Middlesbrough moving forward | **Legal and Corporate Services**

AUDIT COMMITTEE

Date:	**Thursday 3rd September, 2026**
Time:	**2.30 pm**
Venue:	**Mandela Room - Municipal Buildings**

AGENDA

1. **Welcome and Evacuation Procedure**

In the event the fire alarm sounds for more than 10 seconds attendees will be advised to evacuate the building via the nearest fire exit and assemble at the Bottle of Notes opposite MIMA.

Members of the public have the right to film, record or photograph public meetings. If you intend to do so, please advise the Chair of this intention. You may be asked to stop filming, photographing or recording a meeting if the Chair feels that the activity is disrupting the meeting.

2. **Apologies for Absence**

To receive any apologies for absence.

3. **Declarations of Interest**

Members are asked to declare any interests in the items under consideration and in doing so state:

(1) the type of interest concerned:

- *Disclosable Pecuniary Interest (DPI) or*
- *Non-Pecuniary Interest (including personal or prejudicial interest)*

(2) the nature of the interest concerned.

If any member requires advice on declarations of interests, they are advised to contact the Monitoring Officer in advance of the meeting.

4.	**Minutes - Audit Committee - 23 July 2026** *To receive the minutes of the previous meeting.*	5 - 12
5.	**Management of Strategic Risk 04 - Unlawful Decision by the Council** *Report to note.*	13 - 22
6.	**Draft Annual Review of Effectiveness 2026** *Report for decision.*	23 - 34
7.	**Performance Management Assurance Report 2026** *Report to note.*	35 - 40
8.	**Procurement Overview 2025/2026** *Report to note.*	41 - 52
9.	**Internal Audit and Counter Fraud Progress Report** *Report to note.*	53 - 84
10.	**Work Programme (Standard Item)**	85 - 86
11.	**Any other urgent items which in the opinion of the Chair, may be considered.**	

Charlotte Benjamin
Corporate Director of Legal and Corporate Services

Town Hall
Middlesbrough
Tuesday 25 August 2026

MEMBERSHIP

Councillors J Ewan (Chair), D Coupe (Vice-Chair), D Branson, I Morrish, M Nugent, L Young and Z Uddin

Assistance in accessing information

The documents referred to on this agenda may be downloaded from the Council's Website: Committee structure | Middlesbrough Council

Should you have any queries on accessing the Agenda and associated information, such as alternative formats, please contact Rachael Johansson, 01642 726421, rachael_johansson@middlesbrough.gov.uk

INFORMATION ABOUT MIDDLESBROUGH COMMITTEE MEETINGS

Venue Accessibility

All Committee Rooms are located on the first floor of Municipal Buildings (Town Hall). There is restricted disabled access to the first floor via a lift.

There is no on-site parking at Municipal Buildings. A map of town centre parking is attached below. A full map of town centre parking can be found on the Council's website: [Middlesbrough town centre parking plan - October 2025]

AUDIT COMMITTEE

A meeting of the Audit Committee was held on Thursday 23 July 2026.

PRESENT: Councillors J Ewan (Chair), D Coupe (Vice-Chair), D Branson, I Morrish, M Nugent and Z Uddin

ALSO IN ATTENDANCE: C Andrew (Forvis Mazars), D Hodgson (Local Democracy Reporter), C Cooke (Elected Mayor)

OFFICERS: C Benjamin, A Johnstone, J Weston, E Scollay, R Johansson and K Allan

26/12 **WELCOME AND EVACUATION PROCEDURE**

The Chair welcomed those present to the meeting and advised Members and attendees of the fire evacuation procedure. The Chair also reminded those present of the arrangements relating to the recording, filming and photographing of public meetings.

26/13 **APOLOGIES FOR ABSENCE**

L Young and A Humble.

26/14 **DECLARATIONS OF INTEREST**

The Chair invited Members to declare any interest in items on the agenda.

Name of Member	Type of Interest	Nature of Interest
Councillor Ewan	Non-pecuniary	Member of Teesside Pension Fund
Councillor Coupe	Non-pecuniary	Board Member of Boarder to Cost in connection with Teesside Pension Fund
Councillor Branson	Non-pecuniary	Spouse is a member of Teesside Pension Fund

26/15 **MINUTES - AUDIT COMMITTEE - 25 JUNE 2026**

The minutes of the Audit Committee meeting held on 25 June 2026 were submitted and approved as a correct record.

26/17 **DRAFT ANNUAL REVIEW OF EFFECTIVENESS 2025/2026**

The Head of the Chief Executive's Department presented the report, the purpose of which was to seek approval for the proposed approach to undertaking the Audit Committee's Annual Review of Effectiveness for 2025/2026. Members were advised that the review had been developed in accordance with the CIPFA Audit Committee Position Statement (2022) and would be undertaken through a structured, evidence-based process incorporating Members' self-assessment, officer feedback, consideration of progress against recommendations arising from the previous review, and an assessment of the Committee's work programme and outputs against its Terms of Reference. It was explained that the review would culminate in a final report to be presented to the Committee in September 2026, together with any recommendations for further improvement.

The Committee welcomed the proposed methodology and recognised that the annual review formed an important element of the Council's governance framework, providing Members with an opportunity to reflect upon the Committee's effectiveness and identify opportunities for continued improvement. Clarification was sought regarding the decision not to commission an externally facilitated review for the current municipal year. Officers advised that, whilst the

previous review had benefited from independent challenge provided through the Local Government Association, the annual effectiveness review had now been embedded within the Committee's governance arrangements, consistent with CIPFA guidance. It was further explained that the inclusion of structured officer feedback, alongside Members' self-assessment, would ensure that the review was informed by a balanced range of evidence. Whilst Members acknowledged the value of independent external challenge, it was recognised that the proposed methodology provided a proportionate and robust approach for the purposes of the annual review.

In considering the Committee's effectiveness against its Terms of Reference, Members identified a number of constitutional matters requiring further review. It was noted that differences existed between the published Audit Committee Terms of Reference and the relevant provisions contained within the Constitution following the amendments approved in September 2025. Members considered that the two should be reviewed to establish the appropriate wording and ensure that they were aligned. Members also sought clarification regarding references to internal and external audit, including whether the current wording accurately reflected the Committee's responsibilities for oversight of audit activity and consideration of value for money. Officers advised that Members received regular assurance through the annual audit process and had opportunities throughout the year to scrutinise and challenge both internal and external audit. It was also confirmed that any concerns relating to external audit services could be raised through the appropriate regulatory arrangements where necessary.

The Committee also considered wider aspects of its operation, including meeting frequency, Member development and the use of substitute Members. Members recognised the importance of maintaining continuity of membership to support effective governance and acknowledged the specialist knowledge developed through the Committee's ongoing training programme. Whilst differing views were expressed regarding substitute Member arrangements, it was noted that that any future amendments would require consideration through the Council's constitutional governance processes. Members further recognised the value of benchmarking elements of the Committee's operation against recognised good practice and comparable authorities where appropriate, together with the continued use of structured officer feedback and the CIPFA Audit Committee Position Statement to inform the final review.

Having considered the proposed methodology and provided their initial observations on the Committee's effectiveness, Members were satisfied that the proposed approach would provide a robust assessment of the Committee's performance and identify any future opportunities for improvement.

AGREED that:

1. The proposed approach to undertaking the Audit Committee's Annual Review of Effectiveness for 2025/2026, as set out in sections 3.1, 3.2 and 3.3 of the report be approved.

2. A final report, incorporating Member and officer feedback, be presented to the Committee in September 2026 for consideration.

3. The Committee's initial views on its effectiveness against its terms of reference and the CIPFA Audit Committees Position Statement (2022), together with the comments raised during the meeting, be incorporated into the final Annual Review of Effectiveness.

26/18 **DRAFT ANNUAL GOVERNANCE STATEMENT**

The Chief Executive presented the Draft Annual Governance Statement (AGS) 2025/2026, explaining that it forms part of Council's Statement of Accounts and was required under the Accounts and Audit Regulations 2015. The Statement provided an evidence-based assessment of the effectiveness of the Council's governance arrangements, including internal control, risk management and assurance, drawing upon a range of evidence including Internal Audit, External Audit, Statutory Officer assurances, scrutiny peer challenge and other independent sources of assurance.

Members were advised that the annual review concluded that the Council's governance arrangements had operated effectively during 2025/2026 and remained fit for purpose. The Statement also identified a number of governance priorities for 2026/2027 to support the Council's commitment to continuous improvement. These included:

- Strengthening integrated performance and financial management.
- Embedding directorate service plans.
- Enhancing partnership governance.
- Improving management of Members enquiries.
- Developing workforce capacity.
- Progressing information governance and digital transformation.
- Maintaining effective oversight of emerging governance risks.

The Chief Executive highlighted that the governance framework had continued to mature throughout the year, supported by the refreshed Performance and Financial Management Policy, the transition to the continuous improvement model, the introduction of the Governance and Assurance Mapping Policy and the completion of the Committee's annual effectiveness review. It was noted that these improvements demonstrated the Council's ongoing commitment to strengthening governance rather than addressing fundamental governance failings.

During discussion, Members welcomed the overall assurance provided within the Statement and acknowledged the progress made in strengthening governance arrangements. Members highlighted the importance of giving greater prominence to horizon scanning within future governance reporting to ensure that emerging strategic risks are identified and considered at an earlier stage.

The Committee discussed the governance implications of Artificial Intelligence (AI). Members recognised both the opportunities presented by emerging technologies and the associated risks relating to information governance, cyber security and data quality. Officers advised that AI represented a growing national governance issue and that Council's approach needed to balance the risks of adopting AI against the risks of failing to embrace technological change. It was confirmed that an AI Policy had been introduced to provide an appropriate governance framework for its use.

Clarification was sought regarding the Council's constitutional governance arrangements. Members were advised that the Constitution continued to be reviewed through the Constitution Committee, supported by Democratic Services, with amendments considered regularly to ensure the Constitution remains current, reflects legislative changes and continues to be fit for purpose.

Members also discussed partnership governance, including the Council's relationship with the Tees Valley Combined Authority and the ongoing liquidation of Middlesbrough Development Company. The Chief Executive emphasised the need to develop a more strategic and coordinated approach to overseeing the Council's partnership arrangements. Officers confirmed that the remaining work relating to the liquidation of the Middlesbrough Development Company was largely procedural, with the necessary documentation having been submitted through the liquidators to HMRC.

In considering the governance priorities for 2026/2027, Members discussed improvements to the management of Members enquiries and casework. Concerns were expressed regarding the consistency and timeliness of responses through the Councillor Gateway system and the need for greater accountability and improved communication with Members. Officers advised that additional resources had been introduced, service improvements were beginning to show positive results, and further work was underway to integrate systems and improve customer relationship management to deliver a more consistent approach across the organisation.

Members welcomed the comprehensive nature of the Statement and supported the continued focus on embedding continuous improvement across the Council's governance framework.

AGREED that:

1. The robustness of the underlying review of governance and the evidence presented was considered.

2. The Draft Annual Governance Statement (AGS) 2025/2026 was noted.

3. The conclusion that the Council's governance arrangements were operating effectively and were fit for purpose was noted.

4. The governance improvement actions identified for 2026/2027 were noted.

5. The comments of the Committee be considered in finalising the Annual Governance Statement prior to its approval alongside the Statement of Accounts.

26/19 **ROLE AND RECRUITMENT OF AN INDEPENDENT MEMBER**

The Head of Finance and Investment introduced a report seeking the Committee's support to commence the recruitment of up to two non-voting Independent Persons to the Audit Committee. The report outlined the proposed recruitment process, governance arrangements and draft role profile, together with the rationale for the appointments in advance of forthcoming legislative changes which would make the appointment of Independent Persons to local authority Audit Committees a statutory requirement.

Members were advised that the proposal followed recommendations arising from the Local Government Association's Review of Audit Committee Effectiveness and aligned with the CIPFA best practice guidance, both of which recognised the benefits of introducing independent expertise and challenge to strengthen governance, risk management and financial oversight. It was explained that whilst the Council's Constitution already provided for the co-option of up to two Independent Persons, the report sought the Committee's endorsement of the proposed recruitment approach to enable the Council to be prepared once the legislation came into force.

The Committee heard that the draft role profile had been developed using examples from a number of other local authorities and reflected CIPFA guidance regarding the knowledge, skills and experience expected of Independent Persons. Members were advised that the appointments would be for an initial two-year term, with successful applicants expected to undertake induction and ongoing training, comply with the Members Code of Conduct and declarations of interest requirements, and make a meaningful contribution to the Committee's work through regular attendance and independent challenge.

During discussion, Members sought clarification regarding the independence of the proposed appointments and whether individuals with significant professional expertise could inadvertently influence or dominate committee discussions. Officers advised that the appointments were intended to provide independent advice and constructive challenge rather than direct the work of the Committee, with appropriate safeguards forming part of the recruitment and interview process.

Reference was also made to experiences of other organisations that had appointed Independent Persons, with Members highlighting the importance of recruiting individuals who are committed to the role and able to make an active contribution. Officers explained that the role profile had therefore been developed to set clear expectations around attendance, preparation, training and ongoing engagement in accordance with CIPFA guidance.

Members also discussed the proposed eligibility criteria, including restrictions relating to recent political activity, previous Council employment and close personal relationships with Members or officers. Officers advised that these requirements were intended to preserve the independence and integrity of the role, whilst acknowledging that a balanced and proportionate approach would be adopted during recruitment to avoid unnecessarily limiting the pool of applicants.

The Committee further noted that, although the Constitution permitted the appointment of up to two Independent Persons, authorities often adopted a phased approach by initially recruiting one Independent Person before considering whether a second appointment would be beneficial following an appropriate period of operation.

AGREED that:

1. The proposed approach to the co-option of up to two non-voting Independent Persons to the Audit Committee, as set out in the report, was noted.

2. Delegated authority be granted to the Section 151 Officer, following consultation with the Monitoring Officer and the Chair and Vice-Chair of the Audit Committee, to finalise the role specification prior to commencing the recruitment process.

3. It be noted that the appointment of any successful candidates would be determined by Full Council.

26/20 **PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT OUTTURN REPORT 2025/2026**

The Head of Finance and Investment presented the Prudential Indicators and Treasury Management Outturn Report for 2025/2026, outlining the Council's year-end treasury management position and confirming that all Prudential Indicators had remained within approved limits throughout the financial year. Members were advised that the Council had maintained an under-borrowed position, with treasury management activity continuing to be undertaken in accordance with the approved Treasury Management Strategy and CIPFA Code of Practice.

