style-type: none"> • ensure there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership; • establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm’s strategies and priorities ; • identify, review, and update quality risks each quarter, taking into consideration the number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm’s root cause analysis and remediation functions, etc.); • identify, design, and implement responses as part of the process to strengthen our internal control environment and overall quality; and • evaluate responses and remediate control gaps or deficiencies. <p>We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website here.</p> <p>The details of our evaluation of our system of quality management as of 31 August 2024, and our conclusion, set out in our 2023/24 Transparency Report, which is available on our website here.</p>	Audit Strategy Memorandum

Contact

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Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

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MIDDLESBROUGH COUNCIL	
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Report of:	Director of Legal and Governance Services (Monitoring Officer) – Charlotte Benjamin
Submitted to:	Audit Committee
Date:	24 July 2025
Title:	Health and Safety Annual Assurance Report 2024
Report for:	Decision
Status:	Public
Council Plan priority:	Delivering Best Value

Proposed decision(s)	
<p>That the Audit Committee:</p> <ul style="list-style-type: none"> • NOTES the arrangements in place to manage health and safety within the Council and progress within the last year. • AGREES that the information provides assurance that health and safety management arrangements are suitable and that plans to further strengthen those arrangements are sufficient. 	

Executive summary
<p>This report sets out the arrangements in place to ensure the Council meets its legal obligations in relation to health and safety. The report sets out the Health and Safety governance framework, actions delivered during 2024 and planned actions for 2025</p>

1. Purpose

- 1.1 Purpose of this report and its contribution to the achievement of the Council Plan ambitions by delivering best value and ensuring that robust governance arrangements in place surrounding health and safety within the workplace.
- 1.2 This report also outlines the Council's approach to health and safety management and summarise activity in the past year and planned activity for 2025 in order to provide the Committee with assurance that the Council has robust arrangements in place, as required by the Health and Safety Act 1974.

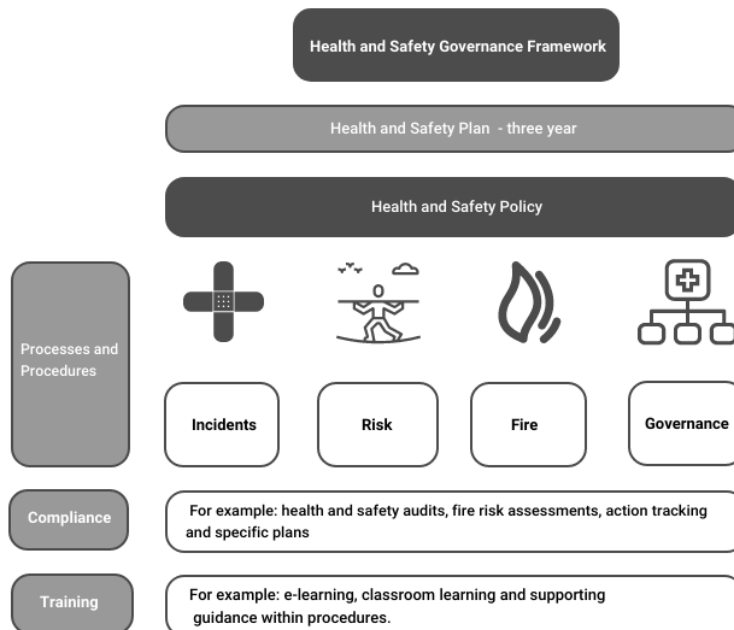
2. Recommendations

2.1 That the Audit Committee:

- **NOTES** the arrangements in place to manage health and safety within the Council and progress within the last year.
- **AGREES** that the information provides assurance that health and safety management arrangements are suitable and that plans to further strengthen those arrangements are sufficient.

3. Background and relevant information

- 3.1 Health and safety management is the collective responsibility of all elected members and officers of the Council, with key statutory responsibilities falling to the Chief Executive and management as the employer.
- 3.2 The Council has in place the following governance framework structure to oversee health and safety, ensure compliance with legal requirements and deliver ambitions in relation to Health and Safety.



Progress in delivering the Plan during 2024

- 3.3 The Health and Safety Plan within the above diagram sets out the Council's plans in relation for a three-year period and is supported by an action plan which is reviewed annually. Progress on these actions is set out below.
- 3.4 The digitised health and safety management application (My Compliance) has continued to be developed, and service improved, processes are fully embedded within day-to-day risk management. My compliance now also has a fully operational legal register which provides a detailed list of all relevant legal requirements applicable to the Council's activities and is incorporated into the health and safety management system.
- 3.5 As a significant level of data has been built up in the system it has enabled the Council to improve the intelligence it can develop from:
- incident reporting and investigation;
 - health and safety audits;
 - service area audits;
 - fire risk assessment; and
 - action tracking.
- 3.6 This has been used to improve understanding of the impact of violent incidents, unblock systematic issues to improve compliance and increase Officer and Member visibility and oversight.
- 3.7 Regular reviews of underpinning documentation with the governance framework are undertaken. During 2024 the following procedures were implemented and or reviewed:
- Incident Management Procedure reviewed.
 - First Aid Procedure reviewed.
 - Legal and Other Requirements reviewed.
 - Risk Assessment Procedure reviewed.
 - Communication and Consultation implemented.
 - Display Screen Equipment Procedure reviewed.
 - Objectives and Targets Procedure reviewed.
 - Working at Height Procedure reviewed.
 - Allergen's Policy created and implemented throughout the local authority.
- 3.8 There was also a change in leadership within Middlesbrough Council, this resulted in updates to the Health and Safety Policy and a refresh and update of the Statement of Intent which has been issued to all officers within the Council.
- 3.9 Reporting content for oversight of health and safety has also been refreshed, utilising the new capabilities of My Compliance and Power BI to enable reports to focus on the lessons to be learned, trends and areas of concern, while providing assurance as to the robust datasets in place to track health and safety compliance.

3.10 A key focus of the team during 2024 has been on the implementation of the service area health and safety audits to ensure compliance with the health and safety management system. A self-assessment health and safety compliance list was sent to all heads of service to establish with evidence that service areas were complying with internal policies, procedures and best practice. This has ensured that there is a robust system in place to support both officers and members. Throughout 2024 service area audits were complete on the following areas:

- Integrated Transport Unit
- Asset Management – Asbestos themed audit
- Traffic Signals.

3.11 The Council continues to deliver training and support to staff to ensure compliance with health and safety obligations and understanding of roles and responsibilities. In addition to the suite of eLearning materials that were already available to all staff, during 2024:

- Face-to-face incident investigation awareness, evacuation chair and fire warden courses were delivered to supplement e-learning.
- Face-to-face manual handling and people handling courses were delivered to support operational areas.
- Face-to-face personal safety including breakaway techniques training was delivered to improve the safety of both officers and members.
- eLearning resources were refreshed to enhance manual handling training.
- Use of fire extinguishers eLearning package was developed and implemented.
- Tendered an external contractor to deliver multiple scopes of first aid training to Middlesbrough Council officers.

3.12 During 2024 the health and safety team were subjected to an Internal audit to check effectiveness of the health and safety management system which has been implemented throughout the local authority. The audit was extremely positive and returned with substantial assurance with no mitigating further actions.

Health and safety activities for 2025

3.13 During 2025, further work will be undertaken to implement the new strategic plan for health and safety. This ensures that the Council's commitment to continual improvement in health and safety management is delivered.

3.14 The health and safety team will continue to monitor and assist in developing the digital solution linking Power BI and My Compliance in order to generate improved intelligence on health and safety incidents. Further work is also planned for the development of safety training information from Middlesbrough Learns and PowerBi to further develop business intelligence available to senior management.

3.15 The following policies and procedures will be produced, reviewed and uploaded onto the intranet in line with planned refresh cycles:

- Drugs and Alcohol Procedure;

- Fire Safety Procedure;
- Incident Management Procedure;
- Lone Working Procedure;
- Manual Handling Procedure;
- Potentially Violent Persons Policy;
- Risk Assessment Procedure;
- Training and Competency Procedure; and
- Work at Height Procedure.

3.16 Health and safety audits for service areas will be conducted to further enhance the Council's health and safety framework. These audits have been scheduled throughout the fiscal year, following self-assessments carried out by heads of service. This approach enables the health and safety team to verify the implementation of best practices across all levels of the Council.

3.17 The health and safety team will also continue to deliver fire risk assessments and premises health and safety audits against all Council occupied buildings. In addition to programmed service or building specific audits, focussed audits will also be undertaken. These will be undertaken on a risk based approach based on emerging issues or trends that are evident within the Council or highlighted from the Health and Safety Executive.

3.18 The health and safety team will continue to deliver training to both members and officers on Personal Safety and Breakaway Techniques. The health and safety team will also conduct a complete review of all eLearning training and continue to deliver the following face to face health and safety training:

- Manual handling of Objects
- Fire Warden Training
- Incident Investigation Training
- Evacuation Chair Training
- Personal Safety and Breakaway Techniques

3.19 Underpinning the procedures and training, as set out in the governance structure, are a series of audits that allow the Council to test compliance with health and safety good practice. These will continue to be delivered during the year, outcomes and actions tracked and used to shape future priorities.

3.20 To ensure transparency, the health and safety team also report on health and safety compliance on a quarterly basis to the following bodies:

- Directorates with Joint Consultation Committees.
- Trade Union representatives.
- The Directorate Management Teams.
- The Leadership Management Team.
- The Corporate Health and Safety Steering Group which comprises Members, Officers and Trade Union representatives.

4. Other potential alternative(s) and why these have not been recommended

4.1 Not applicable.

5. Impact(s) of the recommended decision(s)

Topic	Impact
Financial (including procurement and Social Value)	There are no new direct financial considerations in relation to health and safety management as a result of this report. By having robust plans in place, the Council will mitigate the reputational and financial risks from health and safety incidents as far as reasonably practicable.
Legal	Health and safety management is a part of corporate governance, and the Council has a legal duty to ensure arrangements comply with the requirements of the Health and Safety Act 1974.
Risk	Health and safety management positively impacts on the following risks within the Council's risk registers that relate to the management of health and safety in the workplace: <ul style="list-style-type: none"> • SR-05 – Serious accident or death as a result of failure to comply with health and safety legislation and regulations. • HS01 – HS033 – Risks associated with the management of health, safety and fire within Middlesbrough Council.
Human Rights, Public Sector Equality Duty and Community Cohesion	There are no direct implications from this report on human rights, equality and diversity.
Reducing poverty	Not applicable.
Climate Change / Environmental	Effective health and safety management for climate change and environmental initiatives plays a crucial role in risk mitigation. It ensures proactive measures are in place to address potential hazards, safeguard communities, and support regulatory compliance while promoting sustainable practices.
Children and Young People Cared for by the Authority and Care Leavers	Robust health and safety management within the Children's Services and Adult Social Care and Health Integration directorates is essential to ensuring that Children, Young People, and Care Leavers receive the appropriate level of support.
Data Protection	Effective health and safety management arrangements are inherently reliant on the use of personal data to protect staff and others both within the workplace and those potentially affected by Council decisions and activity including use or mishandling of their data.

