This document was classified as: OFFICIAL

AUDIT COMMITTEE

A meeting of the Audit Committee was held on Thursday 25 June 2026.

PRESENT:	Councillors J Ewan (Chair), I Morrish and M Nugent
ALSO IN ATTENDANCE:	Andrew (Mazars), J Dodsworth (Veritau) and Ed Lambert-Martin (Internal Audit Manager) (Veritau)
OFFICERS:	J Weston, A Humble and R Johansson

26/1 **WELCOME AND EVACUATION PROCEDURE**

The Chair welcomed all present to the meeting and read out the builidng evacuation procedure.

26/2 **APOLOGIES FOR ABSENCE**

D Coupe, D Branson, L Young, C Benjamin, A Johnstone.

26/3 **DECLARATIONS OF INTEREST**

There were no declarations of interest received at this point in the meeting.

26/4 **MINUTES - AUDIT COMMITTEE - 16 APRIL 2026**

The minutes of the Audit Committee meeting held on 16 April 2026 were submitted and approved as a correct record.

26/5 **MANAGEMENT OF STRATEGIC RISK 17 - FUNDING FOR KEY EXTERNAL PROJECTS LED BY TVCA OR MDC**

The Chair advised the Committee that minor drafting errors had been identified within the published report. Members were informed that paragraph 4.2 contained an erroneous *'X'* at the end of the final sentence, which should be disregarded. In addition, the Financial Implications section within Section 5 contained the wording *'KA to complete'*, which had inadvertently remained in the published report.

The Committee was advised that the intended wording of the Financial Implications section was:

'There is currently no direct financial risk to the Council. Any changes in regeneration activities which may have impact upon the Council's finances, such as reduced business rates income or capital investment requirements, will be managed through the Council's Medium Term Financial Planning processes.'

The Chair confirmed that these were drafting errors only and did affect the substance of the report, the risk assessment or the recommendations before the Committee.

The Corporate Director of Regeneration and Housing presented the report, which provided an update on Strategic Risk 17 relating to funding for key external projects led by the Tees Valley Combined Authority (TVCA) and the Mayoral Development Corporation (MDC).

The Committee was advised that progress on key regeneration projects had been slower than anticipated. Whilst this had not resulted in any direct financial risk to the Council, delays could impact on regeneration activity and confidence in the town. Officers continued to work with TVCA and the MDC to monitor progress and manage the associated risks.

During discussion, Members sought clarification regarding:

- Progress on regeneration projects and anticipated timescales.
- The Council's influence over decisions taken by TVCA and the MDC.
- The future of Gresham development, including the Crown site.

- The allocation of regeneration funding.
- The current risk assessment.

In response, Members were advised that officers continued to work closely with TVCA and the MDC to progress the regeneration projects, monitor the associated risks and explore options for progressing the Gresham development, including the Crown site. Officers confirmed that there remained no direct financial risk to the Council and that the current risk assessment remained appropriate.

AGREED that:

1. The latest position regarding Strategic Risk 17 be noted.
2. The Committee considered that it had received sufficient information to be assured that appropriate arrangements were in place to manage the risk.
3. The drafting amendments outlined by the Chair be noted.

26/6 **TRAINING PROGRAMME FOR AUDIT COMMITTEE MEMBERS**

The Head of Finance and Investment presented the report on behalf of the Head of Chief Executive's Department, seeking the Committee's approval of the proposed Audit Committee Member Training Programme for 2026/27.

The Committee was advised that the programme had been developed following the recommendations arising from the Local Government Association Review of Effectiveness and would provide a structured programme of Member development aligned to the Committee's Terms of Reference and the CIPFA position statement. It was explained that the programme would strengthen Members knowledge and skills across the Committee's core responsibilities and support effective challenge and governance.

During discussion, Members sought clarification regarding the wording of the recommendations, noting that the wording contained in section 2.1 of the report, page 16, differed from the summary recommendations on page 15. Following clarification from Officers, the Chair confirmed, and Members agreed, that the Committee would determine the recommendations as set out in section 2.1, page 16 of the report.

Members welcomed the introduction of the structured training programme. It was suggested that a concise overview of the programme be developed for use, where appropriate, to provide elected Members with a high-level overview of the Audit Committee's role and training requirements, helping to raise awareness of the Committee and encourage future interest in membership of the Committee, including substitute Members. The Head of Finance and Investment confirmed that a condensed version would be developed by the end of October 2026.

Members also suggested that future training sessions could include additional information regarding the role of the Executive to support Members understanding of the Council's governance arrangements.

AGREED that:

1. The proposed Audit Committee Member training programme for 2026/27 be approved.
2. Attendance at identified mandatory training be required for Committee Members and substitute Members.
3. Compliance with the training programme be monitored and reported as part of the Committee's governance arrangements.
4. A concise overview of the Audit Committee Training Programme be developed by the end of October 2026 for use, where appropriate, to provide elected Members with an overview of the Committee's role and training requirements and encourage future interest in Committee membership, including substitute Members.

25 June 2026

26/7 **HEAD OF INTERNAL AUDIT ANNUAL REPORT 2025/26**

The Internal Audit Manager, Veritau, presented the Head of Internal Audit Annual Report 2025/26, which summarised the internal audit work completed during the year and provided the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control.