Members sought clarification regarding the Council's capital programme and the nature of the capital expenditure. Officers explained that the capital investment supported long-term infrastructure and regeneration projects across a wide range of service areas, including highways, schools, land acquisition and regeneration schemes. It was noted that the Council continued to maximise the use of capital grants, external contributions and capital receipts before considering additional borrowing, ensuring that borrowing requirements remained both affordable and prudent.

The Committee discussed opportunities to maximise returns from capital assets and queried whether further income-generating investments could be considered. Officers advised that treasury investment decisions were governed by the Council's Treasury Management Strategy and external professional advice, with the primary objective remaining the security of investments rather than maximising returns. It was acknowledged, however, that officers would seek further advice from the Council's treasury management advisers regarding the Council's current appetite for investment risk and any potential opportunities within the existing Treasury Management Strategy.

Members welcomed the Council's continued approach of utilising grants, contributions and capital receipts wherever possible to reduce borrowing requirements and noted that this remained a key principle within the Medium-Term Financial Plan.

The Committee also received an overview of the forthcoming Statement of Accounts, with officers highlighting the key areas Members should consider during their review, including movements in usable reserves, capital receipts, capital expenditure, long-term assets and liabilities, borrowing levels and changes within the balance sheet. Officers advised that, whilst there had been movement across a number of accounting balances during the year, the Council's overall financial position remained relatively stable.

During discussion of the wider financial position, Members queried the impact of changing business rates income, housing growth and wider economic conditions on the Council's financial sustainability. Officers explained that, whilst housing growth would increase the Council Tax base over time, there were practical limitations on future housing delivery. It was further noted that ongoing changes in business rate income, the relocation of businesses and the continued challenges facing town centres would remain important considerations within the future Medium-Term Financial Planning.

AGREED that:

1. The Prudential Indicators for 2025/2026, as the Council's year-end position in relation to capital finance activities and overall indebtedness, were noted.

2. The performance of the Treasury Management function was considered, and the explanations and assurances provided by the Head of Finance and Investment in response to Members questions were noted.

26/21 **DRAFT STATEMENTS OF ACCOUNTS 2025/2026**

The Head of Finance and Investment presented the Draft Statement of Accounts 2025/2026, advising that the report provided Members with an overview of the Council's draft financial statements prior to the commencement of the external audit. Members were reminded that the Committee would receive the audited Statement of Accounts for approval following completion of the external audit process.

Members were advised that the draft Statement of Accounts and Annual Governance Statement had been published in accordance with the Accounts and Audit Regulations 2015 and were subject to the statutory public inspection period. Officers explained the purpose and structure of the Statement of Accounts, highlighting the key movements in reserves, the Balance Sheet, the Collection Fund and the Annual Governance Statement. It was noted that the statutory accounts differed from the Council's management accounts and budget monitoring reports due to the technical accounting adjustments required under the CIPFA Code of Practice.

The Committee noted that usable reserves had reduced during the year, with officers explaining that this reflected the planned use of reserves to support the capital programme together with movements in earmarked reserves and capital receipts. Members were advised that, notwithstanding these movements, the Council's Balance Sheet continued to demonstrate a relatively stable financial position, with only limited year-on-year changes to assets and liabilities.

Members discussed wider financial sustainability, including the relationship between population growth, housing development, business rates income and Council Tax receipts. Concern was expressed regarding the ongoing decline in business rates and the continuing challenge of maintaining the attractiveness and economic vitality of the town centre. Officers advised these issues formed part of the Council's wider Medium-Term Financial Plan and Collection Fund monitoring arrangements and would continue to be monitored.

During consideration of the draft accounts, Members identified a small number of factual inaccuracies and presentational errors within the document, including references to dates, salary disclosures and supporting narrative. Officers acknowledged the issues raised and confirmed that the draft Statement of Accounts would be amended to correct the identified errors before the audited accounts were presented back to the Committee.

Members also discussed the technical nature of the Statement of Accounts and agreed that a dedicated information session would assist Members in developing a greater understanding of the accounts ahead of future consideration of the draft and audited financial statements.

AGREED that:

1. The Draft Statement of Accounts for 2025/2026, having been approved by the Corporate Director of Finance for publication on 30 June 2026, was noted.
2. The draft Annual Governance Statement for 2025/2026, having been approved by the Mayor, the Chief Executive and the Section 151 Officer, was noted.
3. The statutory public inspection period from 1 July 2026 to 11 August 2026 was noted.
4. A separate information session on the Statement of Accounts would be arranged for Members ahead of consideration of future draft and audited Statement of Accounts.

26/22 **AUDIT STRATEGY MEMORANDUM - MIDDLESBROUGH COUNCIL**

The Senior Manager, External Audit (Forvis Mazars) presented the Audit Strategy Memorandum for the audit of the Council's 2025/2026 Statement of Accounts. The report

outlined the proposed audit approach, scope, methodology and timetable for the external audit and set out the respective responsibilities of the external auditor, management and those charged with governance throughout the audit process.

Members were advised that the audit strategy had been developed using a risk-based approach and identified the significant and enhanced audit risks requiring particular audit focus for 2025/2026. These included:

- The presumed risk of fraud in revenue recognition.
- Management override of controls.
- The valuation of property, plant and equipment.
- The valuation of the net defined benefit pension liability.
- The impairment allowance for debtors.

The report also explained the approach to rebuilding audit assurance following previous disclaimer opinions arising from the national local audit backlog, with audit work continuing to focus on current year transactions and balances to progressively restore assurance over future financial statements.

The Committee noted the proposed audit timetable, including the completion of planning and interim audit work, substantive audit testing and reporting arrangements, together with the statutory backstop date for completion of the audit. Members were advised of the proposed materiality levels to be applied during the audit, the threshold for reporting unadjusted misstatements and the qualitative factors that could require matters to be reported irrespective of value.

The report also outlined the proposed approach to the auditor's Value for Money work, which would assess the Council's arrangements for securing economy, efficiency and effectiveness through consideration of financial sustainability, governance and improving economy, efficiency and effectiveness. Members noted that follow-up work would be undertaken on the significant weaknesses identified during the previous year's audit, including the Council's reliance on Exceptional Financial Support, the financial sustainability risks associated with the Dedicated Schools Grant deficit and the alignment of the Council Plan with performance management arrangements.

Members were also advised of the proposed audit fee arrangements for 2025/2026 and noted the auditor's confirmation that Forvis Mazars remained independent of the Council, had complied with the Financial Reporting Council's Ethical Standard and had appropriate safeguards in place to maintain objectivity throughout the audit.

The report further outlined the statutory communications required between the external auditor and those charged with governance, together with supporting information relating to key audit terminology, including materiality, significant audit risks, enhanced risks, key audit matters and the responsibilities of the Key Audit Partner. Members also noted the technical accounting updates included within the report, including amendments to the valuation requirements for non-investment assets under the Code of Practice on Local Authority Accounting and the forthcoming implementation of IFRS 18: *Presentation and Disclosure in Financial Statements.*

AGREED that:

1. The contents of the Audit Strategy Memorandum for the audit of the Council's 2025/2026 Statement of Accounts were noted.

26/23 **DRAFT AUDIT STRATEGY MEMORANDUM - TEESSIDE PENSION FUND**

The Senior Manager, External Audit (Forvis Mazars) presented the draft Audit Strategy Memorandum for the audit of the Teesside Pension Fund for the year ending 31 March 2026. The draft report outlined the proposed audit scope, methodology, significant audit risks, materiality, audit timetable and the respective responsibilities of the external auditor, management and those charged with governance.

Members were advised that the audit had been planned using a risk-based approach and that the draft strategy set out the proposed programme of work, including planning and risk

assessment, interim audit work, fieldwork, communication of findings and completion of the audit, together with the anticipated timetable for reporting to the Committee.

The Committee noted the significant audit risks identified within the draft strategy, including management override of controls and valuation of Level 3 investments within the fair value hierarchy. The proposed audit procedures to address these risks, together with the proposed materiality levels, reporting arrangements for identified misstatements and the proposed audit fee arrangements, were outlined.

Members also noted the confirmation within the draft report that Forvis Mazars remained independent of the Teesside Pension Fund and complied with the relevant ethical standards. The appendices were noted, including further information on the proposed audit approach, required communications, auditor and management responsibilities, key audit definitions and forthcoming accounting developments relevant to future audits of the Teesside Pension Fund.

AGREED that:

1. The draft Audit Strategy Memorandum for the Teesside Pension Fund 2025/2026 was noted.

26/24 **WORK PROGRAMME (STANDARD ITEM)**

The Democratic Services Officer presented the updated Audit Committee Work Programme and advised that it had been reviewed and updated since the previous meeting. Completed items had been recorded as complete, with forthcoming reports and Committee business updated where appropriate to reflect the Committee's agreed programme of work and current priorities.

Members were advised that a progress update had been circulated by email following the previous meeting, outlining the actions taken in respect of the Committee's decisions. It was noted that actions arising from previous meetings had been allocated to the relevant officers and followed up to support delivery within the agreed timescales.

The Committee considered the scheduling of future risk deep-dive reports and agreed that SR-04: Unlawful Decision by the Council would be presented to the September 2026 meeting. It was further agreed that SR-02: Volatility in the Demand, Complexity and Cost of Children's Social Care would be scheduled for the October 2026 meeting. The Democratic Services Officer confirmed that the relevant officers would be advised of the Committee's decisions to enable reports to be prepared for the agreed meeting dates.

AGREED that:

1. The updated Audit Committee Work Programme was noted.

2. SR-04: Unlawful Decision by the Council be scheduled for the September 2026 Audit Committee meeting.

3. SR-02: Volatility in the Demand, Complexity and Cost of Children's Social Care be scheduled for the October 2026 Audit Committee meeting.

26/25 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED.**

None.

Agenda Item 5

MIDDLESBROUGH COUNCIL	Middlesbrough moving forward

Report of:	Corporate Director for Legal and Corporate Services, Charlotte Benjamin
Submitted to:	Audit Committee
Date:	3 September 2026
Title:	Deep Dive Review on Strategic Risk 04 – Unlawful Decision by the Council
Report for:	Information
Status:	Public
Council Plan priority:	Delivering Best Value

Proposed decision(s)

That the Audit Committee:

- **NOTES** the latest position with regard to Strategic Risk 04; and,
- **CONSIDERS** whether they have received sufficient information to be assured that there are appropriate arrangements are in place to manage the risk.

Executive summary

Strategic Risk 04 relates to the risk of an unlawful decision being made by the Council, resulting in legal challenge, financial loss, reputational damage, regulatory intervention, disruption to service delivery and reduced public confidence.

The risk was originally identified following significant governance weaknesses highlighted through external review and assurance processes. Since that time the Council has implemented a comprehensive programme of governance improvement, including delivery of the Corporate Governance Improvement Plan, implementation of the Section 24 Action Plan, strengthening of decision-making processes, and embedding of continuous improvement arrangements.

The Council's 2025/26 Annual Governance Statement concluded that the Council's governance arrangements were operating effectively and were fit for purpose in supporting delivery of the Council's objectives and statutory responsibilities. The review confirmed that governance arrangements set out within the Local Code of Corporate Governance were in place and operating effectively in practice and that available

assurance sources provided reasonable assurance regarding the effectiveness of governance, risk management and internal control arrangements.

Whilst the risk can never be wholly eliminated, significant improvements have been made to the Council's governance framework, resulting in a substantially strengthened control environment. The remaining focus is on maintaining momentum through embedded continuous improvement and ongoing monitoring.

1. Purpose

1.1 This report sets out the background to Strategic Risk 04 relating to unlawful decision-making by the Council. The report outlines the nature of the risk, progress made in managing and mitigating that risk, the current position and the next steps.

2. Recommendations

2.1. That the Audit Committee:

- **NOTES** the latest position with regard to Strategic Risk 04; and,
- **CONSIDERS** whether they have received sufficient information to be assured that there are appropriate arrangements are in place to minimise the risk of an unlawful decision being made.

3. Background and relevant information

3.1 Strategic Risk 04 was identified and added to the Strategic Risk Register in 2023, following concerns relating to the Council's governance arrangements and decision-making processes. The risk recognised the potential for decisions to be taken unlawfully because of governance weaknesses, inadequate consideration of relevant information, failure to follow constitutional requirements or failure to comply with legal obligations.

3.2 Potential consequences of the risk include:

- Judicial Review proceedings and other legal challenges.
- Regulatory intervention.
- Financial loss and compensation claims.
- Adverse audit findings.
- Reputational damage.
- Delays to service delivery and strategic programmes.
- Reduced confidence amongst residents, partners and stakeholders.

3.3 At the time and over the past three years, a series of mitigation actions have been taken to reduce the likelihood of this risk occurring. These included:

- Creation of a Corporate Governance Improvement Plan to support and evidence activity within its governance improvement journey and assess the impact of that activity
- Creation and implementation of a complementary Section 24 Action Plan in response to the statutory recommendations made by the Council’s External Auditors

- Creation and completion of a time limited Independent Improvement Advisory Board to support the Council's improvement journey.

These measures comprised the Council's overarching approach to improvements to culture and practice. The Council responded through a significant programme of governance improvement activity designed to strengthen corporate governance, accountability, transparency and decision-making arrangements, which are set out in more detail below.

3.4 The key strands of activity are outlined below.

Corporate Governance Improvement Plan

3.5 The Corporate Governance Improvement Plan was developed to address governance weaknesses identified through assurance activity and external review.

3.6 The programme focused on strengthening:

- governance structures;
- accountability arrangements;
- constitutional compliance;
- risk management;
- officer and member decision-making processes;
- corporate oversight and challenge functions.

The improvement plan has now been completed and embedded within normal business processes.

Section 24 Action Plan

3.7 The Council implemented a comprehensive action plan in response to the statutory recommendations arising from the Section 24 Report.

3.8 The plan focused on restoring confidence in governance arrangements and ensuring the Council had robust frameworks for financial management, legal compliance, transparency and accountability.

Committee Reporting and Decision-Making Processes

3.9 The Council reviewed both the committee report template and the report development process to strengthen the quality of information presented to decision-makers.