Appendices

1	None applicable
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Background papers

Body	Report title	Date
Corporate Audit Committee	Health and Safety: Annual Assurance Report 2023	31 March 2024

Contact: Gary Welch, Strategic Risk and Health and Safety Manager.

Email: Gary_Welch@middlesbrough.gov.uk

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MIDDLESBROUGH COUNCIL	
Report of:	Head of Internal Audit, Veritau
Submitted to:	Audit Committee
Date:	24 July 2025
Title:	Counter Fraud Annual Report
Report for:	Information
Status:	Public
Council Plan priority:	Delivering Best Value
Executive summary	
<p>This report contains the counter fraud annual report (appendix 1), which summarises counter fraud work undertaken in 2024/25. It details levels of savings achieved by the council as a result of counter fraud work. The report also provides the committee with information about whistleblowing concerns raised during the year.</p>	

1 Purpose

- 1.1 To provide the committee with a summary of counter fraud work undertaken in 2024/25.

2 Recommendations

- 2.1 That the Audit Committee

- Note the results of counter fraud work undertaken during the year

3 Background and relevant information

- 3.1 Fraud is a significant risk to the public sector. Annual losses due to fraud and error are estimated as being as high as £81 billion in the United Kingdom. Veritau are engaged to deliver a counter fraud service for the Council. The service helps mitigate fraud risk, investigate suspected fraud, and to take appropriate action when it is detected.
- 3.2 The annual counter fraud report is contained in appendix 1.

4 Other potential alternative(s) and why these have not been recommended

- 4.1 This report is for information. There are no other options available.

5 Impact(s) of the recommended decision(s)

Topic	Impact
Financial (including procurement and Social Value)	There are no specific impacts or implications.
Legal	There are no specific impacts or implications.
Risk	There are no specific impacts or implications.
Human Rights, Public Sector Equality Duty and Community Cohesion	There are no specific impacts or implications.
Climate Change / Environmental	There are no specific impacts or implications.
Children and Young People Cared for by the Authority and Care Leavers	There are no specific impacts or implications.
Data Protection	There are no specific impacts or implications.

Appendices

1	Counter fraud annual report 2024/25
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Background papers

Body	Report title	Date
n/a	n/a	n/a

Contact: Jonathan Dodsworth
Email: jonathan.dodsworth@veritau.co.uk

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COUNTER FRAUD ANNUAL REPORT 2024/25

Date: 25 July 2025

Appendix 1

CONTENTS

- 3 Background
- 3 Summary of investigative work
- 4 Whistleblowing
- 5 Counter fraud management



Jonathan Dodsworth
Assistant Director -
Corporate Fraud



Max Thomas
Head of Internal Audit



BACKGROUND

- 1 Fraud is a significant risk to the public sector. Fraud is the most common offence in the UK, accounting for 41% of all crime¹. The National Audit Office estimates that fraud and error cost the taxpayer between £55 and £81 billion in 2023/24 and that only a fraction of this was detected². Financial loss due to fraud can reduce a council's ability to support public services and can result in reputational damage.
- 2 Veritau provides a corporate fraud service to Middlesbrough Council which aims to prevent, detect and deter fraud and related criminality. We use qualified criminal investigators to support departments with fraud prevention, proactively identify issues through data matching exercises, and investigate suspected fraud. To deter fraud, offenders face a range of outcomes, including prosecution in the most serious cases.
- 3 The counter fraud team also plan and take part in counter fraud campaigns (eg the National Fraud Initiative), undertake fraud awareness activities with staff and the public, and maintain and update the Council's counter fraud framework and associated policies.
- 4 This report provides the Audit Committee with a summary of counter fraud activity in 2024/25. It also details whistleblowing reports received, and the related outcomes for the year.



INVESTIGATIVE WORK

- 5 The counter fraud team helped the Council achieve £150k in counter fraud savings in 2024/25. Savings are tracked by monitoring repayments to the Council and calculating the value of stopping ongoing frauds.
- 6 The team received 129 referrals of suspected fraud during the year including reports from the public, Council employees, external agencies, and issues identified through proactive exercises. This equates to a 26% increase in referrals from the previous financial year.
- 7 Twenty-five investigations were completed in 2024/25 with successful outcomes achieved in 80% of cases³. In addition, information was provided in 7 debtor tracing cases.
- 8 Two people accepted formal cautions in lieu of prosecution, written warnings were issued to nine people, debts owed to the Council were calculated in a further seven cases, fraud was prevented in two cases, and one person was referred to immigration enforcement. In addition, two internal investigations were completed.

¹ [Progress combatting fraud \(Forty-Third Report of Session 2022-23\)](#), Public Accounts Committee, House of Commons

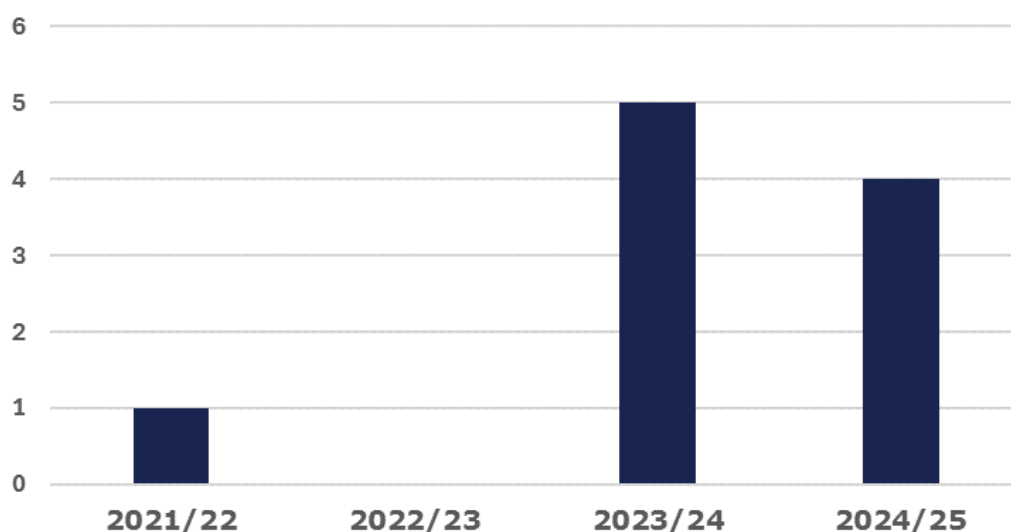
² [An overview of the impact of fraud and error on public funds](#), National Audit Office

³ Outcomes are considered to be successful when fraud or error is found as a result of an investigation.

WHISTLEBLOWING

- 9 Middlesbrough Council has arrangements in place to ensure that there is a clear process for managing whistleblowing reports. Veritau helps to support the Council's whistleblowing process by keeping a log of any concerns raised through Veritau's whistleblowing hotline and email address or when we are notified by the Council that a report has been made internally. We work with colleagues in Human Resources and other relevant services to help ensure that concerns raised are dealt with appropriately.
- 10 Veritau routinely undertakes work to raise awareness of the whistleblowing policy. Details of activity undertaken in 2024/25 are set out below in paragraph 16.
- 11 Four whistleblowing reports were logged by Veritau in 2024/25. All four were referred to Council officers to address. They related to alleged corruption, poor procedures, and working relationships.
- 12 One report raised was found to not constitute whistleblowing, under Council policy and legislation, and the employee was signposted to alternative policies to raise their concern. One concern was investigated by the Council and concluded with recommendations being made for improvements within the relevant service area. Two further cases are still being investigated by Council officers.
- 13 The figure below shows the number of whistleblowing reports recorded over the past four financial years – 10 in total. They include three reports that ultimately were determined to not be whistleblowing – two in 2023/24 and one in 2024/25.

Whistleblowing Reports



COUNTER FRAUD MANAGEMENT


- 14 Veritau undertakes a range of non-investigative activity to support the development of counter fraud arrangements at the Council. In March 2025 the 2025/26 Counter Fraud Plan was presented to the Audit Committee. The report included an updated Fraud Risk Assessment and a development plan for counter fraud work in the current financial year.
- 15 Raising awareness of fraud amongst Council employees and the public is an important function of the counter fraud team. Bespoke training was provided to employees working within the revenues and benefits and adult social care departments in 2024/25. The counter fraud team also produce a regular newsletter for employees working in adult social care which highlights recent frauds detected locally and nationally.
- 16 The counter fraud team worked with the Council's communications team to raise awareness of the Whistleblowing Policy with employees on World Whistleblowers' Day in June 2024. Employees were encouraged to make themselves familiar with the Council's policy and how to report issues. In July and September, the counter fraud team delivered whistleblowing training to over 100 Council managers which focussed on what constitutes whistleblowing, how whistleblowing concerns should be addressed, and the potential consequences of not dealing with reports appropriately.
- 17 Cybercrime is considered a high-risk area for the Council. Working with the Council's communication team Veritau helped raise awareness during Cyber Security Awareness Month in October 2024. Information about phishing, spear-phishing, and whaling was shared. Council employees were encouraged to exercise caution when opening attachments and clicking on links contained in emails. Employees were also made aware that cybercriminals may try to impersonate senior officers within the Council to pressure them to make payments.
- 18 Veritau is an active participant in regional and national counter fraud groups. Veritau represented the Council in May 2024 at a meeting with the Public Sector Fraud Authority leadership team and Baroness Neville-Rolfe, Minister of State (Cabinet Office) for the last government. The meeting focussed on sharing best practice and increased collaboration between local authorities and government to combat public sector fraud⁴. Veritau are a member of the North East Counter Fraud Group and North East Tenancy Fraud Forum.
- 19 Veritau participated in and chaired a national Fighting Fraud and Corruption Locally (FFCL) working group examining issues surrounding adult social care fraud. In March 2025 the group published a national report and toolkit designed to encourage and help councils to examine and address adult social care fraud⁵.