Members were advised that the Head of Internal Audit had provided an overall opinion of reasonable assurance and that no significant control weaknesses had been identified requiring inclusion within the Council's Annual Governance Statement. The Committee also noted the internal audit opinions issued during the year, progress in implementing agreed audit actions and the quality assurance arrangements in place to ensure compliance with the Global Internal Audit Standards.

During discussion, Members sought clarification regarding the requirement for an external quality assessment every five years and were advised that this is undertaken by an independent assessor through the Chartered Institute of Internal Auditors.

Members discussed progress against agreed audit actions and sought further assurance regarding the reconciliation process between the Council's payroll, finance and HR systems. Officers explained that payroll and HR data are currently held on separate systems, requiring manual reconciliation, particularly in relation to agency workers. Whilst no evidence had been identified of inappropriate payroll payments, Members requested further assurance regarding controls in place and the improvements being implemented.

Members also discussed the response rate to Veritau's customer satisfaction survey and noted that, while response rates remained relatively low, alternative methods of engagement continued to be considered.

AGREED that:

1. The report be noted.
2. The Corporate Director of Finance present a report to the September 2026 meeting of the Audit Committing providing Members with further information on the Council's payroll reconciliation arrangements, the improvements implemented and the assurance that appropriate controls are in place.

26/8 **OUTCOME OF THE REVIEW OF INTERNAL AUDIT**

The Head of Finance and Investment presented the report, outlining the findings of the review of the Council's internal audit arrangements. Members were advised that the review had been undertaken following recommendations arising from the Local Government Association Peer Review and benchmarking against comparable unitary authorities, which identified that Middlesbrough's investment in internal audit was significantly lower than comparable council's.

It was explained that the Council currently purchased 555 internal audit days per annum and that a phased increase to 1,000 days by 2029/30 was proposed. The additional investment would strengthen the visibility, impact and assurance provided by the internal audit function, enable more proactive and consultancy-based work, and improve engagement with senior management and the Audit Committee.

Members were advised that, in recent years, additional investment had been directed towards the Council's counter fraud service in response to identified fraud risks, resulting in significant increase in counter fraud activity. In contrast, the internal audit provision had remained unchanged despite the increasing complexity of the Council's operations and external expectations.

Benchmarking information demonstrated that comparable unitary authorities purchased, on average, approximately 890 internal audit days per year. The proposed increase would therefore be introduced on a phased basis, beginning with an additional 170 audit days in 2026/27, allowing sufficient time for the revised work programme to be embedded before progressing towards the longer-term target.

During discussion, Members welcome the proposals and sought clarification regarding the benchmarking exercise, the proposed phased implementation, and the additional assurance that would be provided through increased audit coverage. Members also noted that the additional investment would be considered through the Medium-Term Financial Plan and that a revised Internal Audit Work Programme would be brought forward to demonstrate how the additional audit days would be utilised.

AGREED that:

1. The findings of the review of the Council's current internal audit arrangements be noted.
2. The proposed phased increase in internal audit provision, subject to the availability of resources through the Medium-Term Financial Plan, be approved.
3. Veritau present a revised Internal Audit Work Programme to a future meeting of the Committee, setting out how the additional audit days would be utilised.

26/9 **COUNTER FRAUD ANNUAL REPORT**

The Assistant Director – Corporate Fraud, Veritau presented the Counter Fraud Annual Report for 2025/26.

Members were advised that 2025/26 had been a successful year for counter fraud activity, with the majority of savings representing cash recovered for the Council. The report highlighted continued growth in referrals, with 155 referrals received during the year, 27 completed investigations and three internal investigations. Members also noted the range of investigations undertaken across service areas, including Council Tax Reduction Scheme (CTRS) cases.

The Committee heard that the Council continued to work closely with Human Resources in relation to whistleblowing matters. Four whistleblowing reports has been received during the year, and appropriate arrangements were in place to ensure concerns were investigated and managed through the Council's established procedures.

Members queried the increase in referrals and sought clarification on why 155 referrals had resulted in 39 cases progressing further. It was explained that not every referral met the threshold for a formal investigation, with some relating to intelligence, duplicate reports or matters that could be resolved without further investigation. It was also noted that allegations of corruption could sometime be difficult to substantiate.

AGREED that:

1. The Counter Fraud Annual Report 2025/26 be noted.

26/10 **WORK PROGRAMME (STANDARD ITEM)**

The Committee considered its Work Programme.

The Chair requested that additional items arising from Internal Audit reports be incorporated into the Work Programme where appropriate.

The Chair also requested that actions arising from the previous meeting be circulated to Members in advance of future Audit Committee meetings.

Members agreed that the next Strategic Risk Register deep dive at the September 2026 meeting would be SR-04 – Unlawful Decision by the Council, to be presented by the Head of the Chief Executive's Department.

AGREED that:

1. The Work Programme be noted.
2. That additional items arising from Internal Audit Reports be incorporated into the Work Programme.
3. That actions arising from the previous meeting be circulated to Members in advance of future Audit Committee meetings.
4. That the next Strategic Risk Register deep dive at the September 2026 meeting be SR-04 – Unlawful Decision by the Council.

26/11 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED.**

None.