This work has ensured:

- clearer recommendations;
- improved legal and financial advice;
- greater visibility of risks and implications;
- improved transparency;
- stronger governance compliance.

Best Value and Governance Improvement Reporting

3.10 The Council has regularly reported progress against governance improvement activity and recommendations arising from external review.

3.11 This has supported transparency, assurance and member oversight throughout the improvement journey.

Annual Governance Statement

3.12 The Annual Governance Statement for 2024/25 was completed and approved in accordance with statutory requirements.

Current Position

3.13 The Council's governance and decision-making framework is significantly stronger than when this risk was initially identified.

3.14 The 2025/26 Annual Governance Statement concluded that governance arrangements were operating effectively during the year and were fit for purpose. The AGS confirmed that the governance arrangements described within the Council's Local Code of Corporate Governance were in place and operating effectively in practice. The review drew upon internal audit, external audit, statutory officer assurances, reports to members and other independent sources of assurance. Together these sources provided reasonable assurance regarding the effectiveness of the Council's governance, risk management and internal control arrangements.

3.15 The AGS identified several governance strengths that directly contribute to the management of Strategic Risk 04, including:

- strengthened performance and financial governance arrangements;
- an up-to-date Local Code of Corporate Governance;
- an actively managed Constitution;
- effective audit, scrutiny and assurance arrangements;
- a systematic approach to continuous improvement;
- clear strategic planning and performance management frameworks.
- The AGS also noted that the Council had completed a transition from recovery-based improvement activity to a continuous improvement model designed to ensure governance arrangements remain effective and responsive to emerging risks and challenges.

3.16 The only outstanding action currently linked to Strategic Risk 04 is:

SR-04g Deliver Continuous Improvement Plan quarterly updates to Executive from October 2025 onwards.

3.17 This action recognises that effective governance requires ongoing review and development and that governance improvement should be embedded within normal corporate management arrangements rather than delivered through standalone recovery programmes.

3.18 Whilst no governance system can completely remove the possibility of an unlawful decision being made, the Council's control environment has been substantially strengthened and the likelihood of the risk materialising has reduced considerably.

Once the Annual Governance Statement has been finalised, all planned actions within it will be tracked as future mitigating actions against this risk.

Managing the Risk

3.19 The Council continues to manage this risk through a range of governance, assurance and oversight arrangements.

3.20 These include:

- an annually reviewed Local Code of Corporate Governance adopted by Full Council in April 2026;
- an actively managed Constitution which was reviewed by Full Council in May 2026 and assessed as remaining fit for purpose;
- statutory oversight provided by the Monitoring Officer, Section 151 Officer and Chief Executive;
- independent internal audit assurance, which concluded that the governance, risk management and control framework provides reasonable assurance
- oversight from Audit Committee through its governance, risk, audit and assurance work programme;
- corporate risk management processes and strategic risk monitoring;
- annual production of the Annual Governance Statement;
- implementation of the Governance and Assurance Mapping Policy;
- continuous improvement arrangements embedded within the Council's planning, performance and governance framework.
- These controls collectively reduce the likelihood of unlawful decision-making and ensure that emerging governance issues are identified and addressed at an early stage.

3.21 Once the Annual Governance Statement has been finalised, all planned actions within it will be tracked as future mitigating actions against this risk. This approach ensures the Council grips the commitments it has made in the Annual Governance Statement and demonstrates its continued commitment to actively managing this risk.

Next Steps

3.22 The Council will continue to:

- maintain an annual review of governance effectiveness through the Annual Governance Statement process;
- implement integrated performance, financial and risk management reporting arrangements;
- deliver the Audit Committee effectiveness action plan and annual effectiveness review process;

- Continue to report to Audit Committee on the individual corporate governance disciplines that support lawful decision making and form part of the corporate governance framework;
- develop and implement a revised Member Development Strategy in preparation for the 2027 local elections;
- continue to review and update governance arrangements where required;
- strengthen information governance and oversight of digital and AI-related governance risks;
- maintain officer and member awareness of governance, ethical standards and constitutional requirements.

3.23 Through these measures the Council will continue to strengthen governance arrangements and ensure they remain robust, proportionate and fit for purpose.

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

Do Nothing

4.1 Maintaining effective governance arrangements is a fundamental statutory responsibility of the Council.

4.2 Failure to actively monitor and improve governance arrangements would increase the likelihood of unlawful decisions, legal challenge, regulatory intervention and financial loss. This option is not recommended.

Reduce Governance Oversight

4.3 Reducing assurance and governance arrangements could reduce administrative activity in the short term but would significantly increase exposure to governance, legal and reputational risks.

4.4 Given the Council's commitment to best value, transparency and continuous improvement, this option is not recommended.

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

Topic	Impact
Financial (including Social Value)	Effective governance reduces the risk of financial loss arising from legal challenge, regulatory intervention, compensation claims or ineffective decision-making.
Procurement	Robust governance arrangements support compliance with procurement legislation, Contract Procedure Rules and decision-making requirements.
Legal	This strategic risk directly relates to legal compliance. Existing controls help ensure decisions are taken lawfully,

	transparently and in accordance with the Constitution and statutory obligations.
Risk	Strategic Risk 04 continues to be monitored through the corporate risk management framework. The 2025/26 Annual Governance Statement concluded that governance arrangements were operating effectively and were fit for purpose, providing reasonable assurance regarding governance, risk management and internal controls. Future actions focus on embedding continuous improvement and maintaining governance maturity
Human Rights, Public Sector Equality Duty and Community Cohesion	Effective decision-making supports compliance with equality and human rights obligations.
Reducing poverty	Effective governance supports delivery of priorities, services and interventions designed to improve outcomes for residents.
Climate Change / Environmental	No direct implications arising from this report.
Children and Young People Cared for by the Authority and Care Leavers	No direct implications arising from this report.
Data Protection	Effective governance supports compliance with information governance and data protection legislation.

Appendices

1	Strategic Risk Extract

Background papers

Body	Report title	Date
Full Council	Local Code of Corporate Governance	April 2026
Audit Committee	Annual Governance Statement 2025/26	June 2026
Audit Committee	Governance and Assurance Mapping Policy	April 2026
Executive	Continuous Improvement Plan Reports	Various
Audit Committee	Corporate Governance Improvement Plan Updates	Various

Audit Committee	Section 24 Action Plan Monitoring Reports	Various

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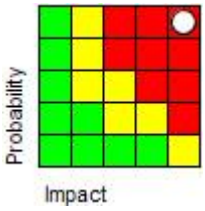
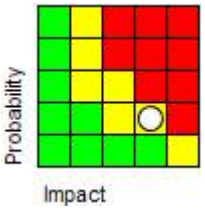
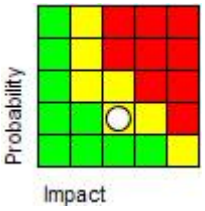
APPENDIX 1

Code SR-04 risk Extract

Code	Title	Managed By	Original Risk Score	Internal Controls Implemented	Current Risk Score	Title	Target Risk Score
SR-04	Unlawful decision by the Council	Ann-Marie Johnstone		• Council constitution and supporting policy framework • Corporate policies and procedures • Compliance checks across key areas including HSE, Risk etc, covering the corporate governance framework • Standard report formats • Statutory officer posts to oversee governance • Annual Governance Statement assessment process • Internal and external audit processes • Refreshed whistleblowing policy • Report development process • Regular review of the Council Constitution. • Corporate training provided for all officers. • Scheme of sub delegation implemented.	 10	deliver the Continuous Improvement Plan quarterly updates to Executive from October 2025.	 6

				• Governance lawyer in post to support the Councils lawful decision making.			
			Deliver the Annual Governance Statement for 2024/25				

Agenda Item 6

MIDDLESBROUGH COUNCIL	Middlesbrough moving forward

Report of:	Head of Paid Service, Erik Scollay Monitoring Officer, Charlotte Benjamin Section 151 Officer, Andrew Humble
Submitted to:	Audit Committee
Date:	3 September 2026
Title:	Annual Review of Effectiveness – Draft Final Report and Recommendations
Report for:	Decision
Status:	Public
Council Plan priority:	Delivering Best Value

Proposed decision(s)

That the Audit Committee:

- **APPROVES** the findings of the annual review of effectiveness and the conclusion that the Committee is operating effectively overall while recognising the areas where further improvement is required;
- **APPROVES** the proposed recommendations arising from this report and set out at paragraph 3.19;
- **NOTES** that the outcome of this review will inform the Audit Committee's annual report to Full Council.

Executive summary

This report presents the final outcome of the Audit Committee's annual review of effectiveness for 2025/2026 and seeks approval of the improvement actions arising from that review. The review completes the approach approved by the Committee in July 2026 and draws upon member self-assessment, officer feedback, consideration of the Committee's work programme and activity during the year, assessment against the Committee's Terms of Reference, evaluation against CIPFA's Position Statement and Practical Guidance, and a review of progress against recommendations from the 2025 effectiveness review.

The review concludes that the Audit Committee is operating effectively overall and continues to provide independent assurance and constructive challenge in relation to the

Council's governance, risk management, internal control, audit and accountability arrangements. The Committee demonstrates many of the characteristics of an effective audit committee identified in CIPFA guidance, including strong engagement with internal and external audit, effective working relationships with officers, improved member development arrangements and enhanced reporting arrangements to Full Council.

The review also confirms that good progress has been made in implementing the recommendations arising from the previous effectiveness review. Annual reporting arrangements, structured effectiveness reviews and officer feedback mechanisms have now been established, while work continues on the appointment of independent members, development of the Council's assurance framework and assurance map, and alignment of published governance documents with constitutional requirements and CIPFA good practice.

Assessment against the CIPFA effectiveness framework indicates that the Committee is making a positive contribution to promoting good governance, strengthening internal control, supporting risk management, overseeing audit and assurance arrangements, improving transparency and accountability, and supporting Value for Money and ethical governance arrangements across the Council. Opportunities for further improvement have nevertheless been identified, particularly in relation to assurance mapping, visibility of assurance arrangements, action tracking, ongoing member development and ensuring continued alignment between the Committee's Terms of Reference and best practice guidance.

The report therefore recommends a series of proportionate actions designed to build on the Committee's existing strengths and support its continued development. Subject to implementation of those actions, the Committee can take assurance that it remains well placed to fulfil its governance and assurance responsibilities and to support the Council's commitment to effective governance and best value.

1. Purpose

1.1 To present the final outcome of the Audit Committee's annual review of effectiveness for 2025/2026 and seek approval of the improvement actions arising from the review.

1.2 This report completes the approach approved in July 2026 and draws together member feedback, officer feedback, assessment against CIPFA guidance, consideration of progress against previous recommendations and review of the Committee's activities during the year.

2. Recommendations

2.1 That the Audit Committee:

- **APPROVES** the findings of the annual review of effectiveness and the conclusion that the Committee is operating effectively overall while recognising the areas where further improvement is required;
- **APPROVES** the proposed recommendations arising from this report and set out at paragraph 3.19;
- **NOTES** that the outcome of this review will inform the Audit Committee's annual report to Full Council.

3. Background and relevant information

3.1 The Audit Committee comprises seven non-executive councillors, with recruitment underway for two independent non-voting members, and provides independent assurance on the Council's governance, risk management, internal control and audit arrangements.

3.2 In line with the expectation set out in CIPFA's Audit Committees Practical Guidance for Local Authorities and Police (2022) that audit committees undertake an annual assessment of their effectiveness and report the results to those charged with governance, the Committee approved a structured two-stage review of its effectiveness at its meeting on 23 July 2026. The agreed evidence base included Member self-assessment, a structured officer survey, an assessment of progress against the 2025 recommendations, and consideration of the Committee's work programme and activities against its Terms of Reference.

3.3 The Committee commissioned an external assessment by the Local Government Association, which presented its report in July 2025. The outcome of that review was a series of recommendations which were accepted and responses to them set out in the Committee's first annual report to Full Council that was considered later that year.

3.4 Good progress has been made in implementing the recommendations arising from the 2025 external review.

3.5 The table below sets out the 2025 recommendations, the agreed response and the progress that has been made:

No	Recommendation	Agreed response	Target date(s)	2026 update
1	Publish an Annual Report for Full Council that covers: ▪ compliance with the CIPFA Position Statement 2022 ▪ results of the annual evaluation, development work undertaken and planned improvements ▪ how it has fulfilled its terms of reference, and the key issues escalated in the year.	This Annual Report, once agreed by the Committee and submitted to Council will address this recommendation. A Full Council agenda item has been scheduled for the October meeting.	15 October 2025	Completed. A cycle of annual reports has now been embedded in the Committee's work programme.
2	There should also be a response from Council to the Committee's report in relation to holding the Committee to account for its performance.	This Annual Report will be accompanied by a covering report which will formally ask Full Council for a response to this report.	15 October 2025	Completed.
3	The effectiveness of the Audit Committee should be assessed annually.	The Committee will build an annual review into its work programme going forward and will conduct an annual review of effectiveness against the CIPFA Code of Practice as part of its future annual reports.	September 2026	This review completes this recommendation for 2026 and future annual reviews are embedded in the work programme of the Committee.
4	Time should be set aside before the meeting to meet with external audit and the head of internal audit.	Members services will diarise virtual pre-meetings with the Chair and Vice-Chair, Internal and External Audit before each meeting between publication of committee meeting papers and the Committee meeting.	To be in place for the December 2025 meeting of the Committee onwards	Completed. This occurs within every meeting cycle. All Committee Members meet with internal and external audit.
5	The Council should consider stopping or limiting substitution of Committee members.	Given the limited use of substitutions by the Committee and the need for compulsory training to be complete in order for an individual to be a substitute, the Committee does not propose to pursue this recommendation at this time but will commit to an annual review of the volume of substitutions along with formal consideration of statutory officer views.	Annual review due September 2026	Not progressed at this time. Membership of the committee continues to be stable, and the Committee decided in its July 2026 meeting not to seek any changes to the Constitution in relation to the use of substitutes.
6	Two independent (non-Councillor) members should be appointed to the	A benchmarking exercise will be undertaken and reported to the February	February 2026 onward	Complete. The benchmarking exercise was completed and