⁴ ["Trailblazing" councils save millions working with government counter fraud squad](#), HM Government

⁵ [Adult Social Care Fraud Toolkit](#), Fighting Fraud and Corruption Locally Board

- 20 The National Fraud Initiative (NFI) is a large-scale data matching exercise that involves all councils and other public sector bodies in the UK. The work of the NFI is overseen by the Public Sector Fraud Authority (PSFA) and the exercise runs every two years. The counter fraud team ensured that the Council met government datamatching requirements and best practice when providing data in October 2024 for the most recent NFI exercise.
- 21 The Council undertook two days of action to identify misuse of disabled blue badges in Middlesbrough. In May 2024 the counter fraud team and Council enforcement officers worked together to participate in a National Day of Action, alongside over 140 local authorities. The exercise was repeated in December 2024 this time on a regional basis with neighbouring councils. The work was supported by the charity Disabled Motoring UK.
- 22 The Council has not worked closely with the Department for Work and Pensions (DWP) in an investigatory capacity for some time. In 2024/25 discussions were held to establish joint working and information sharing arrangements between the two organisations. New protocols were agreed and from September 2024 fraud investigators from the Council and DWP have worked together to investigate fraud affecting both organisations, for appropriate cases.
- 23 The Council is a member of that National Anti-Fraud Network (NAFN). NAFN provide investigative resources which support the counter fraud team as well as trading standards. NAFN also release urgent intelligence alerts relating to frauds experienced by other councils. The counter fraud team has continued to share alerts with relevant Council officers.
- 24 The team maintain a fraud reporting telephone number and a dedicated email address⁶. We work closely with officers and encourage members of the public to report any concerns they have about fraud affecting Middlesbrough Council.

⁶ Any person who wishes to report fraud against Middlesbrough Council can call 0800 9179 247 or email counter.fraud@veritau.co.uk

MIDDLESBROUGH COUNCIL	
Report of:	Head of Internal Audit, Veritau
Submitted to:	Audit Committee
Date:	24 July 2025
Title:	Head of Internal Audit Annual Report and Internal Audit Charter
Report for:	Information
Status:	Public
Council Plan priority:	Delivering Best Value
Executive summary	
<p>This report provides the committee with:</p> <ul style="list-style-type: none">• A summary of internal audit work undertaken during 2024/25• An opinion on the Council's framework of governance, risk management and control• An updated internal audit charter	

1 Purpose

- 1.1 To provide the committee with a summary of internal audit work undertaken during 2024/25 and an opinion on the Council's framework of governance, risk management, and control. It also contains an updated internal audit charter.

2 Recommendations

- 2.1 That the Audit Committee
- Notes the results of internal audit work undertaken
 - Notes the opinion of the Head of Internal Audit on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control
 - Notes the internal audit quality assurance and development arrangements and the confirmation that the internal audit service conforms with the Global Internal Audit Standards in the UK Public Sector which came into effect on 1 April 2025.
 - Approve the updated internal audit charter

3 Background and relevant information

- 3.1 The work of Internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. Up until the end of 2024/25, these standards included the Public Sector Internal Audit Standards (PSIAS), CIPFA guidance on the application of those standards in Local Government, and the CIPFA Statement on the role of the Head of Internal Audit.
- 3.2 These standards require the Head of Internal Audit to bring an annual report to the Audit Committee. The report must include an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management, and control. Internal audit work undertaken during 2024/25 is the main subject of this report, and the PSIAS apply to this work
- 3.3 With effect from 1 April 2025, the standards set out in paragraph 4 were replaced by what is known as the Global Internal Audit Standards in the UK Public Sector. This new regime is made up of the Institute of Internal Auditors' Global Internal Audit Standards (GIAS), including Topical Requirements, and the Application Note: Global Internal Audit Standards in the UK Public Sector (the Application Note).
- 3.4 The purpose of the Application Note is to set out interpretations and requirements which need to be applied to the GIAS so that they form a suitable basis for internal audit practice in the UK public sector. The relevant internal audit standard setter for UK local government is the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 3.5 CIPFA has also produced a Code of Practice for the Governance of Internal Audit in UK Local Government (the Code). The purpose of the Code is to ensure that the essential conditions for the governance of internal audit can be met in a local government context. The Code sets out requirements on local authorities for

establishing effective internal audit arrangements and providing oversight and support of the service.

Head of Internal Audit report

- 3.6 To conform with professional standards and the Council's internal audit charter, the Head of Internal Audit must provide an opinion on the strength of the Council's framework of governance, risk management, and control. The annual opinion is a key source of independent assurance for the Council when preparing the Annual Governance Statement.
- 3.7 The opinion is contained in the Annual Report of the Head of Internal Audit included at appendix 1. The opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the Council is that it provides Reasonable Assurance. The basis for the annual opinion is the body of internal audit work performed during 2024/25. A summary of internal audit work undertaken during the year, and relevant to the opinion, is also included in appendix 1.
- 3.8 In addition to providing an opinion, the Head of Internal Audit is also required to report on the outcomes of the internal audit service's quality assurance and development arrangements. This is to provide the committee with reassurance that work continues to conform to professional standards. Appendix 1 includes details of Veritau's quality assurance arrangements and confirms its conformance to the PSIAS during 2024/25 and to the new Global Internal Audit Standards in the UK Public Sector.

Updated internal audit charter

- 3.9 Professional standards for internal audit require that the Head of Internal Audit develops and maintains an internal audit charter
- 3.10 An internal audit charter addresses the purpose, scope, positioning, and authority of internal audit, the support it can expect to receive from senior management, its interactions with the committee, its commitment to adhering to professional standards, and the arrangements for managing resources and quality.
- 3.11 Some changes to the internal audit charter are needed to reflect the new standards outlined in paragraphs 3.3 to 3.5. These are relatively minor. References to PSIAS have been removed and replaced with the Global Internal Audit Standards in the UK Public Sector. Some minor structural and formatting changes have also been made.
- 3.12 The updates made to the charter will result in no change to how the internal audit service is delivered to the Council. The draft internal audit charter is contained in appendix 2.
- 3.13 The committee should also be aware that Veritau is currently supporting senior management in assessing its conformance with the Code of Practice for the Governance of Internal Audit in UK Local Government. This is being done to ensure that the Council is sufficiently prepared to confirm its conformance when preparing its 2025/26 Annual Governance Statement.

4 Other potential alternative(s) and why these have not been recommended

4.1 This report is for information. There are no other options available.

5 Impact(s) of the recommended decision(s)

Topic	Impact
Financial (including procurement and Social Value)	There are no specific impacts or implications.
Legal	There are no specific impacts or implications.
Risk	There are no specific impacts or implications.
Human Rights, Public Sector Equality Duty and Community Cohesion	There are no specific impacts or implications.
Climate Change / Environmental	There are no specific impacts or implications.
Children and Young People Cared for by the Authority and Care Leavers	There are no specific impacts or implications.
Data Protection	There are no specific impacts or implications.

Appendices

1	Head of Internal Audit annual report 2024/25
2	Revised internal audit charter

Background papers

Body	Report title	Date
n/a	n/a	n/a

Contact: Phil Jeffrey
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HEAD OF INTERNAL AUDIT ANNUAL REPORT 2024/25

21 July 2025

APPENDIX 1

CONTENTS

2	Background
2	Internal audit work carried out in 2024/25
3	Follow up of agreed actions
3	Professional standards
5	Opinion of the Head of Internal Audit
6	Annex A - 2024/25 internal audit work
8	Annex B - Summary of key issues from audits finalised since the last report to the committee
13	Annex C – Summary of progress on ongoing audits
14	Annex D - Assurance audit opinions and finding priorities
15	Annex E - Follow up of agreed audit actions
17	Annex F - Internal audit quality assurance and development arrangements



Phil Jeffrey
Assistant Director - Audit
Assurance



Max Thomas
Head of Internal Audit

Background



- 1 The work of internal audit is governed by the Global Internal Audit Standards in the UK Public Sector and the Council's audit charter. These require the Head of Internal Audit to bring an annual report to the Audit Committee. The report must include an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control. The report should also include:
 - (a) any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
 - (b) any particular control weakness judged to be relevant to the preparation of the annual governance statement
 - (c) a summary of work undertaken to support the opinion, including any reliance placed on the work of other assurance bodies
 - (d) an overall summary of internal audit performance and outcomes from the internal audit service's quality assurance arrangements, including a statement on conformance with professional standards.

Internal audit work carried out in 2024/25



- 2 Throughout 2024/25 audit work has continued to be prioritised based on risk and the need to provide coverage of the Council's framework of governance, risk management and control. This has seen audits removed from the work programme and others added as risks and priorities have changed, and as our understanding of key systems of internal control has developed.
- 3 We have also continued to promote good governance, provide advice and support, and make recommendations to management to help improve controls. We have met with the Assistant Director – Finance and directorate management teams and other officers on a regular basis to help identify and address governance issues and concerns, and to ensure audit work has remained targeted towards key areas.
- 4 The results of completed audit work have been reported to service managers and chief officers during the course of the year. In addition, summaries of all finalised audit reports have been presented to this committee as part of regular progress reports.
- 5 A summary of internal audit work undertaken during the year, and relevant to the opinion, is contained in annex A. This annex also shows other work undertaken by the internal audit team to support the Council during 2024/25.
- 6 At the time of writing, eight audits have been finalised since the previous report to this committee. A further two audit reports have been issued to the responsible officers but remain in draft. Fieldwork is complete in another audit. We expect these audits to be finalised over the next 3-4 weeks.

- 7 Annex B provides details of the key findings arising from internal audit assignments completed, that we have not previously reported to the committee.
- 8 Annex C provides details of progress on ongoing audits. This includes when audits were started, the scope of the audit, commentary on progress including any issues that have caused delays and an expected date for the issuing of the final report and a summary to this committee.
- 9 Annex D provides an explanation of our assurance levels and priorities for management action.

Follow up of agreed actions



- 10 All actions agreed with services as a result of internal audit work are followed up to ensure that issues are addressed. Based on follow up work completed we are generally satisfied that sufficient progress is being made to address the control weaknesses identified in previous audits. A summary of the current status of follow up activity is included at annex E.

Professional standards



- 11 In order to comply with professional standards, the Head of Internal Audit is required to develop and maintain ongoing quality assurance arrangements. The objective of these arrangements is to ensure that working practices continue to conform with the standards. A summary of quality assurance processes and any areas identified for development are reported to the committee each year as part of the annual report. The arrangements consist of various elements, including:
 - ▲ maintenance of a detailed audit procedures manual and standard operating practices
 - ▲ ongoing performance monitoring of internal audit activity
 - ▲ regular customer feedback
 - ▲ training plans and associated training and development activities
 - ▲ periodic self-assessments of internal audit working practices (to evaluate conformance to the standards)
- 12 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. An external assessment of Veritau's internal audit working practices was undertaken between June and August 2023 by John Chesshire,

an approved reviewer for the Chartered Institute of Internal Auditors (the UK and Ireland's local chapter)¹.