No	Recommendation	Agreed response	Target date(s)	2026 update
	Committee on an appropriate level of remuneration.	2026 meeting of the Audit Committee, exploring the approach of other Councils' volumes, skills and remuneration for Member consideration along with further information on the governance routes that would need to be followed.		remuneration considered by full Council as part of the recent remuneration report for all Councillors. A recruitment process has been agreed and work is underway to complete it before the end of the year.
7	A training needs analysis (TNA) should be carried out for the Chair and each Committee member.	Officers will propose the areas on which Members should have training competencies in order to be able to consider all reports that the Committee needs to be able to consider fulfilling its terms of reference. Draft proposals will be consulted on with the Committee, External and Internal Audit. This will be accompanied by proposed training solutions	31 October 2025	Completed. Training needs were assessed for all members, and a training programme was developed for the year which was approved by committee. It is now in delivery.
		The proposed training needs framework will be brought to the Committee for consideration	11 December 2025	Completed.
		All members of the Committee will engage with Democratic Services to complete a self-assessment against the training needs framework.	30 April 2026	Completed.
		Review the mandatory training required for the Committee and its substitutes following this and propose a revised set of mandatory training sessions, covering the fundamental elements of the Committee's work.	30 April 2026	Completed. The mandatory training is now supported by themed discretionary training that aligns with the Committee meeting cycle to ensure training is generally planned to match the agenda of the next Committee.
8	A training plan should be identified for each member of the Committee based on the TNA.	Training plan in place by June 2026 with reports on compliance to the Committee by exception going forward	June 2026 onwards	Completed – see above
9	Feedback from officers should be considered as a formal part of the next review.	This will be built into the next annual review due to be complete by September 2026	September 2026	Completed. All officers who have engaged with the committee in the last 12 months were given the opportunity to submit

No	Recommendation	Agreed response	Target date(s)	2026 update
				their views on it effectiveness as part of this review and they are set out in the body of this report.
10	The Council needs to develop a comprehensive assurance framework which should be used to define an assurance map	Draft proposal around the assurance framework to be presented to the Committee	April 2026	Complete. The first phase of this work has been completed with the agreement of the Governance and Assurance Policy in April 2026. A progress update on its implementation will be considered by Committee in October 2026.
11	The assurance map should be used to guide the work of internal audit and the workplan of the Committee.	Put in place a work programme to deliver training on the assurance mapping, roles and responsibilities and programme to populate the map over an initial 12-month period. It is anticipated that the map and the framework will be refined over the medium term as the organisation matures in its understanding of the process.	April 2026 – April 2027	Ongoing. See above
12	Senior Officers (and members where appropriate) should attend the Committee to update on risk and mitigations.	The Committee work programme is being amended to build in an LMT member attending each session to share an overview of their Strategic Risks with the Committee, This will be in place from the December 2025 meeting onwards. LMT members will also attend as necessary where internal audit recommendations have not been implemented in line with agreed timescales.	September 2025 onwards	Ongoing. Over the last months the Committee has considered deep dives on: - the Dedicated Schools Grant (DSG) deficit - threats to social cohesion and democratic resilience - Funding for key external projects led by TVCA or MDC - Unlawful legal decision
13	The Committee needs to feedback to Senior Officers on improvement required in managing key risks and actions.	This already occurs on an ad hoc basis as evidenced in this Annual Report, however the Committee action will be taken to ensure this is a consideration,	December 2025 onwards	Ongoing. As the Committee considers the arrangements in place to manage strategic risks, it is given the opportunity to raise concerns where it is not

No	Recommendation	Agreed response	Target date(s)	2026 update
		systematically within the future presentations on risk management by responsible LMT members through the creation of a reporting template for this subject matter		assured that the arrangements in place to manage those risks are effective.
14	Management of the Internal Audit contract needs to be tightened	The Continuous Improvement Plan already contains an action to review the current contract in order to strengthen this area. The outcome of this review will be presented to the Committee.	April 2026	Completed. The review was completed and additional days identified to increase the capacity of the service. Improvements to oversight have also been implemented and Internal Audit are also involved in the governance and assurance mapping improvements being put in place. A report on the matter was considered by the Committee in 2026.

Findings from 2026 Effectiveness Review

Member Feedback

3.6 Members reflected on the Committee's effectiveness against its Terms of Reference, with discussion focusing on membership arrangements, meeting structure, member development, audit oversight and the Committee's contribution to assurance over value for money.

3.7 A theme emerging from the discussion was the importance of maintaining continuity of knowledge and expertise within the Committee. While views differed on the use of substitute members, the overall preference was to retain the current arrangements, recognising the practical benefits they provide. Members also acknowledged the importance of ensuring any substitutes are appropriately trained and equipped to contribute effectively to the Committee's work.

3.8 While CIPFA guidance recommends avoiding substitutes where possible, concerns relating to continuity and capability can be mitigated through robust training and development arrangements. Given that substitute member arrangements are a constitutional matter, any future changes should be considered through the appropriate governance process rather than through this review.

3.9 Members identified a need to review the Committee's published Terms of Reference and the relevant provisions of the Constitution following differences identified between the two. The matter has now been referred for consideration through the Monitoring Officer's Governance meeting to determine whether amendments are required to the

Constitution and/or the published Terms of Reference and to ensure appropriate alignment with the current CIPFA guidance.

3.10 Members recognised the significant progress made in strengthening training and development arrangements during 2025/2026. To support the Committee's long-term effectiveness, these arrangements should be embedded through an annual training needs assessment, structured induction for all new and substitute members, alignment of training with the work programme, and ongoing evaluation of member confidence and capability.

Officer Feedback

3.11 Officer feedback provided a broadly positive assessment of the Committee's effectiveness. Although the number of responses was relatively limited, the majority of respondents considered the Committee to be effective, appropriately challenging and well structured. Respondents generally agreed that the Committee adds value to the Council's governance, risk management and control framework and has contributed to service and governance improvements.

3.12 A consistent theme was that the Committee benefits from high levels of preparation, constructive relationships between Members, officers and auditors, and effective leadership from the Chair. Respondents highlighted the quality of reports and pre-meeting briefings as key factors supporting informed discussion and meaningful challenge.

3.13 Feedback also identified opportunities to further strengthen effectiveness. These centred on continuing investment in Member development, improving the balance and pacing of agendas, strengthening action tracking and accountability, and ensuring reports clearly articulate the assurance sought, key risks and decisions required. Respondents also highlighted the importance of maintaining the Committee's primary focus on governance, risk, control and assurance, avoiding overlap with operational or scrutiny functions.

3.14 While feedback was predominantly positive, one respondent reported concerns regarding the proportionality and value derived from a particular item of business. Although this reflected an isolated concern, it reinforces the importance of proportionate reporting, focused assurance discussions and effective meeting management to ensure Committee time is used to maximum effect.

3.15 Overall, the feedback supports the conclusion that the Committee is operating effectively and delivering value in its assurance role and the need to avoid straying into the remit of scrutiny colleagues.

Assessment against the CIPFA Audit Committee Effectiveness Framework

3.16 In addition to member and officer feedback, the Committee's effectiveness has been assessed using the CIPFA Audit Committees Practical Guidance effectiveness framework. The framework considers the extent to which the Committee contributes to

good governance, risk management, internal control, audit and assurance arrangements, Value for Money, ethical governance and transparency.

3.17 The review indicates that the Committee is operating effectively overall and is making a positive contribution across all key areas. A number of opportunities for further development have been identified and are reflected in the improvement actions contained within this report.

2026 Recommendations

3.18 Taken collectively, the findings from member self-assessment, officer feedback, assessment against the Committee's Terms of Reference, consideration of progress against previous recommendations and evaluation against the CIPFA effectiveness framework provide evidence that the Committee is operating effectively and making a positive contribution to the Council's governance, risk management, internal control, audit and assurance arrangements. Areas for further development have been identified and are reflected in the proposed improvement actions.

3.19 It is recommended that the Committee agrees the following actions for delivery in 2026/27:

No	Recommended actions	Target date(s)	Owner
1	Publish the 2026 Annual Report for Full Council that covers: ▪ compliance with the CIPFA Position Statement 2022; ▪ results of the annual evaluation, development work undertaken and planned improvements; ▪ how it has fulfilled its terms of reference, and the key issues escalated in the year; and ▪ ensures that review is considered and responded to by Full Council.	November 2026	Head of Chief Executive's Department
2	Agree the inclusion of an annual review of the effectiveness of the Audit Committee within the draft 2027/28 work programme of the Committee	September 2026	Audit Committee
3	The Committee commits to reviewing the use of substitutes within its next annual review	Annual review due September 2027	Head of Chief Executive's Department
4	That work is undertaken to progress the recruitment of two independent (non-Councillor) members	December 2026	Monitoring Officer and Section 151 Officer
5	That the agreed training plan continues to be delivered during 2026/27	March 2027	The Head of Chief Executive's Department and training deliverers
6	Continue to gather structured feedback from officers and committee members as part of future annual effectiveness reviews.	September 2027	Head of Chief Executive's Department
7	That work to implement the governance, and assurance mapping continues and that the Committee are provided with regular progress updates.	Next update planned October 2026	Head of Chief Executive's Department
8	The Committee's published Terms of Reference and the relevant provisions of the Constitution be reviewed to ensure	April 2027	Monitoring Officer

No	Recommended actions	Target date(s)	Owner
	they are appropriately aligned with each other and current CIPFA guidance, with any necessary amendments progress through the appropriate governance process.		

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

4.1 Members could choose not to approve the recommendations. This is not recommended as the Committee would not be operating in accordance with CIPFA good practice guidance and their commitment to the continuous improvement of its arrangements and the delivery of its functions.

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

Topic	Impact
Financial (including Social Value)	There are no direct financial implications arising from approval of the review. Some actions, including independent-member remuneration, training and assurance development, may require resources however will be met from existing budgets or reported separately. Stronger oversight of internal audit and Value for Money arrangements supports sound financial governance.
Procurement	There are no direct procurement implications. The review of effectiveness supports oversight of governance arrangements that underpin procurement and contract management.
Legal	The report supports the Council's governance obligations under the Accounts and Audit Regulations 2015. Any amendment to the Committee's Terms of Reference or substitute arrangements must follow the Council's constitutional process.
Risk	The annual review of effectiveness is a key element of the Council's assurance framework. The recommendations reduce governance risk by clarifying responsibilities, improving continuity and training, strengthening action follow-up and completing the assurance framework and map.
Human Rights, Public Sector Equality Duty and Community Cohesion	There is no direct impact. Effective governance arrangements support the Council in meeting its human rights and equality duties through robust decision-making and oversight.

Reducing poverty	There is no direct impact. Effective governance and Value for Money assurance support delivery of Council priorities, including reducing poverty and inequality.
Climate Change / Environmental	There is no direct impact. The review supports the governance framework that underpins delivery of the Council's climate change and environmental commitments.
Children and Young People Cared for by the Authority and Care Leavers	There is no direct impact. Effective risk, control and assurance arrangements support the governance of services for children and care leavers.
Data Protection	There are no direct data protection implications arising from this report. Officer survey feedback was gathered and handled in accordance with data protection requirements and reported in anonymised form. The final report contains no personal data from respondents.

Background papers

Body	Report title	Date
Audit Committee	Review of the Effectiveness of Audit Committee – Final Report, Recommendations and Next Steps for 2024/2025	31 July 2025
Full Council	Annual Report of the Audit Committee	15 October 2025
Audit Committee	Audit Committee – Annual Review of Effectiveness 2025/2026 (Initial Stage)	23 July 2026

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Agenda Item 7

MIDDLESBROUGH COUNCIL	Middlesbrough moving forward

Report of:	Head of Chief Executive's Department
Submitted to:	Audit Committee
Date:	3 September 2026
Title:	Performance Management: Assurance Report 2026
Report for:	Information
Status:	Public
Council Plan priority:	Delivering Best Value

Proposed decision(s)

That the Committee:

- **NOTES** the performance management governance arrangements in place during the last 12 months.
- **NOTES** the progress made in implementing Directorate Plans and integrated financial and performance reporting arrangements.
- **NOTES** the planned areas of development for the next 12 months.
- **CONSIDERS** whether sufficient information has been provided to assure the Committee that appropriate performance management governance arrangements are in place and operating effectively.

Executive summary

This report provides the Audit Committee with information on the Council's performance management governance arrangements and compliance with the Performance and Financial Management Policy which was agreed by Executive in April 2026. It outlines the progress made during the last 12 months, the governance arrangements currently in operation, and planned improvements over the next 12 months.

The Committee is asked to note the arrangements in place and consider whether it is assured that appropriate governance arrangements exist to support effective performance management and decision-making across the Council.

In the last 12 months, significant progress has been made in strengthening the Council's performance management framework. Work was undertaken to:

- Refresh the content of the Council Plan
- Revise the Council's approach to performance management
- Commence implementation of Directorate Plans
- Develop integrated financial and performance management arrangements
- Commence the implementation of integrated performance and financial management governance processes to support effective challenge, oversight and accountability.

The report summarises activity undertaken during the year and planned developments for the next 12 months.

1. Purpose

1.1 The purpose of this report is to provide assurance to Audit Committee regarding the adequacy of the Council's performance management arrangements.

1.2 Good governance requires organisations to maintain effective arrangements for planning, monitoring and managing performance, ensuring that resources are aligned to strategic priorities and intended outcomes.

1.3 The Performance and Financial Management Policy provides the framework through which performance and financial information is monitored, reported and used to support decision-making across the Council.

1.4 This annual assurance report supports the Committee's role in reviewing the effectiveness of governance arrangements and provides assurance regarding the operation of the Council's performance management framework.

2. Recommendations

2.1 That the Committee:

- **NOTES** the performance management governance arrangements in place during the last 12 months.
- **NOTES** the progress made in implementing Directorate Plans and integrated financial and performance reporting arrangements.
- **NOTES** the planned areas of development for the next 12 months.
- **CONSIDERS** whether sufficient information has been provided to assure the Committee that appropriate performance management governance arrangements are in place and operating effectively.

3. Background and relevant information

Progress in the last 12 months

3.1 Following transfer of responsibility for performance management to the current Head of Service, a review of the Council's approach was undertaken, alongside the work to refresh the content of the Council Plan to ensure that there was a clear link between the Council Plan, the priorities within it, the actions being taken and the outcomes to be achieved. Work also commenced to strengthen the golden thread between the Council Plan and the priorities and focus of the Council by re-establishing Directorate Plans. Once in place they will demonstrate a clear link from the Council Plan, through Directorate priorities and into the individual appraisal objectives of Council employees. The last 12 months have focused primarily on reviewing, strengthening and re-establishing core performance management arrangements to address gaps in the previous framework and create a stronger basis for future performance oversight.

3.2 In March 2026, Executive approved the refresh of the Council Plan which was completed to ensure there was a clear set of priorities, outcomes, activities and Key Performance Indicators (KPIs) that clearly set out how the Council will work to achieve the Mayor's priorities as set out in the Council Plan.

3.3 That report also approved the cessation of the Council's transformation programme, which was a time limited programme put in place in response to significant financial pressures. The programme had achieved many of its financial objectives, and the time was now right for the Council to move into the next phase. It was no longer proportionate or sustainable to operate transformation as a standalone initiative.

3.4 This transition represented a deliberate shift in emphasis:

- From discrete projects to continuous improvement owned by Directorates, with a clear golden thread connecting the Council Plan, the performance management framework, and individual appraisal objectives.
- From a dominant focus on cost reduction to a balanced approach covering financial sustainability, service quality, and resident outcomes.
- From centralised transformation activity to local accountability within Directorates, supported by enabling functions.

3.5 The Executive report was clear that the transition was not the end of transformation but a maturing of it. It set out that the Council remained committed to improving outcomes for residents, and this shift provided a more sustainable and accountable operating model. By embedding the principles of continuous improvement within the Council's performance management arrangements, the Council would be able to systematically identify and implement opportunities to improve services and outcomes for its residents and businesses. Implementation of a new Performance and Financial Management Policy, its supporting framework, Directorate Plans and integrated performance and financial management clinics all support this direction of travel.

Performance and Financial Management Policy

3.6 The following month, in April 2026, Executive approved the creation of a Performance and Financial Management Policy, which replaced the lapsed Performance Management Policy of the Council. The policy was amended to set out how the Council would ensure that Performance, Finance and Risk would be considered within one holistic process. It was designed to deliver the following aims:

- Strategic oversight and reporting that provides a holistic view of performance, finance and risk, focussed on delivery of the Council Plan ambitions.
- Providing one view of key areas that enables the Council to have a clear line of sight on outcomes being delivered, the financial resources being spent on achieving those outcomes and the risks the organisation is managing
- Supporting improved transparency by presenting performance information alongside financial and risk information
- Reducing the risk of siloed decision making in the three disciplines and improving the Council's ability to identify pressures and opportunities through presentation of data on both performance and finance and risk within one process.

Re-establishment of Directorate Plans

3.7 During 2026, Directorate Plan templates were developed and population of them has commenced across all Directorates. They will strengthen the link between strategic priorities and service delivery. It is anticipated that this exercise will be completed by September 2026. Progress against commitments within them will then be tracked through the integrated clinics process to improve the support Directors have to identify pressures and opportunities within their areas and ultimately improve outcomes for residents.

3.8 The plans support the embedding of Council Plan priorities and KPIs within Directorate planning while also providing a mechanism for Directorates to be able to capture and deliver their wider statutory, regulatory and good practice framework obligations as well as their expected contributions to cross-cutting, Council-wide strategies.

Integrated Financial and Performance implementation

3.9 A significant focus this year has been, and will be, on the development and implementation of integrated financial and performance reporting arrangements, with the first reporting cycle taking place in July 2026 and being reflected in the integrated quarterly outturn report to be considered by Executive in September 2026.

Planned Activity to further strengthen arrangements over the next 12 months

3.10 A programme of continuous improvement will be undertaken over the next 12 months to further enhance the maturity and effectiveness of the Council's performance management framework. During this first year of implementation, there is a strong focus on application of a test and learn approach to implementation.

3.11 Other planned activities include:

- Developing supporting systems to enable commitments captured within the Council Plan and Directorate Plans to support oversight and management
- Recruiting to officer posts within the corporate performance team to increase capacity to support the integrated financial and performance management framework
- Refining and strengthening Directorate Plans, learning from the first year of implementation to improve them further.

3.12 Delivery of these actions will support further maturity of the Council's performance and financial management framework and strengthen organisational assurance arrangements.

Conclusion

3.13 Based on the work undertaken during 2025/26 and the implementation activity completed to date in 2026/27, officers are satisfied that appropriate performance management governance arrangements are currently in place and continue to mature. No significant weaknesses have been identified that would prevent effective oversight, challenge or decision-making.

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 Social Value)	There are no direct financial implications arising from this report. Activity described is delivered through existing resources.
Procurement	There are no procurement implications arising from the recommendations to note the current and planned actions in relation to performance management.
Legal	The report supports the Council's governance arrangements and contributes to the discharge of its Best Value responsibilities.
Risk	Effective performance management arrangements help mitigate risks associated with poor governance, weak performance oversight and ineffective decision-making.
Human Rights, Public Sector Equality Duty and Community Cohesion	There are no direct impacts arising out of this report, however effective use of data within performance management supports better decision making, reducing the risk that the Council could fail to comply with its legal obligations in relation to human rights, the Public Sector Equality Duty and community cohesion.
Reducing poverty	There are no direct impacts arising out of this report, however effective use of data within performance

	management supports better decision making in relation to the delivery of services that contribute to poverty reduction objectives.
Climate Change / Environmental	There are no direct impacts arising out of this report, however effective use of data within performance management supports better decision making in relation to climate change and environmental issues.
Children and Young People Cared for by the Authority and Care Leavers	There are no direct impacts arising out of this report, however effective use of data within performance management supports better decision making in relation to the needs of children and young people cared for by the authority and care leavers.
Data Protection	No direct impact. No personal data is processed as part of the recommendations in this report.

Background papers

Body	Report title	Date
Audit Committee	Performance and Risk Management: Annual Assurance Report 2021	6 April 2022
Executive	Performance and Financial Management Policy	8 April 2026

Contact: Caroline Siddle, Corporate Performance Manager
Email: caroline_siddle@middlesbrough.gov.uk

Agenda Item 8

MIDDLESBROUGH COUNCIL	Middlesbrough moving forward

Report of:	Corporate Director of Finance
Submitted to:	Audit Committee
Date:	3 September 2026
Title:	Procurement Overview 2025/2026
Report for:	Information
Status:	Public
Council Plan priority:	Delivering Best Value

Proposed decision(s)

That the Committee:

NOTES the content of this report on the procurement overview for 2025/26.

Executive summary

This report provides an overview of procurement activity undertaken for the financial year 1st April 2025 to 31st March 2026.

The report includes information pertaining to:

- Procurement Activity
- Purchase Card utilisation
- Supplier Incentive Programme (SIP)
- North East Procurement Organisation (NEPO)
- Local Spend

1. Purpose

1.1 To provide a summary of the Council's procurement activity over the last financial year including compliance with Standing Orders, practice changes and contract awards.

2. Recommendations

2.1 That the Audit Committee

- notes the content of this report on the procurement overview for 2025/26.

3. Background and relevant information

Procurement Activity

3.1 The Council has in place the Contract Procedure Rules as part of the Council's Constitution, and these provide the governance in response of procurement practices.

3.2 The table below show the thresholds in place for the period 1st April 2025 to 31st December 2025, which all procurements adhere to:

WORKS	GOODS/ SERVICES/ CONSULTANTS	LIGHT TOUCH REGIME	TENDERING PROCEDURE
Up to £10,000	Up to £10,000	Up to £10,000	Neither written quotations nor tenders need to be invited. Ensure value for money is achieved using local suppliers where possible.
£10,001 - £1,000,000	£10,001 - £213,477 (inclusive of VAT) £177,897.50 (exclusive of VAT)	£10,001 - £633,540 (inclusive of VAT) £552,950 (exclusive of VAT)	At least 3 written quotations. The quotation system must be used for quotations. Use local suppliers where possible. Tenders can be sought but this is optional.
£1,000,001 - £5,336,937 (inclusive of VAT) £4,447,447.50 (exclusive of VAT)	N/A	N/A	At least 4 tenders must be sought. The Tender advert(s) must be placed on Contracts Finder. The NEPO portal must be used.
Above £5,336,937 (inclusive of VAT) £4,447,447.50 (exclusive of VAT)	Above £213,477 (inclusive of VAT) £177,897.50 (exclusive of VAT)	Above £633,540 (inclusive of VAT) £552,950 (exclusive of VAT)	EU Procedure - OJEU Notice. At least 5 tenders must be sought, ensuring that the tender process complies with the EU Directives. The NEPO portal must be used.

3.3 The Government refreshes financial thresholds every 2 years and in light of this the table below show the thresholds in place for the period 1st January 2026 to 31st March 2026, which all procurements adhere to:

WORKS	GOODS/ SERVICES/ CONSULTANTS	LIGHT TOUCH REGIME	TENDERING PROCEDURE
Up to £10,000	Up to £10,000	Up to £10,000	Neither written quotations nor tenders need to be invited. Ensure value for money is achieved using local suppliers where possible.
£10,001 - £1,000,000	£10,001 - £207,720 (inclusive of VAT) £173,100 (exclusive of VAT)	£10,001 - £633,540 (inclusive of VAT) £552,950 (exclusive of VAT)	At least 3 written quotations. The quotation system must be used for quotations. Use local suppliers where possible. Tenders can be sought but this is optional.
£1,000,001 - £5,193,000 (inclusive of VAT) £4,327,500 (exclusive of VAT)	N/A	N/A	At least 4 tenders must be sought. The Tender advert(s) must be placed on Contracts Finder. The NEPO portal must be used.
Above £5,193,000 (inclusive of VAT) £4,327,500 (exclusive of VAT)	Above £207,720 (inclusive of VAT) £173,100 (exclusive of VAT)	Above £633,540 (inclusive of VAT) £552,950 (exclusive of VAT)	EU Procedure - OJEU Notice. At least 5 tenders must be sought, ensuring that the tender process complies with the EU Directives. The NEPO portal must be used.

3.4 During 1st April 2025 and 31st March 2026, the Procurement Team have been involved and support service areas with **299** procurement activities that equate to approximately £26 million worth of contracts being awarded in the year.

3.5 This activity is broken down as follows:

- Quotations - 29
- Tenders - 6
- Dynamic Purchasing System (DPS) - 34
- Frameworks - 94
- Exemptions - 132
- Provider Selection Regime (PSR) - 4

3.6 Quotations are the procurement route used for below threshold contracts and as they do not require open advert if offers us the flexibility to target local suppliers where available. There is no reason a quotation could not be formally advertised where it is believed to be in the best interest, however, quotations allow us to direct opportunity to local suppliers.

3.7 Tenders and DPS are formal procurement processes that must adhere to the Procurement Act 2023 which is new procurement law which went live in February 2025 and prescribes the process to be followed from advert all the way through to contract award and beyond.

3.8 Direct Awards/Further Competitions via Framework Agreements are again compliant with the Public Contract Regulations 2015 and Procurement Act 2023 as the Framework Agreement has been formally procured and the Framework Agreement will set out processes for calling off either via Director Award or a Further Competition.

3.9 Exemptions allow us to direct award where the contract is below threshold, and it meets the criteria as detailed in the Council's constitution.

3.10 The Provider Selection Regime (PSR) is the compliant procurement route for Health procured services and is mainly used by Public Health but on occasions Adults or Children's may procure.

3.11 There are currently over 850 contracts recorded on our contract register, which is available to the public.

3.12 The procurement team continue to gate keep spend via Business World for any order over £5,000 which further strengthens our understanding of Council spend. This includes ensuring requisitions include the appropriate tender/quote reference which is used to help further identify on and off contract spend.

Purchasing Card utilisation

3.13 There are **227** active cards and of those **213** are for Council staff and **14** are for maintained School staff.

3.14 The data dashboards continue to be available across all directorates to Directors and Heads of Service. The procurement team continue to provide weekly reports to the data team to ensure that service areas have the most up to date spend detail.

3.15 During 2025/26 there were 15,871 (previous year 14,262) transactions which totalled £2,127,357 (increased slightly from previous year £1,786,287) in spend and the directorate breakdown was:

Directorate	Spend 25/26
Adults	£159,639
Children	£960,574
ECS	£679,286
Finance	£5,551
Legal	£44,698
Public Health	£48,885
Regeneration	£228,726

3.16 The majority of spend continues to be for low value with 15,186 (96%) being under £999 and overall, the average transaction value is only £134. Appendix 1 shows the spend via purchasing cards evidencing the impact of the work done by the Council to shift spend away and back through ordering.

3.17 Rebates for the cards are paid annually each year and are based on spend activity between 1st December to 30th November each year, rebate received in January 2026 was **£17,575.08**, which is significantly lower than last year of £20,528.53. The rebate for period 1st December 2025 to 30th November 2026 will not be received until January 2027.

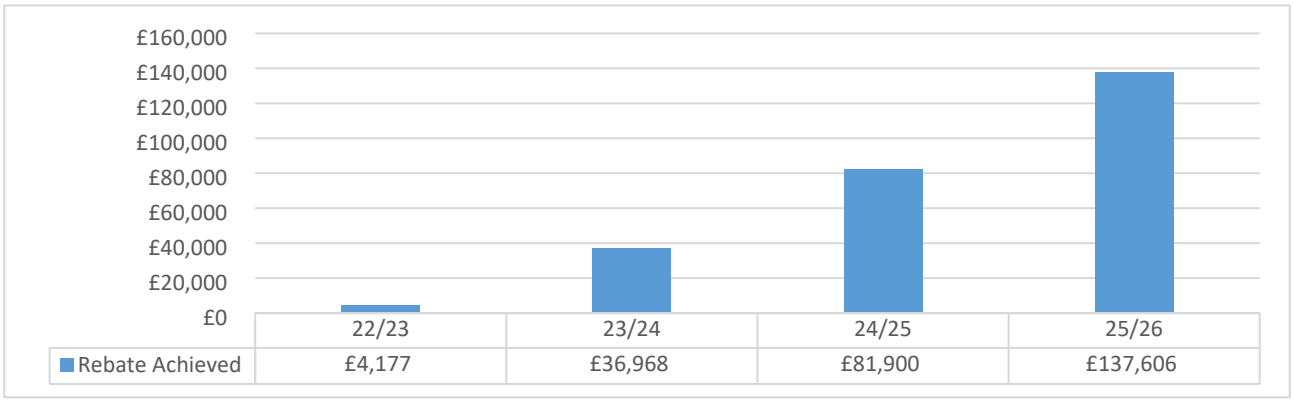
3.18 In line with the purchasing card policy staff are responsible for reviewing all spend on their card by the 28th of each month which includes providing the receipt, detail of expenditure, cost centre and GL codes. Processes are in place whereby staff who fail to follow due process on three occasions or more will have their cards removed.