- 13 The assessment involved a full independent validation of Veritau's own self-assessment of conformance to the Public Sector Internal Audit Standards (PSIAS), as well as to the wider International Professional Practices Framework which governed the performance of internal auditing globally at the time the assessment was undertaken. The report concluded that Veritau's internal audit activity generally conforms to the PSIAS² and, overall, the findings were very positive.
- 14 The feedback included comments that the internal audit service was highly valued by its clients. Key stakeholders felt confident in the way Veritau had established effective working relations, both in our approach to planning and the way in which we engage flexibly with our clients throughout the internal audit process, at the strategic and operational levels.
- 15 Effective 1 April 2025, the PSIAS were replaced by what are known as the Global Internal Audit Standards in the UK Public Sector. These standards are made up of the Institute of Internal Auditors' Global Internal Audit Standards (GIAS) and the Application Note: Global Internal Audit Standards in the UK Public Sector (the Application Note). The Application Note interprets the GIAS, clarifying how they should be applied in UK public sector organisations.
- 16 In the UK, the body responsible for interpreting the GIAS and setting expectations for the performance of internal audit in the public sector is known as the Internal Audit Standards Advisory Board (IASAB). The IASAB is made up of six Relevant Internal Audit Standard Setters (RIASS) representing central and local government, and the health sector. The RIASS for UK local government is the Chartered Institute of Public Finance and Accountancy (CIPFA). The IASAB developed the Application Note, releasing it in the early part of 2025.
- 17 The Global Internal Audit Standards (from which the Application Note provides its local government interpretations) were launched on 9 January 2024 and became effective on 9 January 2025. Veritau has used a GIAS conformance readiness tool provided by the IIA, alongside the specific public sector interpretations and requirements of the Application Note to prepare for the introduction of the new standards.
- 18 Our overall assessment is that Veritau conforms to the Global Internal Audit Standards in the UK Public Sector. However, we have identified a small number of actions to help strengthen our ability to demonstrate conformance. In addition, we have identified a further set of actions to continuously improve service delivery.

¹ Reported to the Audit Committee in December 2023.

² PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

- 19 Details of Veritau's ongoing quality assurance arrangements and the outcomes from our conformance assessment are set out in annex F.
- 20 The internal audit charter sets out how internal audit at the Council will be provided in accordance with professional standards. The charter is reviewed on an annual basis. Updates to the charter have been made to ensure that it meets the requirements of the Global Internal Audit Standards in the UK Public Sector. The Council already has a well-established internal audit service and so very few changes have been made to the charter. Those changes which have been made will have no impact on how the service is delivered. The updated charter is contained in annex 2 of this report.

Opinion of the Head of Internal Audit



- 21 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the Council is that it provides **Reasonable Assurance**.
- 22 The opinion given is based on work that has been undertaken directly by internal audit, and on the cumulative knowledge gained through our ongoing liaison and planning with officers. No reliance was placed on the work of other assurance providers in reaching this opinion.
- 23 In giving our opinion, there are no significant control weaknesses which, in the opinion of the Head of Internal Audit, need to be considered for inclusion in the Council's annual governance statement.
- 24 However, we are bringing to the attention of the committee the audits of direct payments and domestic abuse. Direct payments was reported to this committee in December 2024 and the details of the domestic abuse audit are contained within this report at annex B.
- 25 Both of these audits received an opinion of Limited Assurance and contained a number of findings rated as Significant. The Council has provided detailed action plans in order to address these issues and whilst the findings are significant for the service and should be addressed as soon as possible we do not believe they indicate wider control issues. We are therefore not recommending them for inclusion in the Council's annual governance statement.

ANNEX A: 2024/25 INTERNAL AUDIT WORK

Final reports issued

Audit	Reported to Committee	Opinion
Public health governance	August 2024	Reasonable Assurance
Main accounting	August 2024	Substantial Assurance
Benefits and Council Tax Support	August 2024	Substantial Assurance
Health and safety	August 2024	Substantial Assurance
Creditors	August 2024	Substantial Assurance
Schools themed audit (business continuity)	October 2024	Reasonable Assurance
Teesside Pension Fund – administration	October 2024	Substantial Assurance
Use of residential care	October 2024	Reasonable Assurance
Continuing healthcare	October 2024	Reasonable Assurance
Early years funding	October 2024	Reasonable Assurance
Direct payments	December 2024	Limited Assurance
Social care transitions	December 2024	Reasonable Assurance
IT asset management	December 2024	Substantial Assurance
Agency staff (Children’s Services)	December 2024	No opinion given
Procurement	March 2025	Reasonable Assurance
Payroll	March 2025	Substantial Assurance
Risk management	March 2025	Substantial Assurance
Information governance	March 2025	Substantial Assurance
Treasury management	July 2025	Substantial Assurance
Teesside Pension Fund – Investments	July 2025	Substantial Assurance
Procurement cards (follow-up)	July 2025	Reasonable Assurance
Commercial property income	July 2025	Reasonable Assurance
Domestic abuse	July 2025	Limited Assurance

Audit	Reported to Committee	Opinion
Server admin (IT)	July 2025	Substantial Assurance
Council Tax and NNDR	July 2025	Substantial Assurance
Members' allowances and declarations of interest	July 2025	Reasonable Assurance

Audits in progress

Audit	Status
VAT accounting	Draft report issued
Homelessness	Draft report issued
Anti-social behaviour management	Fieldwork complete

Other work completed in 2024/25

Internal audit work has been undertaken in a range of other areas during the year, including those listed below.

- ▲ Follow up of agreed actions
- ▲ Grant certification work:
 - ▲ Supporting Families
 - ▲ Department for Transport (BSOG)
 - ▲ Tees Valley Combined Authority (LTP, CRSTS)
 - ▲ Middlesbrough Mela
 - ▲ High Street Heritage Action Zone
 - ▲ Department for Education (Children's Services Practice Improvement)
 - ▲ Homes England
 - ▲ Traffic Signals Obsolescence
 - ▲ Museum Estates Development Fund
 - ▲ Libraries Improvement Fund
- ▲ Provision of general support and advice
- ▲ A review of effectiveness in of arrangements in place to manage subcontractor systems and controls in relation to Middlesbrough Council's Community Learning Service (MCLS).

ANNEX B: SUMMARY OF KEY ISSUES FROM AUDITS FINALISED SINCE THE LAST REPORT TO THE COMMITTEE

System/area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed (Critical or Significant)
Treasury management	Substantial Assurance	Treasury management strategy, loans and investment decisions, accounting for loans and investments, prudential indicators.	7 th March 2025	No major issues were identified.	None.
Teesside Pension Fund - Investments	Substantial Assurance	Compliance with procedures, risk management.	18 th March 2025	No major issues were identified.	None.
Procurement cards (follow-up)	Reasonable Assurance	Compliance with policy, monitoring of usage and expenditure, VAT management.	7 th April 2025	Non-compliance with the requirement to review and approve purchasing card spend. VAT is not always being recorded or reclaimed.	Further communication via team meetings to ensure compliance. Monthly checks will be undertaken by Head of Service. Heads of Service will use the data dashboard to identify circumstances of this.

System/area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed (Critical or Significant)
				<p>Descriptions of expenditure are not always sufficient and receipts are not always being obtained to support purchases.</p> <p>One cardholder had the ability to review and approve their own spend.</p>	<p>Heads of Service will use the data dashboard to identify circumstances of this.</p> <p>This has now been addressed and rectified.</p>
Commercial property income	Reasonable Assurance	Commercial property strategy, management of the commercial property portfolio, recovery of debts.	25 th April 2025	<p>Tenants continue to occupy properties on old terms and there are delays in negotiating new tenancy agreements.</p> <p>Collection performance of debt was not fully monitored in 2024/25 and there is a high volume of arrears.</p>	<p>All outstanding cases will be reviewed.</p> <p>A fortnightly cross-directorate workshop will be held to identify current and aged debt and agree on appropriate enforcement action.</p> <p>A bad debt provision will be assigned and</p>

System/area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed (Critical or Significant)
					regularly reviewed. Non-recoverable debts will be written off where appropriate.
Domestic abuse	Limited Assurance	Partnership working between ASC and CSC including data quality, roles and responsibilities, management oversight of cases.	19 th May 2025	See further details below.	See further details below.
Server admin (IT)	Substantial Assurance	Accessibility of the data centre, environmental controls, performance of servers, configuration of servers, compliance with manufacturer guidance.	19 th May 2025	No major issues were identified.	None.
Council Tax and NNDR	Substantial Assurance	Monitoring and recovery of debt, write-offs, discounts, reliefs, discounts, disregards.	9 th June 2025	No major issues were identified.	None.
Members' allowances and declarations of interest	Reasonable Assurance	Policies and procedures, establishments of registers, payments for allowances.	24 th June 2025	The Council has received very few officer declarations of interest since 2018.	Guidance will be promoted on the staff intranet and induction materials will be reviewed. Reminders

System/area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed (Critical or Significant)
					will also be issued to managers.