3.19 Managers with staff who have cards are also responsible for monitoring spend and the team continue to share monthly reporting and management of cardholders in line with the Council's policies.

Supplier Incentive Programme (SIP)

3.20 SIP with Oxygen Finance is our early payment programme which gives suppliers the opportunity to be paid earlier than standard practice. The programme gives suppliers the option to be paid as soon as the invoice is authorised. The aim is to complete this within 10 days, normally payment term is 30 days. Suppliers pay a small pre-agreed rebate which is applied as the invoice is paid. The rebate is proportionate to the number of days the authority accelerates the payment by. The rebate is only applied if the invoice is paid earlier than 30 days.

3.21 The SIP programme has been operational since May 2022 with savings of over £260,000 up to 31st March 2026 being achieved.



3.22 Suppliers are onboarded to the programme via two main methods (sourcing via procurement and direct engagement with suppliers). During the tender process, suppliers can onboard all their spend with the Council, maximising their cash flow and delivering additional rebate back to the Council.

3.23 We continue to target all suppliers working in partnership with Oxygen and promoting as much as possible, we want to maximise efficiencies of the programme through additional and targeted engagement.

3.24 As part of SIP, we have Free Pay which allows the Council to identify and pay early without any rebate to the Council our local suppliers who we classify as being an SME (small & medium sized enterprises).

3.25 Appendix 1 is a summary of Free Pay performance for period 1st April 2025 to 31st March 2026 and shows how the Council has paid £6.11m within 4 working days which is a really proactive approach by the Council in supporting our local suppliers.

3.26 SME suppliers benefit from SIP without providing a rebate to the Council as the Council understands how beneficial it is to the SME market in these times of financial constraints. The list of Free Pay suppliers is reviewed regularly to ensure only eligible suppliers are included.

North East Procurement Organisation (NEPO)

3.27 NEPO is an established public sector procurement organisation that works in partnership with all 12 North East Councils and the wider public sector to procure goods, services and works of high value and strategic importance. The 12 authorities collectively oversee the governance framework for NEPO.

3.28 The Head of Service Procurement, Contract Management & Children's Commissioning and Procurement Team Leader represent Middlesbrough Council at the Collaboration North East (CNE) monthly meetings together with the other 11 North East Local Authorities Heads of Procurement, discussion centre around the business of the Procurement Organisation and the procurement requirements of the public sector.

3.29 As a full member to NEPO Middlesbrough Council pay a small member fee, the annual fee is £45,000 however in return we receive a rebate of approximately £140,000 per annum due to our use of the flexible procurement solutions available through membership of the organisation.

3.30 The benefits of being a full member of NEPO are:

- ✓ Provision of flexible procurement solutions for the local authority to utilise.
- ✓ Use of the above solutions minimise time delay for the authority in its procurement practices.
- ✓ Specialist procurement leads within NEPO have worked with sectors such as energy, fleet, construction etc to set up cost effective solutions for local authorities to utilise – utilising the collective buying power of the 12 north east authorities.
- ✓ Any concerns with large scale providers can be addressed by NEPO contract support.

3.31 In 2025/26, we continued to have about 25% of our procurements utilised a NEPO framework, without this investment we would require additional resource in the procurement team to meet the demands of the procurement activity of the local authority.

Middlesbrough Council has annual conversations with NEPO to review the available frameworks and discuss opportunities for future procurement plans.

3.32 NEPO has a dedicated web page which provides suppliers and Local Authorities with all the information they need, and it can be visited by going to NEPO.

3.33 NEPO manage and deliver our e-tendering portal and in October 2024 the 12 Local Authorities moved to the new OPEN system which NEPO have developed and now manage directly on behalf of the region. There have been a number of challenges in moving to a brand-new managed platform and we are continuing to work in partnership to ensure that this portal develops effectively.

3.34 For the purposes of this report the OPEN system was only operational for 5 months and due to development issues, we did not commence all procurement activity immediately and were running dual systems with the old system until 31st March 2025.

3.35 All suppliers were notified of the upcoming change by both the Local Authorities and via direct marketing from NEPO.

3.36 NEPO have continued to work on the North East Environmental, Social and Governance (ESG) model which is being developed and will deliver the North East's priorities. The Model will reduce the confusion about what social value is and how it is included in public procurement. It will move away from complex formulas and focus on what can be delivered by buyers and suppliers. As the region moves into an exciting new phase of devolution, we need to ensure that social value remains at the heart of what we do, and the Council are excited to understand how this new model can help us drive our own Social Value achievements through our procurements.

Local Spend

3.37 Middlesbrough Council has a strategic direction for ensuring spend remains local and this is monitored quarterly. The quotation process allows for more targeting of spend to local suppliers and practice linked to quotations is encouraged to ensure suppliers that are local and offer value for money are requested to quote.

3.38 We have a data dashboard in place that provides details on local spend and it shows that during 25/26 the Council spent £336m with £148.34m being spent locally (44%) and below is a summary of the percentage performance on a quarterly basis:

PERIOD	TARGET	ACHIEVED	SPEND
April – June 2025	40%	41.5%	£32.54m
July – September 2025	40%	45.4%	£36.61m
October – December 2025	40%	44.3%	£44.3m
January – March 2026	40%	45.4%	£39.5m

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

4.1 Not applicable for this report.

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

Topic	Impact
Financial (including Social Value)	Within Middlesbrough Council's constitution, the regulations pertaining to contracts are outlined within the Contract Procedure Rules. Staff are required to adhere to the contract procedures pertaining to any procurement activity, and flow charts and threshold tables were provided on the staff intranet as easy reference guides. Any activity linked to grant income is exempt from procurement processes if detailed within the grant conditions attached to the funding.
Procurement	Within Middlesbrough Council's constitution, the regulations pertaining to contracts are outlined within the Contract Procedure Rules. Staff are required to adhere to the contract procedures pertaining to any procurement activity, and flow charts and threshold tables were provided on the staff intranet as easy reference guides. Any activity linked to grant income is exempt from procurement processes if detailed within the grant conditions attached to the funding.
Legal	All contracts are required to be approved and signed by legal services.
Risk	Purchasing card governance has significantly increase with the introduction of data dashboards to all Directors and HOS and is updated weekly. We have seen significant reductions in spend and reliance on purchasing cards which is helping reduce the risk to the Council.
Human Rights, Public Sector Equality Duty and Community Cohesion	There are no human rights, equality or data protection issues arising as a result of the recommendations in this report.
Reducing poverty	This element may be part of procurement activity where services are commissioned to improve outcomes for residents of Middlesbrough.
Climate Change / Environmental	This element is supported in social value work undertaken in our procurement processes.
Children and Young People Cared for by the Authority and Care Leavers	Services commissioned as part of our procurement activity does offer support for all children's services.
Data Protection	There are no data protection issues arising from this report.

Appendices

1	Free Pay Performance

Contact: Claire Walker, Head of Service Procurement, Contract Management & Children's Commissioning
Email: claire_walker@middlesbrough.gov.uk

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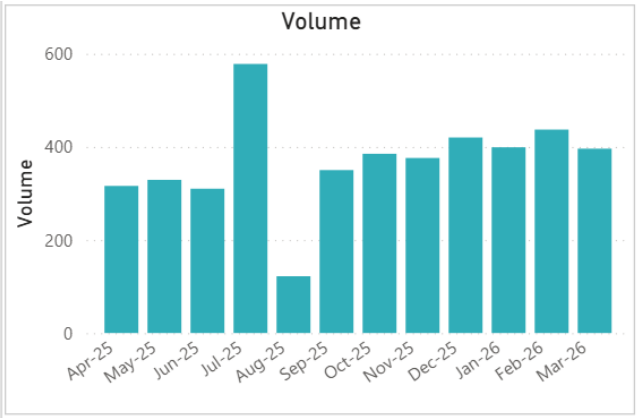
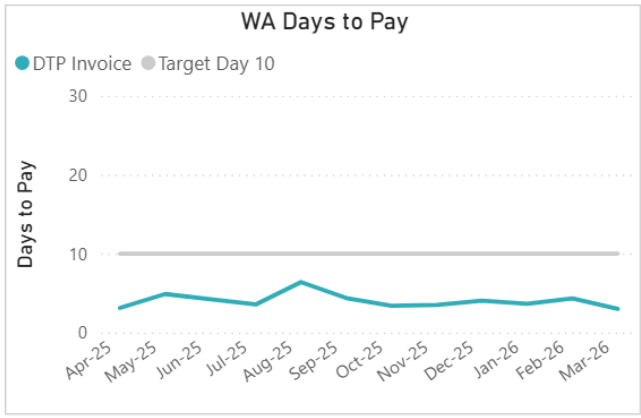
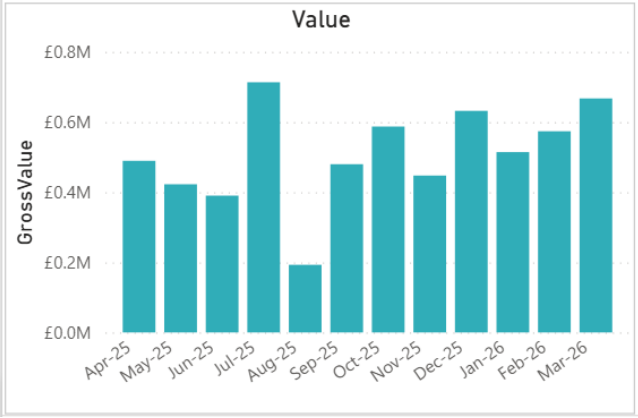
Appendix 1

Summary of Free Pay Performance

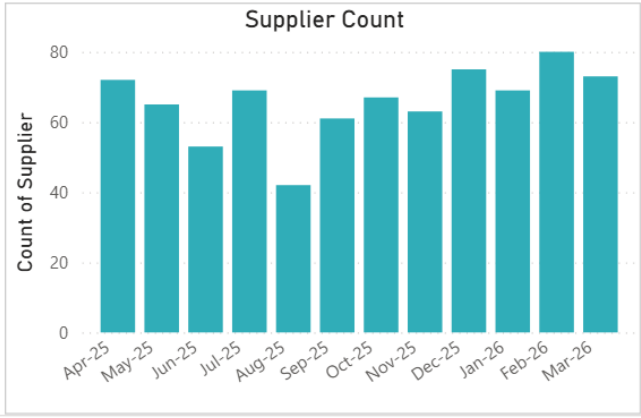


Total Volume	WA Days to Pay
4418	3.86





Total Value	Total Unique Supplier Count
£6.11M	157



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Agenda Item 9

MIDDLESBROUGH COUNCIL	Middlesbrough moving forward

Report of:	Head of Internal Audit, Veritau
Submitted to:	Audit Committee
Date:	3 September 2026
Title:	Internal Audit and Counter Fraud Progress Report
Report for:	Information
Status:	Public
Council Plan priority:	Delivering Best Value

Proposed decision(s)

That the Committee:

- **NOTES** the update on internal audit and counter fraud work undertaken.
- **NOTES** the proposed priorities for upcoming audit work for 2026/27

Executive summary

This report provides the committee with:

- an update on internal audit and counter fraud work undertaken.
- an update on internal audit priorities and planned work for the remainder of 2026/27 following approval of additional internal audit resources at the June Audit Committee meeting.

1. Purpose

1.1 To provide Members with an update on the delivery of internal audit and counter fraud work and on reports issued and other work completed since the last update to the committee.

1.2 To provide members with additional detail on internal audit's planned programme of work for 2026/27 following the additional internal audit resources approved at the June Audit Committee meeting

2. Recommendations

2.1 That the Audit Committee

- Notes the latest update on internal audit and counter fraud work.
- Notes the proposed priorities for upcoming audit work in 2026/27.

3. Background and relevant information

3.1 Internal audit provides independent and objective assurance and advice on the Council's operations. It helps the organisation to achieve overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.

3.2 The work of internal audit is governed by the Accounts and Audit Regulations 2015, the Council's internal audit charter and relevant professional standards. These include the Global Internal Audit Standards and the Application Note: Global Internal Audit Standards in the UK Public Sector.

3.3 Fraud is a significant risk to the public sector. Annual losses are estimated as being as high as £81 billion in the United Kingdom. Veritau is engaged to deliver a counter fraud service for Middlesbrough Council. The service helps the Council to mitigate fraud risks and to take appropriate action where fraud is suspected.

3.4 The Audit Committee has oversight of the work of both internal audit and the counter fraud team. Regular progress reports keep members of the committee informed of the work of both teams over the course of the financial year. Progress reports also set out planned activity for the remainder of the year, which members can review in light of the work programmes approved by the Committee and any subsequent changes to audit priorities and planned activity.

Internal Audit Progress report

3.5 The internal audit progress report is contained in appendix 1. This includes a summary of audit work completed and in progress, key findings from completed audits, current and future audit priorities, and follow-up of previously agreed audit actions. It also provides an update on the planned internal audit programme for 2026/27 following the approval of additional internal audit resources in June 2026.

Counter Fraud Progress report

3.6 The counter fraud progress report is contained in appendix 2. A range of work is detailed including activity to promote awareness of fraud, work with external agencies, and the results of investigative work undertaken for the Council

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)	The report itself has no direct financial implications as it is presented for information. However, effective internal audit and counter fraud arrangements support good financial governance, protect public funds, identify opportunities for improved value for money, and contribute to the Council's Best Value responsibilities.
Legal	Internal audit activity supports compliance with the Accounts and Audit Regulations 2015 and the Global Internal Audit Standards. Counter fraud activity assists the Council in meeting its legal and regulatory responsibilities relating to fraud prevention, detection and investigation.
Risk	The report contributes to the Committee's oversight of the Council's governance, risk management and internal control framework. Internal audit and counter fraud activity provide assurance on the effectiveness of controls and support the identification and mitigation of organisational risks.
Human Rights, Public Sector Equality Duty and Community Cohesion	No direct equality, human rights or community cohesion implications arise from this report. Internal audit work may, where relevant, consider compliance with the Equality Act 2010 and broader governance arrangements supporting fair and equitable service delivery.
Climate Change / Environmental	The report has no direct environmental implications. Where relevant, the internal audit programme may review governance and control arrangements relating to the Council's environmental and climate change objectives
Children and Young People Cared for by the Authority and Care Leavers	There are no direct implications arising from this report. Internal audit work may include reviews of services that support children, young people and care leavers, providing assurance over governance and control arrangements within those services.

Data Protection	Internal audit activity may include reviews of information governance and data protection controls, helping to provide assurance regarding compliance with data protection legislation and the safeguarding of personal information.

Appendices

1	Internal Audit Progress Report September 2026
2	Counter Fraud Progress Report September 2026

Background papers

Body	Report title	Date
Audit Committee	Internal Audit Work Programme 2026/27	16 April 2026
Audit Committee	Overview of the review of internal audit	25 June 2026

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Email: stuart.cutts@veritau.co.uk

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

Middlesbrough
moving forward

Internal Audit
Progress Report 2026/27

Date: 3 September 2026

APPENDIX 1

Veritau
Assurance for the public sector

CONTENTS

BACKGROUND

1 Internal audit provides independent and objective assurance and advice about the council's operations. It helps the organisation to achieve its overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.

2 The work of internal audit is governed by the Accounts and Audit Regulations 2015, the Council's internal audit charter, and relevant professional standards. These include the Global Internal Audit Standards and the Application Note: Global Internal Audit Standards in the UK Public Sector.

3 In accordance with professional standards, the Head of Internal Audit is required to report progress against the internal audit plan (the work programme) agreed by the Audit Committee, and to identify any emerging issues which need to be brought to the attention of the committee.

4 The internal audit work programme for 2026/27 was agreed by this committee on 16 April 2026.

5 At the June 2026 meeting, the Committee considered the outcomes of a review of the Council's internal audit arrangements. Additional investment of 170 internal audit days for 2026/27 was approved. The Committee also requested further information on how those resources would be utilised. This report sets out the updated internal audit work programme for 2026/27 and explains how those resources will support delivery of the programme during the year.

6 Veritau has adopted a flexible approach to work programme development and delivery. Work to be undertaken during the year is kept under review to ensure that audit resources are deployed to the areas of greatest risk and importance to the council.

7 The purpose of this report is to update the committee on internal audit activity up to 14 August 2026.

INTERNAL AUDIT PROGRESS

8 A summary of internal audit work currently underway, as well as work finalised in the year to date, is included in annex A. Annex A also details other work undertaken by internal audit during the year.

9 Two audits have been finalised since the last report to this committee. Further information on the key findings from completed audits is included in Annex B. A further audit is currently at draft report stage and fieldwork has been completed for another.

10 Twelve audits are in progress, six of which are at the planning stage. This reflects the fact that completing 2025/26 audit work prior to the annual report in June 2026 was prioritised, so 2026/27 work commenced in earnest in June/July.

11 To support planning and scheduling during the year, audits are assigned to one of three prioritisation categories: 'do now', 'do next' and 'do later'.

12 Annex C provides details of progress on ongoing audits. These audits are currently assigned to the 'do now' category. Work has either started and scope and objectives have been agreed with officers for these audits, or where planning has started will be agreed shortly as part of the engagement planning process.

13 The audit work programme agreed by this committee in April 2026 listed audit activities identified as a priority for 2026/27. The programme was intentionally over-planned to build in flexibility. Since the work programme was approved, further work has taken place to plan, prioritise and schedule audit work.

14 Annex D outlines the current audit priorities and programme for 2026/27 and includes audits under the 'do next' and 'do later' categories. The additional audit days have only recently been approved and planning discussions with officers are continuing. The programme remains intentionally over-planned to build in flexibility. This allows audit priorities to be refined through the year and Internal Audit to respond to emerging risks and changing organisational priorities.

15 At this early point in the audit year there is inherently less certainty about audits included in the 'do later' category. It is likely some of these audits will not be delivered, as other priorities arise and re-scheduling of work takes place through the year. This committee will continue to receive updates through the year on the current and future priorities.

16 It is also important to note that the additional internal audit days will not simply be used to complete more audit engagements. As outlined in the June 2026 review of internal audit report, presented by officers and approved by the committee, the additional investment is intended to increase the profile of internal audit and to enable audit to act more as a critical friend and consultant to the Council. It will also support additional liaison and reporting to senior leadership at the Council.

17 The additional audit days also provide greater flexibility to respond to new and emerging risks and provide additional support and advisory work. Some additional areas of new audit coverage have been identified as part of recent monthly liaison meetings and are included in Annexes C and D.

18 In addition to the audit areas already identified, ongoing liaison will continue to identify further areas of work and opportunities to contribute to the Council's governance, risk management and control arrangements. This could include:

- specific projects linked directly to the strategic and directorate risks registers;
- consultancy type work, where Veritau have greater knowledge and exposure to topic areas due to working with other local authorities and clients;
- focussed reviews on areas of non-compliance with the Constitution and the Finance & Contract Procedure Rules;
- training and guidance for council staff;
- additional projects added to the current year work programme from Veritau's own risk assessment of the Council's operations.

19 Progress reports to this committee throughout 2026/27 will continue to provide updates on internal audit priorities as they continue to develop.

20 Annex E sets out our assurance audit opinions and finding priorities.

FOLLOW UP

21 All actions agreed with services as a result of internal audit work are followed up to ensure that issues are addressed. As a result of this work we are generally satisfied that sufficient progress is being made to address the control weaknesses identified in previous audits.

22 A summary of the current status of follow up activity is included at annex F. There are currently no overdue audit actions. There are a number of actions with prolonged revised dates; these continue to be followed up by internal audit and we are satisfied that appropriate action is being taken and that the reasons for delays in implementation are reasonable.

ANNEX A: INTERNAL AUDIT WORK IN 2026/27

Final reports issued

Audit	Reported to Committee	Opinion
Planning applications	September 2026	Reasonable Assurance
Home to school transport	September 2026	Substantial Assurance
No recourse to public funds (CS)	June 2026	Limited Assurance
Benefits	June 2026	Substantial Assurance
Partnerships	June 2026	Substantial Assurance
Creditors	June 2026	Substantial Assurance
ASC Financial assessments	June 2026	Substantial Assurance

Audits in progress

Audit	Status
Asset Management	Draft report issued
Section 17 payments	Fieldwork complete
Un-invoiced payment review	Fieldwork nearing completion
Records management	Fieldwork nearing completion
Climate change	Fieldwork in progress
Implementation of the Procurement Act	Fieldwork in progress
Agency staff and consultants	Planning
Community councils	Planning
Council Tax and NNDR	Planning
Main accounting system	Planning
Public Health - Public Health Grant assurance	Planning
Teesside pension fund – closedown procedures	Planning

Further explanation of audit progress status

Status	Further explanation
Planning	We are working with officers to define and agree the scope and timing of the internal audit work.
Fieldwork in progress	A specification has been issued and agreed with officers which includes target dates for key work deadlines. Fieldwork has started.
Fieldwork nearing completion	Work is substantially complete.
Fieldwork complete	Fieldwork has been completed. Closing meetings to discuss findings are taking place and/or the audit is subject to internal quality assurance review.
Draft report issued	A report with findings has been shared with officers. Appropriately focused actions with deadlines for completion need to be provided by officers before an agreed final report can be issued.

Other internal audit activity in 2026/27

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

- Follow-up of previously agreed management actions
- Grant certification and related assurance activity, including
  - City Region Sustainable Transport Settlement
- Supporting counter fraud colleagues relating to whistleblowing referrals and other internal investigations
- Providing annual feedback on the effectiveness of the Audit Committee
- Attendance at internal Council groups covering risk and governance.
- Ongoing general support and advice, and regular liaison with officers.

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
Home to school transport	Substantial assurance	The audit reviewed policies and procedures, including referral, eligibility, decision making and appeals processes. The audit did not review the provision of transport against individual EHCP requirements.	14 August 2026	The council has an effective framework for delivering Home to School Transport. Policies, eligibility assessments, referral processes, decision-making arrangements, and appeals procedures were found to be operating effectively and supported by appropriate management oversight. Non-home to school transport arrangements, including Adult Social Care and emergency transport, were also found to be operating effectively and in line with relevant requirements. The service is supported by experienced and knowledgeable officers. However, documented operational procedures are limited, creating reliance on individual knowledge and experience for some key operational activities. This reduces organisational resilience and increases the risk of knowledge being lost through staff absence or turnover.	1 significant finding was agreed. **Responsible officer:** ITU Manager. Actions will strengthen business continuity, knowledge transfer, and organisational resilience within the Home to School Transport service. A comprehensive Office Manual will be developed and implemented to support the consistent administration of key operational processes. The Office Manual will be completed by 30 November 2026, with implementation and review arrangements completed by 28 February 2027

System/ area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed
Planning applications	Reasonable Assurance	The audit reviewed policies and procedures and planning practices and their compliance with legislation and guidance.	3 August 2026	The council's planning framework is broadly effective, with planning applications generally processed in line with legislation, policy, and established procedures. Progress has also been made on the emerging Local Plan. Governance, performance monitoring, and operational arrangements are established and planning application fees were generally calculated and collected correctly Weaknesses were identified in governance, income assurance, supporting documentation, and strategic oversight arrangements. Delegation documentation had not been updated to reflect organisational changes, discretionary fee increases had not been implemented, and some planning guidance was outdated. Opportunities were also identified to strengthen quality assurance, stakeholder feedback arrangements, and oversight of performance and risk.	1 significant and 6 moderate findings were agreed. **Responsible officer:** Corporate Director, Regeneration and Housing. Actions will strengthen governance arrangements, income assurance controls, and the maintenance of planning policies and supporting documentation. Work will improve planning decision quality assurance, stakeholder feedback arrangements, and oversight of service performance and risk. The revised Scheme of Sub-Delegation has already been approved, with further improvements planned to strengthen planning governance and operational resilience. The majority of actions will be completed by 28 February

System/ area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed
					2027. All actions will be completed by 30 April 2027.

ANNEX C: SUMMARY OF PROGRESS ON ONGOING AUDITS

Audit	Specification issued	Scope	Details on progress	Target final report date	Target committee date
Asset Management *Draft report issued*	March 2026	Asset strategy, long term plans to manage assets, assets sales.	Fieldwork has been completed. A draft report was issued to responsible officers on 25 June. The proposed opinion is of Reasonable Assurance with a number of moderate findings but no significant control weaknesses.	August 2026	December 2026
Section 17 payments *Fieldwork complete*	April 2026	Roles and responsibilities, plans, policies and procedures, authorisation of payments, budgetary control.	Fieldwork complete. Closing meeting and quality assurance review in progress.	September 2026	December 2026
Un-invoiced payment review *Fieldwork nearing completion*	July 2026	Additional request: Fact finding review into potential non-compliance with financial regulations.	Meetings have taken place with key officers. Some work remains to be completed.	September 2026	December 2026
Records Management *Fieldwork nearing completion*	February 2026	Governance over management of records, access to records, retention and disposal,	Fieldwork nearing completion. Expect to complete fieldwork in August.	September 2026	December 2026

Audit	Specification issued	Scope	Details on progress	Target final report date	Target committee date
Climate change *Fieldwork in progress*	June 2026	Governance arrangements, embedding of plans in services, strategy priorities and actions.	Fieldwork commenced. The Green Strategy is being redrafted and discussions are taking place on whether the focus of the review should be adjusted to provide support and advice on governance arrangements.	October 2026	December 2026
Implementation of the Procurement Act *Fieldwork in progress*	April 2026	Procurement strategy, policies and procedures, training, oversight and monitoring compliance with procurement act.	Specification issued and information to further progress the work requested.	October 2026	December 2026
Agency staff and consultants *Planning*	To be issued	To be agreed	Planning in progress. Awaiting opening meeting to discuss and agree scope and objectives.	TBC	December 2026
Community Councils *Planning*	To be issued	Additional request: Scope and objectives have been discussed but still to be formally agreed.	Planning in progress. Awaiting opening meeting to discuss and agree scope and objectives.	TBC	December 2026

Audit	Specification issued	Scope	Details on progress	Target final report date	Target committee date
Council Tax and NNDR *Planning*	To be issued	To be agreed	Planning in progress. Awaiting opening meeting to discuss and agree scope and objectives.	TBC	December 2026
Main accounting system *Planning*	To be issued	To be agreed	Planning in progress. Awaiting opening meeting to discuss and agree scope and objectives.	TBC	December 2026
Public Health - Public Health Grant assurance *Planning*	To be issued	To be agreed	Planning in progress. Awaiting opening meeting to discuss and agree scope and objectives.	TBC	December 2026
Teesside pension fund – closedown procedures *Planning*	To be issued	To be agreed	Planning in progress. Awaiting opening meeting to discuss and agree scope and objectives.	TBC	December 2026

ANNEX D: CURRENT PRIORITIES FOR INTERNAL AUDIT WORK IN 2026/27

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting[1]
Strategic / Corporate & cross cutting			
Do next			
Charitable trusts – governance review	Work identified through liaison. Work to cover a review of governance arrangements for the charitable trusts which the council has involvement in, and support council with best practice recommendations. Scope to be agreed with officers.	August 2026	December 2026
Health and Safety (Environment services)	Area of corporate risk. Nature of services in Environmental Services means there is a high inherent level of risk. Audit work will assess the effectiveness of controls in managing that risk.	September 2026	December 2026
Information security	Further discussions will take place to determine the focus of the review. Potential areas for coverage include physical information security arrangements and incident management.	Q3	TBC
Do later			
Complaint handling	Deferred previously.	Q4	TBC

[1] This is the expected date the audit findings will be included in reports to the Audit Committee. The report will potentially be finalised sooner than this, and the date of issue will be included when reported to the Audit Committee.