Additional details of findings (Critical and Significant) and actions for the Domestic Abuse audit

Finding	Priority	Agreed Action	Responsible Officer	Timescale
Recording standards compliance is inconsistent, not fully understood and not referenced when appropriate.	Significant	ASC practice guidance will be revised to include a section relating to domestic abuse.	Head of Safeguarding (ASC)	30 th September 2025
		ASC moving to Tri.x (system that holds practice guidance) and will explore linking to the CSC procedure already using the system.	Head of Safeguarding (CSC)	31 st December 2025
		CSC will review current practice guidance in relation to domestic abuse.	Head of Safeguarding (CSC)	30 th September 2025

Finding	Priority	Agreed Action	Responsible Officer	Timescale
Roles and responsibilities between ASC and CSC within the domestic abuse pathway are not clear and documented, once cases have been identified, screened and allocated.	Significant	The domestic abuse pathway will be updated to include joint and co-existing responsibilities for ASC/CSC.	Head of Safeguarding (CSC) and Head of Safeguarding (ASC)	30 th September 2025
The current way of working does not promote and facilitate a joint working approach between ASC and CSC.	Significant	A joint working protocol will be developed between ASC & CSC to underpin the domestic abuse pathway.	Head of Safeguarding (CSC) and Head of Safeguarding (ASC)	30 th September 2025
Information is not shared effectively between services to support a joint approach, good outcomes for individuals, and to ensure consistent records across LAS and LCS case management systems.	Significant	A joint working protocol will be developed between ASC and CSC to underpin the domestic abuse pathway. This will outline roles and responsibilities including legal responsibilities, locally agreed pathways for specialist support and working across ASC and CSC, management of strategy meetings and attendance at meetings of the South Tees Multi Agency Risk Assessment Conference (MARAC).	Head of Safeguarding (CSC) and Head of Safeguarding (ASC)	30 th September 2025

ANNEX C: SUMMARY OF PROGRESS ON ONGOING AUDITS

Audit	Specification issued	Scope	Details on progress	Target final report date	Target committee date
Anti-social behaviour management <i>Fieldwork complete</i>	19 th November 2024	Policies and procedure, performance monitoring, data analysis, risk management.	Fieldwork was originally due to commence on 9 th December 2024, however this was delayed due to unavailability of key officers and in order to complete the procurement cards audit. We re-commenced fieldwork in April 2025 and expect to issue a draft report shortly.	30 th June 2025	July 2025
Homelessness <i>Draft report issued</i>	20 th December 2024	Management of demand, policies and procedures, monitoring of expenditure.	Fieldwork was originally due to end on 3 March 2025, however due to internal resourcing requirements we had to re-assign the audit work. As a result, fieldwork was completed on 12 May 2025 and a draft report has now been issued.	30 th June 2025	July 2025
VAT accounting <i>Draft report issued</i>	10 th March 2025	Roles and responsibilities, reconciliations, journals, charging of VAT, partial exemption arrangements.	The audit was originally started in 2024. However, we put fieldwork on hold due to an external review by HMRC. The audit is now at draft report stage.	30 th June 2025	July 2025

ANNEX D: ASSURANCE AUDIT OPINIONS AND FINDING PRIORITIES

Audit opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on four grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Finding ratings

Critical	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Significant	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Moderate	The system objectives are not exposed to significant risk, but the issue merits attention by management.
Opportunity	There is an opportunity for improvement in efficiency or outcomes but the system objectives are not exposed to risk.

ANNEX E: FOLLOW UP OF AGREED AUDIT ACTIONS

Where weaknesses in systems are found by internal audit, the auditors agree actions with the responsible manager to address the issues. Agreed actions include target dates and internal audit carry out follow up work to check that the issue has been resolved once these target dates are reached. Follow up work is carried out through a combination of questionnaires completed by responsible managers, risk assessment, and by further detailed review by the auditors where necessary. Where managers have not taken the action they agreed to, issues are escalated to more senior managers, and ultimately may be referred to the Audit Committee.

Actions completed.

A total of 21 actions have been completed since the last update provided to this committee in March 2025.

Actions agreed	
Priority of actions	Number of actions agreed
Critical	5
Significant	7
Moderate	9
Opportunity	0
Total	21

Actions agreed by directorate								
Priority of actions	Adult Social Care	Children's Services	Environment and Community	Finance	Legal and Governance	Regeneration		
Critical	3	0	2	0	0	0		
Significant	0	2	0	2	3	0		
Moderate	0	3	1	1	4	0		
Opportunity	0	0	0	0	0	0		
Total	3	5	3	3	7	0		

Actions Outstanding

A total of 20 actions with original due dates that have passed are still outstanding. A summary of the priority of these actions is included below.

Actions agreed		Actions agreed by directorate						
Priority of actions	Number of actions agreed	Priority of actions	Adult Social Care	Children's Services	Environment and Community	Finance	Legal and Governance	Regeneration
Critical	1	Critical	1	0	0	0	0	0
Significant	11	Significant	0	0	1	4	2	4
Moderate	7	Moderate	0	0	0	1	6	0
Opportunity	1	Opportunity	1	0	0	0	0	0
Total	20	Total	2	0	1	5	8	4

Of the 20 actions outstanding, 5 have had a revised date agreed and the remaining 15 are currently being followed up. (however 12 were due at the end of June 2025).

Actions outstanding for more than 3 months (Critical or Significant)

One Critical or Significant action has currently been outstanding for more than 3 months. These actions are detailed below along with the reason for the delay.

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
Burials	Significant	30/06/23	TBC	A Bereavement Services framework will be produced to include a strategy setting the direction for change and an action plan setting out how that change will be delivered	A draft strategy has now been produced and the service intends to finalise it shortly.

ANNEX F: INTERNAL AUDIT QUALITY ASSURANCE AND DEVELOPMENT ARRANGEMENTS

1.0 Background

Ongoing quality assurance arrangements

Veritau maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards. From April 2025 those standards are the Global Internal Audit Standards in the UK Public Sector. Quality assurance arrangements include:

- ▲ the maintenance of a detailed audit procedures manual
- ▲ the requirement for all audit staff to conform to a Code of Ethics and Standards of Conduct Policy
- ▲ the requirement for all audit staff to complete annual declarations of interest
- ▲ detailed job descriptions and competency profiles for each internal audit post
- ▲ regular operational 121 meetings for all auditors, to review progress with audit engagements, and formal 121s that include discussion of overall performance
- ▲ induction programmes, training plans and associated training activities
- ▲ attendance on relevant courses and access to e-learning material
- ▲ the maintenance of training records and training evaluation procedures
- ▲ membership of professional networks
- ▲ agreement of the objectives, scope and expected timescales for each audit engagement with the client before detailed work commences (audit specification)
- ▲ the results of all audit testing and other associated work documented in a structured format using our audit management system – K10 Vision
- ▲ file review by senior auditors and audit managers and sign-off at each stage of the audit process
- ▲ the ongoing investment in tools to support the effective performance of internal audit work (for example data interrogation software)
- ▲ post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- ▲ regular client liaison meetings to discuss progress, share information and evaluate performance.

On an ongoing basis, completed audit work is subject to internal peer review by a Quality Assurance group. The review process is designed to ensure audit work is completed consistently and to the required quality standards. The work of the Quality Assurance group is overseen by an Assistant Director. Any key learning points are shared with the relevant internal auditors and audit managers. The

Head of Internal Audit will also be informed of any general areas requiring improvement. Appropriate mitigating action will be taken where required (for example, increased supervision of individual internal auditors or further training).

Annual self-assessment

On an annual basis, the Head of Internal Audit will seek feedback from each client on the quality of the overall internal audit service. This includes surveys targeted at senior officers and chairs of audit committees. The Head of Internal Audit also undertakes an annual self-assessment against internal audit standards. A hybrid approach to self-assessment has been taken this year, as a result of the change in the internal audit standards regime from April 2025. Further information about this year's approach is set out below. As part of ongoing performance management arrangements, managers and auditors assess current skills and knowledge against the competency profiles for internal audit roles. Where necessary, further training or support will be provided to address any development needs.

The Head of Internal Audit and other members of the internal audit management team also participate in various professional networks and obtain information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes.

The results of annual client surveys, self-assessment against the standards, professional networking, and ongoing quality assurance and performance management arrangements are used to identify any areas requiring further development or improvement. Actions required are reflected in Veritau business plans, the Veritau internal audit strategy, and individual personal development plans as appropriate. Any specific changes needed to address conformance with professional standards are reported to the Audit Committee as part of the annual report of the Head of Internal Audit. The report also summarises other development activity planned to enhance the delivery of the service. Information gathered for quality assurance and development purposes is also used to evaluate overall conformance with internal audit standards.

External assessment

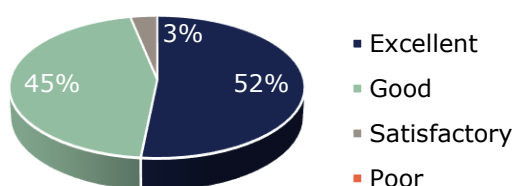
At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application of professional standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Head of Internal Audit. The outcome of the external assessment also forms part of the overall reporting process to each client. Any specific areas identified as requiring further development and/or improvement will be incorporated into current development plans.

2.0 Customer satisfaction survey 2025

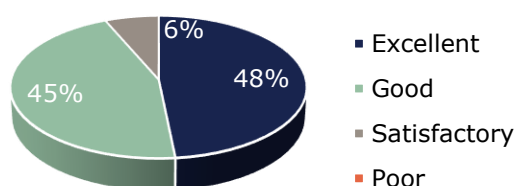
In March 2025 we asked clients for feedback on the overall quality of the internal audit service provided by Veritau during the preceding year. Where relevant, the survey also asked questions about counter fraud and information governance services. A total of 188 surveys (2024 – 173) were issued to senior managers in client organisations. A total of 32 responses were received representing a response rate of 17% (2024 – 10%). Respondents were asked to rate the different elements of the audit process as either excellent, good, satisfactory or poor.

Respondents were also asked to provide an overall rating for the service. The results of the survey are set out in the charts below. These are presented as percentages, for consistency with previous years. However, it is recognised that the relatively low number of respondents means that the percentage for each category is sensitive to small changes in actual responses (1 respondent represents about 3%).

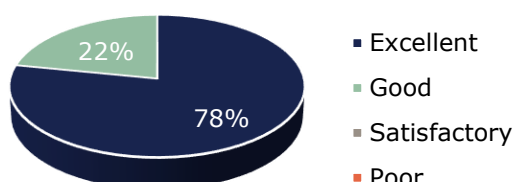
Quality of audit planning / coverage



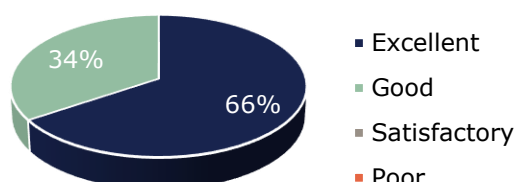
Provision of advice / guidance



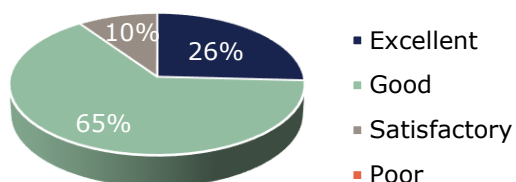
Staff conduct & professionalism



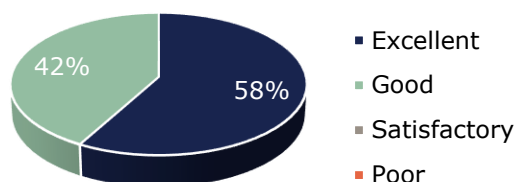
Ability to establish positive rapport



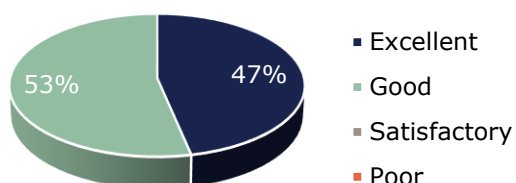
Knowledge of area being audited



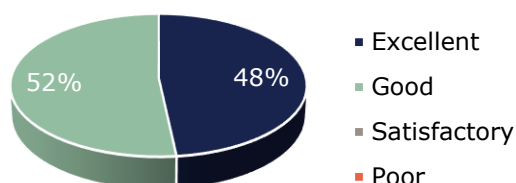
Minimising disruption for area being audited



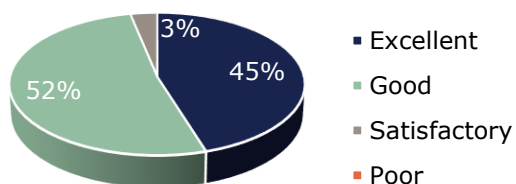
Communication of issues during audit



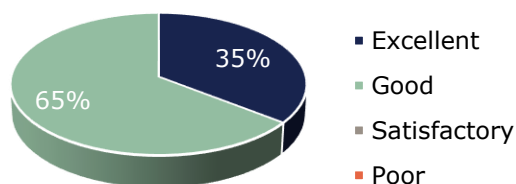
Quality of feedback at end of audit



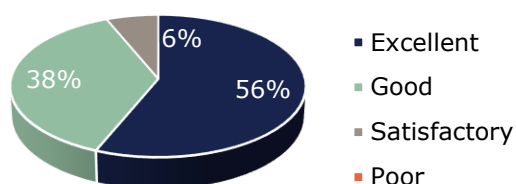
Accuracy / format / length / style of report



Relevance of audit opinions & conclusions



Overall rating for the Internal Audit service



The overall ratings in 2025 were:

	2025		2024	
Excellent	18	56%	7	44%
Good	12	38%	8	50%
Satisfactory	2	6%	1	6%
Poor	0	0%	0	0%

The feedback shows that the majority of respondents continue to value the service being delivered.

3.0 Self-assessment against audit standards 2025

The Accounts and Audit Regulations 2015 require internal auditors working in local government to take into account public sector internal auditing standards or guidance. Up to 31 March 2025, the relevant standards were the Public Sector Internal Audit Standards (PSIAS). CIPFA (who are responsible for setting internal audit standards for local government) have adopted new standards that apply from 1 April 2025. These are the Global Internal Audit Standards in the UK Public Sector – or GIAS (UK Public Sector)³. Internal auditors working in local government are expected to apply the new standards from April 2025.

In previous years Veritau has used a checklist published by CIPFA to assess conformance with the PSIAS. This is no longer appropriate following the change in standards. However, no equivalent checklist for assessment against the new standards has yet been published. For the self-assessment undertaken in April 2025, we have used documentation published by the Institute of Internal Auditors to prepare for the introduction of the new standards. This highlights areas of the GIAS that are changing and where updates to current arrangements may need to be made. We have also considered any changes required by the introduction of the new Application Note. We intend to undertake a further full

³ The GIAS (UK Public Sector) comprises the Institute of Internal Auditors' Global Internal Audit Standards (GIAS) and the Internal Audit Standards Advisory Board's Application Note: Global Internal Audit Standards in the UK Public Sector (referred to as the Application Note). The Application Note interprets the GIAS for the UK public sector.

assessment against the new standards later in 2025/26, once further guidance on assessing conformance is available.

The self-assessment has identified two actions required to address areas of partial conformance with the standards. These were:

- ▲ To update current internal audit charters to address various requirements of the new standards. For example, the need to set out the internal audit mandate and to clarify the roles of senior managers and the Audit Committee in championing the role of internal audit.
- ▲ To introduce a new survey of chairs of audit committees (or equivalent) to address requirements for the committees to provide input on internal audit performance.

A new charter has been prepared and is included as part of the agenda for the current committee, for approval.

We received and reviewed the results from the survey of chairs of audit committees in late May 2025. A 50% response rate was achieved and Veritau received ratings of either excellent or good for all nine questions asked. Responses were particularly complimentary about Veritau's professionalism, timeliness of responses, the coverage of our work, and the relevance of our annual opinions. No specific development and improvement actions have been identified from the survey. However, we will continue to run it annually.

The self-assessment has highlighted a number of other actions that are not required to comply with the standards – but which will help to improve the service. These will be taken forward as part of our existing internal audit strategy. Further information on development activity is included below.

4.0 External Assessment

As noted above, the PSIAS required the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. This requirement continues under the GIAS (UK Public Sector). The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

An external assessment of Veritau's internal audit working practices was undertaken in summer 2023, by John Chesshire, an approved reviewer for the Chartered Institute of Internal Auditors. The report concluded that Veritau internal audit activity 'generally conforms' to the PSIAS⁴ and, overall, the findings of the review were very positive. The feedback included comments that the internal audit service was highly valued by its member councils. Key stakeholders felt confident in the way Veritau had established effective working relations, both in our approach to planning, and the way we engage flexibly with

⁴ PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

our clients throughout the internal audit process, at both strategic and operational levels.

The outcomes from the external assessment were reported to this committee on 8 November 2023. The assessment was based on the PSIAS. Many of the requirements under the new standards are the same or similar, and we can therefore continue to place reliance on the previous report. However, a further external assessment against the new standards will need to be carried out in the next three years.

5.0 Development plans

Overall, the internal audit services provided by Veritau continue to meet the requirements of professional standards. However, we recognise that the pace of change in local government and the wider public sector mean that there is a need to continually review and update aspects of our service to ensure it stays up to date and continues to deliver good value.

We first introduced an internal audit strategy in 2021. The strategy identified priorities for developing the service and actions to deliver continuous improvement. As a result of that we have changed many aspects of the service in the last four years. Key successes include:

- ▲ audit planning – we have become better at defining the areas we need to focus on (including council specific risks and objectives) and we've introduced new arrangements for capturing and assessing information on the Council's operations
- ▲ work planning – introducing flexible arrangements that help us focus upcoming audits on areas that are most important and allow us to change course quickly when priorities change
- ▲ reporting – ensuring that key information is available to clients to understand audit priorities and outcomes
- ▲ implementation of a new audit management system (K10) – the new system uses the latest technology, offers improved functionality, and is supporting development activity across a range of areas.

We have also tried a few things which did not deliver the expected outcomes. However, we have used the experience gained to improve core audit activities and ways of working.

The latest strategy (2025 to 2027) was adopted in January 2025. It sets out areas we are prioritising for development over the next three years. These include the following:

- ▲ focussing on the development of high value assurance techniques and expertise. For example, the use of data analytics to provide increased understanding of clients' operations and the use of artificial intelligence tools to increase efficiency and insights. Developing our knowledge of opportunities

and risks associated with AI will also help us to support client adoption of new technologies.

- ▲ further development of systems for planning, prioritising and reporting audit work to ensure work is targeted to the areas of highest importance for our clients, our internal processes are as efficient as they can be, and the clarity and usefulness of reports is maximised.
- ▲ use of the new K10 audit system to improve functionality for the delivery of audit work and the production of management information. We want to use the system to streamline follow up activity, and further develop internal management processes. This will help us to better understand and manage audit workflows, improve service delivery, and inform performance management arrangements.

To achieve these priorities, we have focused actions in the following key areas:

- ▲ embedding a strategic approach to work programme development and the use of the audit opinion framework
- ▲ redesigning and modernising our audit working practices (including assignment planning and reporting)
- ▲ further developing our use of data analytics
- ▲ developing our key performance indicators and the measures of added value

Quality assurance group

The internal audit quality assurance group has recently reported on their 2024/25 activities. They were aiming to assess how well core audit practices had been adopted and applied using the new K10 system by looking at a sample of completed audit files. They found that overall, core working practices had translated well to the new system. Strengths included the following:

- ▲ the completeness of files and file review processes – information expected to be on file was included and files had been signed off by relevant supervisors.
- ▲ good documentation of engagement with officers when planning individual audits and agreement of the scope and objectives of work.
- ▲ good use of new system functionality to record the systems audited and linked to this, the tests to be undertaken.
- ▲ assignment of the priorities to issues found and overall opinions were in line with expectations, and key findings were well documented.

A few areas requiring improvement were found. These included:

- ▲ the need to better document the analysis and conclusions reached during the planning stage of each audit, and discussions with clients at the end of each audit
- ▲ improvements needed to cross referencing documents within the system between related pieces of work – this may require a review of current system set up and training

- ▲ a need to better document conclusions directly within K10, to increase the efficiency of report generation from the system.

These issues have been flagged for further action through system development, whole team training and feedback to individual auditors where required.

Improvement actions identified during self-assessment

As noted above, we have identified a number of areas for improvement while undertaking the annual self-assessment. These do not represent non-conformance with standards but will help us to improve the service. Continuous improvement actions identified included the following:

- ▲ review existing auditor competency profiles to ensure adequate coverage of the auditor competencies identified in the GIAS
- ▲ strengthen the analysis of outcomes from routine training delivered, to ensure it met objectives and any further action or training required was identified
- ▲ undertake additional training for auditors on professional scepticism
- ▲ ensure routine training delivered clearly highlights links to the relevant professional standards being covered
- ▲ review coverage of value for money considerations in the audit manual, and ensure adequate coverage in routine training
- ▲ review the presentation of annual conclusions to assess whether different approaches could present clearer insights

These actions will be integrated into the internal audit strategy action plan.

6.0 Overall conformance with standards

Based on the overall outcomes from quality assurance and development planning arrangements, the Head of Internal Audit considers that the internal audit service conforms to Global Internal Audit Standards in the UK Public Sector.



Middlesbrough Council Internal Audit Charter

1 Purpose and commitment to professional standards

- 1.1 The purpose of the internal audit service is to strengthen Middlesbrough Council's ability to create, protect, and sustain value by providing the Audit Committee and senior management with independent, risk-based, and objective assurance, advice, insight, and foresight.
- 1.2 The internal audit service enhances Middlesbrough 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.
- 1.3 Middlesbrough Council's internal audit service is most effective when:
- Internal auditing is performed by competent professionals in conformance with The Institute of Internal Auditors' Global Internal Audit Standards (UK public sector).
 - The internal audit service is independently positioned, with direct accountability to the Audit Committee.
 - Internal auditors are free from undue influence and committed to making objective assessments.
- 1.4 Middlesbrough Council can expect to see its internal audit service demonstrate integrity, competence, and due professional care, align with its strategies, objectives, and risks, demonstrate quality and continuous improvement, be insightful, proactive, and future-focused, communicate effectively, and contribute to organisational improvement.
- 1.5 Middlesbrough Council's internal audit service will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards in the UK Public Sector and Topical Requirements. The chief audit executive will report annually to the Audit Committee and senior management regarding the internal audit service's conformance with the standards, and the outcomes from quality assurance and development arrangements.

2 The internal audit mandate

- 2.1 There is a statutory duty on the council to undertake an internal audit of the effectiveness of its risk management, control and governance processes. The Accounts and Audit Regulations 2015 also require that the audit takes into account public sector internal auditing standards or guidance. The Chartered Institute of Public Finance and Accountancy (CIPFA) is responsible for setting standards for proper practice for local government internal audit.

- 1.2 CIPFA has determined that the Global Internal Audit Standards are a suitable basis for the practice of internal auditing in UK local government, subject to interpretations and requirements set out in its application note¹. Taken together, the Global Internal Audit Standards and the application note represent proper practice for internal audit in local government. This charter sets out how internal audit at Middlesbrough Council will be provided in accordance with this proper practice.
- 1.3 The charter should be read in the context of the wider legal and policy framework which sets requirements and standards for internal audit, including the Accounts and Audit Regulations, the application note, the code of practice², and the council's constitution, regulations and governance arrangements.

3 Definitions

- 3.1 The Global Internal Audit Standards define internal auditing as follows:

"Internal auditing is 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."

- 3.2 The Global Internal Audit Standards include reference to the roles and responsibilities of the "board" and "senior management" in relation to the governance of internal audit. Each organisation is required to define these terms in the context of its own governance arrangements. For the purposes of the Global Internal Audit Standards in the UK Public Sector (hereon in referred to as the "GIAS (UK public sector)") these terms are defined as follows at Middlesbrough Council.

"Board" – the Audit Committee fulfils the responsibilities of the board in relation to internal audit standards and activities.

"Senior management" – in the majority of cases, the term senior management in the GIAS (UK public sector) should be taken to refer to the Director of Finance in their role as Section 151 Officer. This includes all functions relating directly to overseeing the work of internal audit. In addition, senior management may also refer to any other director of the council individually (including the Chief Executive and Director of Finance) or collectively as the Leadership Management Team (LMT) in relation to GIAS (UK public sector) requirements for:

- internal audit to have direct and unrestricted access to senior management for reporting purposes
- consulting on risks affecting the council for audit planning purposes
- approving the release of information arising from audit work to any third party.

- 3.3 The GIAS (UK public sector) also refers to the "chief audit executive". This is taken to be the Head of Internal Audit (Veritau).

¹ Application Note: Global Internal Audit Standards in the UK Public Sector

² CIPFA Code of Practice for the Governance of Internal Audit in Local Government

4 Scope of internal audit activities

- 4.1 The scope of internal audit work will encompass the council's entire control environment³, comprising its systems of governance, risk management, and control.
- 4.2 The scope of audit work also extends to services provided through partnership arrangements, irrespective of what legal standing or particular form these may take. The Head of Internal Audit, in consultation with all relevant parties and taking account of audit risk assessment processes, will determine what work will be carried out by the internal audit service, and what reliance may be placed on the work of other internal and external providers of assurance and advisory services auditors.

5 Responsibilities and objectives

- 5.1 The Head of Internal Audit has the responsibility to:
- At least annually, develop a risk-based internal audit work programme that considers the input of the Audit Committee and senior management. Discuss the work programme with the Audit Committee and senior management, and submit the programme to the Audit Committee for review and approval.
 - Communicate the impact of resource limitations on the internal audit work programme to the Audit Committee and senior management.
 - Review and adjust the internal audit work programme, as necessary, in response to changes in Middlesbrough Council's business, risks, operations, programs, systems, and controls.
 - Communicate with the Audit Committee and senior management if there are significant interim changes to the internal audit work programme.
 - Ensure internal audit engagements are performed, documented, and communicated in accordance with the GIAS (UK public sector) and relevant laws and/or regulations.
 - Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit Committee and senior management periodically and for each engagement, as appropriate.
 - Ensure the internal audit service collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the GIAS (UK public sector) and to fulfil the internal audit mandate.
 - Develop, implement, and maintain quality assurance and development arrangements that covers all aspects of the internal audit service. The programme will include external and internal assessments of the internal audit service's conformance with the GIAS (UK public sector), as well as performance measurement to assess the internal audit service's progress toward the achievement of its objectives and promotion of continuous improvement.

³ For example, the work of internal audit is not limited to the review of financial controls only.

- Communicate with the Audit Committee and senior management about the internal audit service's quality assurance and development arrangements, including the outcomes of internal assessments and external assessments.
- Identify and consider trends and emerging issues that could impact Middlesbrough Council and communicate to the Audit 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 service.
- Ensure adherence to Middlesbrough Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the GIAS (UK public sector). Any such conflicts will be resolved or documented and communicated to the Audit Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Head of Internal Audit cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit Committee.

5.2 In addition to the responsibilities set out above; to meet the requirements for the practice of internal auditing in local government, the Head of Internal Audit is also required to provide an annual report to the Audit Committee. The report will be used by the committee to inform its consideration of the council's annual governance statement. The report will include:

- the Head of Internal Audit's opinion on the adequacy and effectiveness of the council's framework of governance, risk management, and control
- any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
- any control weakness judged to be relevant to the preparation of the annual governance statement
- a summary of work undertaken to support the opinion, including any reliance placed on the work of other assurance providers
- an overall summary of internal audit performance and the results of the internal audit service's annual quality assurance review
- a statement on conformance with the GIAS (UK public sector).

5.2 To support the opinion, the Head of Internal Audit will ensure that an appropriate programme of audit work is undertaken. In determining what work to undertake, the internal audit service should:

- adopt an overall strategy, setting out how the service will be delivered in accordance with this charter
- draw up an indicative risk-based programme of work on an annual basis following consultation with the Audit Committee and senior management. The programme of work will also reflect the requirements of the charter, the strategy, and proper practice

- update the programme of work throughout the year to reflect emerging risks, changes to priorities and the need to appropriately schedule work
- consider trends and emerging issues that may impact the organisation.

5.3 In undertaking this work, the responsibilities of the internal audit service will include:

- providing assurance to the Audit Committee and senior management on the effective operation of governance arrangements and the internal control environment operating at the council⁴
- objectively examining, evaluating and reporting on the probity, legality and value for money of the council's arrangements for service delivery
- reviewing the council's financial arrangements to ensure that proper accounting controls, systems and procedures are maintained and, where necessary, make recommendations for improvement
- helping to secure the effective operation of proper controls to minimise the risk of loss, the inefficient use of resources, and the potential for fraud and other wrongdoing
- acting as a means of deterring all fraudulent activity, corruption and other wrongdoing; this includes conducting investigations into matters referred by councillors, officers, and the public and reporting findings of those investigations to the relevant officers and councillors, as appropriate, for action
- advising the council on relevant counter fraud and corruption policies and measures.

5.4 The Head of Internal Audit will ensure that the service is provided in accordance with proper practice as set out above and in accordance with any other relevant standards – for example, council policy and legal or professional standards and guidance.

5.5 In undertaking their work, internal auditors should have regard to:

- the purpose of internal auditing, and standards as set out in the GIAS (UK public sector) and reflected in this charter
- the codes of any professional bodies of which they are members
- standards of conduct expected by the council
- the Committee on Standards in Public Life's *Seven Principles of Public Life*.

6 Organisational independence

6.1 It is the responsibility of corporate directors and service managers to maintain effective systems of risk management, internal control, and governance. Auditors will have no responsibility for the implementation or operation of systems of control and will remain sufficiently independent of the activities audited to enable them to exercise objective professional judgement.

⁴ Where third parties place reliance on the assurance provided then they do so at their own risk.

- 6.2 Audit advice and recommendations will be made without prejudice to the rights of internal audit to review and make further recommendations on relevant policies, procedures, controls and operations at a later date.
- 6.3 The Head of Internal Audit will put in place measures to ensure that individual auditors remain independent of areas they are auditing for example by:
- rotation of audit staff
 - ensuring staff are not involved in auditing areas where they have recently been involved in operational management, or in providing consultancy and advice⁵.

7 Accountability, reporting lines, and relationships

- 7.1 Internal audit services are provided under contract to the council by Veritau⁶. Staff undertaking internal audit work are employed directly by Veritau. The Director of Finance (Section 151 Officer) acts as client officer for the contract and is responsible for overall monitoring of the service.
- 7.2 In its role in providing an independent assurance service, Veritau has direct access to councillors and senior managers and can report uncensored to them as considered necessary. Such reports may be made to:
- Council, Executive, or any committee (including the Audit Committee)
 - Chief Executive
 - Director of Legal and Governance Services (Monitoring Officer)
 - Director of Finance (Section 151 Officer)
 - Other executive directors, directors, heads of service and service managers.
- 7.3 The Director of Finance (Section 151 Officer) has specific responsibilities for ensuring that the council has effective systems of risk management and internal control. The role includes a responsibility to ensure that the council has put in place arrangements for effective internal audit. In recognition of the importance of the relationship between the Director of Finance (Section 151 Officer) and internal audit (recognised in the standards), a protocol has been drawn up setting out the relationship between them. This is included in Appendix 1.
- 7.4 The Head of Internal Audit will report independently to the Audit Committee on:
- the proposed allocation of audit resources
 - any significant risks and control issues identified through audit work
 - their annual opinion on the council's control environment.

⁵ Auditors will not be used on internal audit engagements where they have had direct involvement in the area within the previous 12 months.

⁶ The contract is with Veritau Public Sector Limited who provide assurance services to Middlesbrough Council and other councils and public sector organisations.

- 7.5 The Head of Internal Audit will informally meet in private with members of the Audit Committee, or the whole committee as required. Meetings may be requested by committee members or the Head of Internal Audit.
- 7.6 The Audit Committee will oversee (but not direct) the work of internal audit. This includes commenting on the scope of internal audit work and approving the internal audit work programme. The committee will also protect and promote the independence and rights of internal audit to enable it to conduct its work and report on its findings as necessary⁷.

8 Fraud, consultancy services and non-audit services

- 8.1 The primary role of internal audit is to provide audit assurance services to the council. However, the service is also required to undertake fraud investigation and other consultancy work to add value and help improve governance, risk management and control arrangements.
- 8.2 The prevention and detection of fraud and corruption is the responsibility of corporate directors and service managers. However, all instances of suspected fraud and corruption must be notified to Veritau, who will agree the course of action to be taken in consultation with the relevant corporate director and other advisors (for example, human resources). Where appropriate, cases of suspected fraud or corruption will be investigated by Veritau.
- 8.3 Veritau also carry out other consultancy related work where this is of value to the council. This is generally at the request of council officers. It includes, for example, advice on designing efficient and effective processes. The scope of consulting work will be agreed with the relevant corporate director or service manager. Consulting work will only be carried out where it represents good value, there are sufficient resources and skills within Veritau to undertake the work, and where it does not compromise the assurance role or the independence of internal audit. Details of all significant consultancy assignments completed will be reported to the Audit Committee.
- 8.4 Where Veritau provides non-audit services (for example information governance), appropriate safeguards will be put in place to ensure audit independence and objectivity are not compromised. These safeguards include the work being performed by a separate team with different line management arrangements. Separate reporting arrangements will also be maintained. The Head of Internal Audit will report any instances where audit independence or objectivity may be compromised to the Director of Finance (Section 151 Officer) and the Audit Committee. The Head of Internal Audit will also take steps to limit any actual or perceived impairment that might occur (for example, by arranging for the audit of these services or functional activities to be overseen externally).

9 Resourcing

- 9.1 As part of the audit planning process the Head of Internal Audit will review the resources available to internal audit, to ensure that they are appropriate and

⁷ The relationship between internal audit and the Audit Committee is set out in more detail in appendix 2.

sufficient to meet the requirement to provide an opinion on the council's control environment. Where resources are judged to be inadequate or insufficient, recommendations to address the shortfall will be made to the Director of Finance (Section 151 Officer) and to the Audit Committee.

10 Rights of access

- 10.1 To enable it to fulfil its responsibilities, the council gives internal auditors employed by Veritau the authority to:
- enter all council premises or land, at any reasonable time
 - have access to all data, records, documents, correspondence, or other information - in whatever form - relating to the activities of the council
 - have access to any assets of the council and to require any employee of the council to produce any assets under their control
 - be able to require from any employee or councillor any information or explanation necessary for the purposes of audit.
- 10.2 Corporate directors, directors, and service managers are responsible for ensuring that the rights of Veritau to access premises, records, and personnel are preserved, including where the council's services are provided through partnership arrangements, contracts or other means.

11 Review

- 11.1 This charter will be reviewed periodically by the Head of Internal Audit. Any recommendations for change will be made to the Director of Finance (Section 151 Officer) and the Audit Committee, for approval.

Relationship between the Director of Finance (Section 151 Officer) and internal audit

- 1 In recognition of the statutory duties of the council's Director of Finance in their role as Section 151 Officer, this protocol has been adopted to form the basis for a sound and effective working relationship between the Director of Finance and internal audit.
 - (i) The Head of Internal Audit (HoIA) will seek to maintain a positive and effective working relationship with the Director of Finance.
 - (ii) Internal audit will review the effectiveness of the council's systems of control, governance, and risk management and report its findings to the Director of Finance (in addition to the Audit Committee).
 - (iii) The Director of Finance will be asked to comment on those elements of internal audit's programme of work that relate to the discharge of their statutory duties. In developing the internal audit work programme and in carrying out internal audit work, the HoIA will give full regard to the comments of the Director of Finance.
 - (iv) The HoIA will notify the Director of Finance of any matter that in the HoIA's professional judgement may have implications for the Director of Finance in discharging their statutory responsibilities.
 - (v) The Director of Finance will notify the HoIA of any concerns that they may have about control, governance, or suspected fraud and corruption and may require internal audit to undertake further investigation or review.
 - (vi) The HoIA will be responsible for ensuring that internal audit is provided in accordance with proper practice.
 - (vii) If the HoIA identifies any shortfall in resources which may jeopardise the ability to provide an opinion on the council's control environment, then they will make representations to the Director of Finance, as well as to the Director of Legal and Governance Services (Monitoring Officer) and the Audit Committee.
 - (viii) The HoIA will report to the Director of Finance (and to the Director of Legal and Governance Services and Audit Committee) any instances where internal audit independence or objectivity is likely to be compromised, together with any planned remedial action.
 - (ix) The HoIA will report to the Director of Finance (and the Audit Committee) any instances where audit work has not conformed to the GIAS (UK public sector). This includes the reasons for non-conformance and the possible impact on the audit opinion.
 - (x) The Director of Finance will champion the role of internal audit in providing independent, risk-based assurance on the operation of the council's systems of governance, risk management, and internal control, and in helping the council to achieve its objectives. The Director of Finance will also protect and promote the independence and rights of internal audit to enable it to conduct its work effectively and to report as necessary.

Relationship between the Audit Committee and internal audit

- 1 The Audit Committee plays a key role in ensuring the council maintains a robust internal audit service and it is therefore essential that there is an effective working relationship between the committee and internal audit. This protocol sets out some of the key responsibilities of internal audit and the committee.
- 2 The Audit Committee will seek to:
 - (i) raise awareness of key aspects of good governance across the organisation, including the role of internal audit and risk management
 - (ii) ensure that adequate resources are provided by the council so as to ensure that internal audit can satisfactorily discharge its responsibilities
 - (iii) protect and promote the independence and rights of internal audit to conduct its work properly and to report on its findings as necessary.
- 3 Specific responsibilities in respect of internal audit include the following.
 - (i) oversight of, and involvement in, decisions relating to how internal audit is provided
 - (ii) approval of the internal audit charter
 - (iii) consideration of the annual report and opinion of the Head of Internal Audit (HoIA) on the council's control environment
 - (iv) consideration of other specific reports detailing the outcomes of internal audit work
 - (v) consideration of reports dealing with the performance of internal audit, and the outcomes from quality assurance and development arrangements
 - (vi) consideration of reports on the implementation of actions agreed as a result of audit work, and outstanding actions escalated to the committee in accordance with the approved escalation policy
 - (vii) approval (but not direction) of the annual internal audit work programme.
- 4 In relation to the Audit Committee, the HoIA will:
 - (i) attend its meetings and contribute to the agenda
 - (ii) ensure that overall internal audit objectives, work programmes, and performance are communicated to, and understood by, the committee
 - (iii) provide an annual summary of internal audit work, and an opinion on the council's control environment, including details of unmitigated risks or other issues that need to be considered by the committee
 - (iv) establish whether anything arising from the work of the committee requires consideration of the need to change the internal audit work programme or vice versa
 - (v) highlight any shortfall in the resources available to internal audit or any instances where the independence or objectivity of internal audit work may be

compromised (and to make recommendations to address these to the committee)

- (vi) report any significant risks or control issues identified through audit work which the HoIA feels necessary to specifically report to the committee. This includes risks which management are failing to address but which the HoIA considers are unacceptable for the council
 - (vii) report any actual or attempted interference in the performance or reporting of internal audit work
 - (viii) participate in the committee's review of its own remit and effectiveness
 - (ix) discuss the outcomes of the annual quality assurance review, and consult with the committee on how external assessment of the internal audit service will be conducted (required once every five years).
- 5 The Head of Internal Audit will informally meet in private with members of the Audit Committee, or the committee as a whole as required. Meetings may be requested by committee members or the HoIA.

Audit Committee Work Programme 25/26 - DRAFT

Committee date	Report title / subject	Lead / author
10 JULY	Draft Statement of Accounts and Annual Governance Statement - 2024/25	J Weston / A Johnstone
24 JULY	Middlesbrough Council - Audit Strategy Memorandum 2024/25	Cath Andrew (Mazars)
	Teesside Pension Fund - Audit Strategy Memorandum 2024/25	Thomas Backhouse (Mazars)
	Health and Safety Annual Assurance Report 2024	A Johnstone
	Counter Fraud Annual Report 2024/25	P Jeffrey
	Head of Internal Audit - Annual Report 2024/25 and the Internal Audit Charter	P Jeffrey
31 JULY	Completion of the Self assessment of Audit Committee effectiveness	Andrew Humble / Barry Scarr
TBC	Review of the effectiveness of the Internal Audit Service	Andrew Humble
25 SEPTEMBER	Complaints annual assurance report 2024/5	A Johnstone
	Risk annual assurance report	A Johnstone
	SIRO annual report	A Johnstone
	Progress report – Forvis Mazars	Cath Andrew (Mazars)
	Pension Fund Audit Progress Report – Forvis Mazars	T Backhouse
	Internal Audit and Counter Fraud progress reports	P Jeffrey
	Presentation on the management of the DSG risk within the Strategic Risk Register	C Cannon and A Humble
	Update to committee on comparative reserves performance	A Humble and J Weston
11 DECEMBER	Letter of Representation on the Accounts from the Director of Finance	J Weston
	Forvis Mazars Auditors Annual Report 2023/24	Cath Andrew (Forvis Mazars)
	Annual Assurance Report on Partnership Governance	A Johnstone

	Treasury Management Mid-Year Review 2025/6	J Weston
	26/27 Internal Audit Consultation Report	P Jeffrey
	Internal Audit and Counter Fraud Progress Reports	P Jeffrey
19 FEBRUARY	Annual Assurance Report on Decision Making	C Benjamin / A Wilson
	Annual Assurance Report on Business Continuity	A Johnstone
	Local Code of Corporate Governance	A Johnstone
	Annual Assurance Report HR	N Finnegan
	Annual Procurement Report 24/25	C Walker
	Forvis Mazars – Audit Completion Report 2023/24	C Andrew
	24/25 Audit Completion report for the Pension Fund	Thomas Backhouse
	Mid-year Risk Update	A Johnstone
	Final Statement of Accounts 2024/5 (could be a special meeting depending on capacity and timescales to happen around 20 February 2025)	J Weston
	Treasury Management report	J Weston
16 APRIL	Performance Management	C Benjamin
	PPMF assurance report	G Cooper
	Internal Audit and Counter Fraud Progress Report	P Jeffrey
	Veritau internal audit work programme 2026/27	P Jeffrey
	Veritau counter fraud plan 2026/27	
	Progress Report – Forvis Mazars	Cath Andrew (Forvis Mazars)
	Pension Fund Progress report	Thomas Backhouse
	Future FWP for 2026/27	A Johnstone

To note: this is a draft FWP and subject to change. In particular some items may move slightly if committee dates, once set, do not quite align with required reporting timescales.