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting[1]
Performance management	New performance management framework and processes implemented for 2026/27.	Q4	TBC
Financial / Corporate systems			
Do next			
Special guardianship payments	Work identified through discussion with officers. To review policy, oversight, approval and what elements are included in payments.	September 2026	December 2026
Payroll	Key financial system and not audited since 2024/25. Scope discussions will consider use of data analytics and opportunities for ongoing assurance.	Q3	TBC
Management of grants	Identified in consultation that review of overall management of grants across the council would provide useful assurance and support good governance.	Q3	TBC
Do later			
Financial assistance schemes	Discretionary support and crisis relief schemes. Significant amounts of money allocated and these schemes have very high volumes of transactions and could be open to use and abuse if not well controlled.	Q4	TBC
Teesside pension fund	Potential areas for audit include income contributions and risk management. Scope and objectives to be discussed and agreed with officers.	Q4	TBC

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting[1]
Direct payments	Review of management of direct payments. Previous limited assurance audit (reported to members December 2024), actions have been followed up and confirmed as implemented. To re-assess key controls.	Q4	TBC
Ordering and creditors	High volume and value of transactions. Audited frequently. To discuss reviewing areas not previously examined and using data analytics.	Q4	TBC
ICT			
Do next			
IT audit – user access	Key area for managing cyber risk. Opening meeting held. Due to recent external review this work may be delayed and replaced with an alternative IT audit. Further discussions to take place.	September 2026	December 2026
IT audit – cyber security user awareness and training	People are key attack vector / point of weakness. Therefore, audit of user awareness and training identified as priority.	Q3	TBC
Do later			
IT audit - TBC	Further discussions will take place to determine the priority area for work. Potential areas identified through planning include cloud management, AI framework, systems review, disaster recovery and supplier management / third-party risk. Audit work may take the form of support and advice rather than a formal assurance review.	Q4	TBC

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting[1]
Operational audits			
Do next			
No Recourse to Public Funds (ASC)	Increasing number of individuals presenting with 'no recourse to public funds' (NRPF). There are initiatives for NRPF families/individuals including access to free school meals. Follows work in Children's services last year.	September 2026	December 2026
Housing strategy – needs assessment	Identifying needs is challenge for effective strategy. Review how systems could improve quality, consistency, robustness of data on housing need, collated from across the council (e.g. link to supported housing, homelessness, landlord licensing etc.).	September 2026	December 2026
Children's services – Residential services	Following the recent Ofsted inspection, priorities within Children's Services are being re-evaluated. Discussions are ongoing to identify the highest priority area for audit review.	September 2026	TBC
Carer support (ASC)	ASC strategy and CQC improvement plan identify carer support as key risk and requiring improvement. Support at DMT for audit of carer support.	Q3	TBC
Section 106 / CIL	Middlesbrough has not previously operated a CIL. Priority for audit in 26/27 as generally high risk for most councils, audits at other councils often find issues and weaknesses in control and effective use of s106 (and CIL).	Q3	TBC
Waste management	Not previously audited. Changes in working practices present an opportunity for audit review. Scope and objectives to be agreed with officers.	Q3	TBC

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting[1]
Schools themed audit	Specific focus to be agreed with the directorate and Veritau's Schools Audit Manager. HR processes are a potential area for review.	Q3	TBC
Do later			
Reablement and Independent living	Significant area in ASC strategy and council plan. DMT support for audit as high risk and/or high importance for delivery of objectives of service. Key element to reducing demand and costs of care.	Q4	TBC
Middlesbrough Community Learning Service	Review of policy, procurement exemption documentation, contract mgmt. due diligence checks, invoice administration.	Q4	TBC
Regeneration projects	Important corporate priority. Various projects across council. Could review overall approach to project management / governance or more specific review of individual projects. High profile, significant risk so to include audit and use ongoing liaison to identify specific objectives and scope.	Q4	TBC
Children's services – Virtual school	Further Children's Services audit work may be undertaken during the year. Potential areas include residential services, the virtual school, private fostering, commissioning and decision-making processes.	Q4	TBC
Enforcement (Regen Dir)	Areas of enforcement important for council. To discuss scope and objectives, Areas could include building control, MO licencing, renters rights act.	Q4	TBC
Fleet management	Significant spend and vital for delivery of services. Recent external reviews of H&S, maintenance. Scope could be on financial aspects.	Q4	TBC

ANNEX E: 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.

*There are circumstances when it is not appropriate to give an opinion/assurance level on completed work, for example on projects, investigations and other targeted support, consultancy, and follow up work. In these instances a 'No opinion' will be given. No opinion should not be mistaken for No assurance.

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 F: FOLLOW UP OF AGREED AUDIT ACTIONS

1 Follow-up work is carried out through a combination of notifications via the council's Pentana system, questionnaires completed by responsible managers, risk assessment, and further review by audit where necessary.

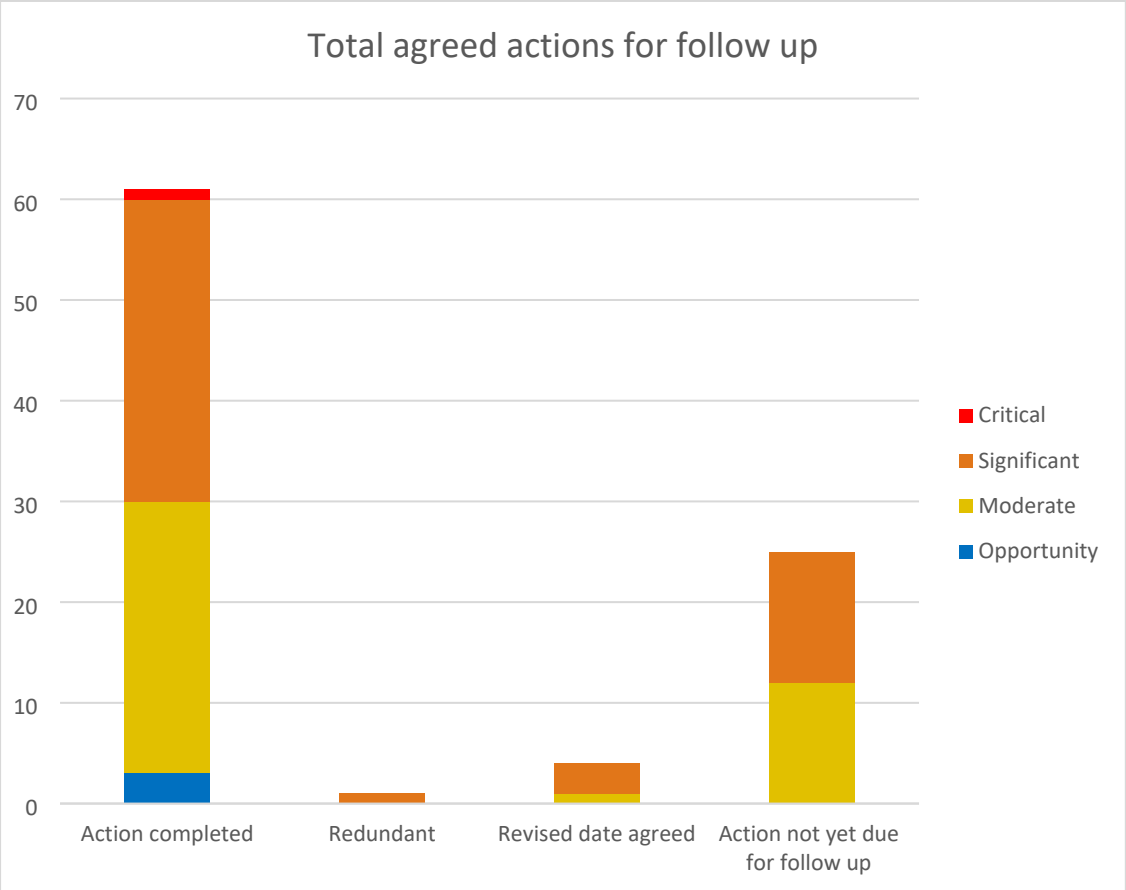
2 Where responsible officers have not taken the action they agreed to, issues are escalated to more senior officers. Ultimately, they may be referred to the Audit Committee in accordance with the follow-up and escalation procedure.

3 Follow up activity is reported on a rolling twelve month basis. Figure 1 below reports the status of agreed actions from follow-up activity for the period from 21 August 2025 – 20 August 2026.

4 For clarity, the figure shows the results of follow up activity for this period, regardless of when actions were originally due (that is, it includes actions which were due prior to August 2025 but which were implemented in the last twelve months or are still being followed up).

5 For completeness, it also shows actions which have been agreed in finalised audits, but which have not yet fallen due and so have not been followed up.

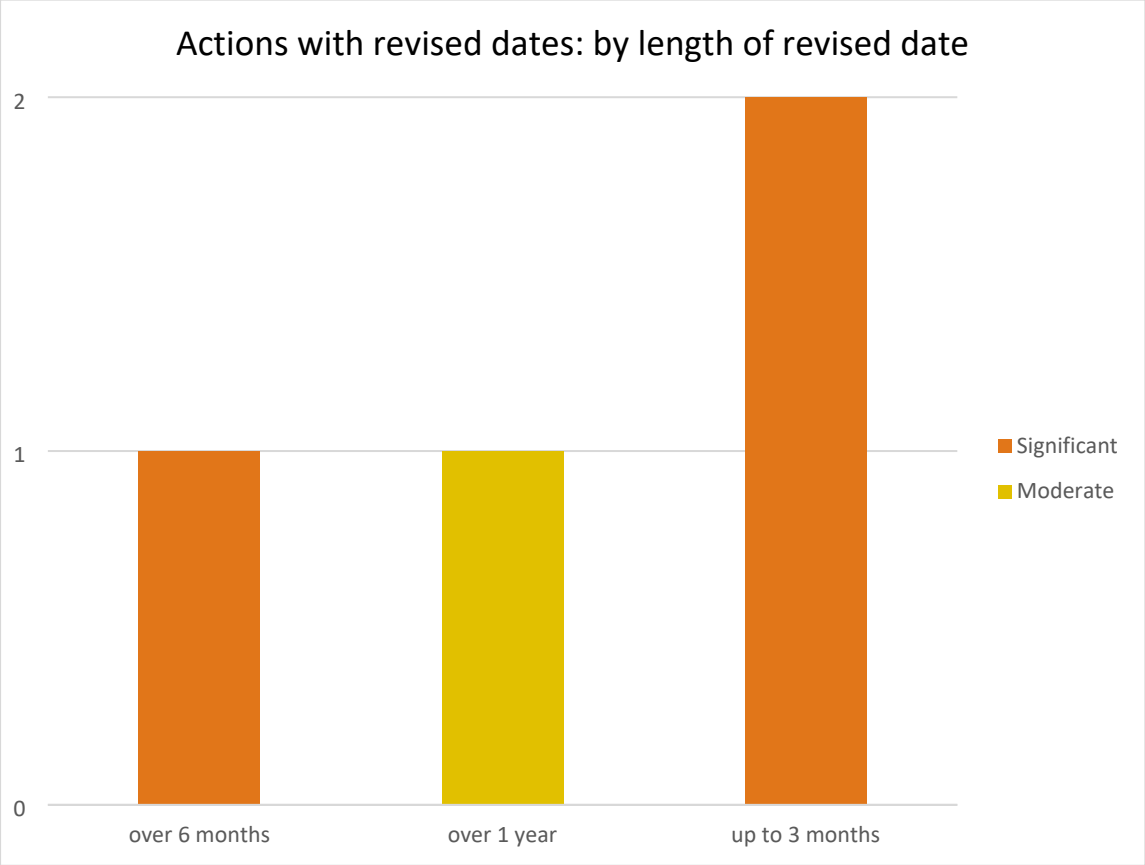
Figure 1: Total agreed actions by current status



6 A total of 68 actions have been followed up in the last twelve months. Of these, 61 have been satisfactorily implemented (90%). Twenty-three actions are not yet due for follow-up as their original implementation date has not passed at the time of reporting.

7 A total of four outstanding actions have had their original implementation timescale extended. A revised implementation date has been agreed with the action owner. We agree revised dates where the delay in addressing an issue will not lead to unacceptable exposure to risk and where the delays may be unavoidable. Although lengthy or continued revision of implementation dates can increase the risk of issues occurring. Figure 2, below, shows how long dates have been extended beyond original implementation dates.

Figure 2: Length of revised dates agreed for action implementation



8 At the time of reporting, no actions are overdue.

Middlesbrough
moving forward

Counter Fraud Progress Report 2026/27

Date: 3 September 2026

APPENDIX 2

Veritau
Assurance for the public sector

CONTENTS

BACKGROUND

1 Fraud is a significant risk to the public sector and is the most common offence in the UK, accounting for 41% of all crime[1]. The National Audit Office estimates that fraud and error cost the taxpayer between £55 and £81 billion in 2023/24 and only a fraction of this was detected[2]. Financial loss due to fraud can reduce a council's ability to support public services and cause 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 plans and takes part in counter fraud campaigns (eg the National Fraud Initiative), undertakes fraud awareness activities with staff and the public, and maintains and updates the Council's counter fraud framework and associated policies.

4 The purpose of this report is to update the Audit Committee on counter fraud activity in 2026/27.

COUNTER FRAUD MANAGEMENT

5 The Human Resources Department, working with Veritau, has updated the Council's whistleblowing policy to conform with new legislation. The policy, in line with the Employment Rights Act 2025 which came into force in April, now explicitly makes it clear that workers reporting sexual harassment will receive protection against detrimental treatment and dismissal as detailed in the Public Interest Disclosure Act 1998. The new policy is being publicised to all employees.

6 In May Middlesbrough Council participated in National Blue Badge Awareness Week.[3] Councils from across the country carried out checks on blue badges found to be in use and were supported by the British Parking Association and Disability Motoring UK. Officers from the Parking Team and Veritau worked together to inspect 45 badges across several locations in the town. Most of the badges were being used correctly, however two cases of potential misuse were identified and are currently under investigation.

7 The counter fraud team delivers service area specific fraud training to council teams throughout the financial year. In July, fraud awareness training was provided to the council's Finance Team. The session covered

[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] Blue Badge misuse crackdown launched by Teesside councils, The Northern Echo

the danger of mandate fraud which occurs when criminals persuade organisations to change payment details to divert legitimate transfers to suppliers. The session highlighted recent cases and trends, as well as how to identify this type of fraud and what to do if potential mandate fraud is detected.

8 Veritau helps to promote whistleblowing at the Council. In June, as part of World Whistleblowers' Day, awareness was raised about the Council's policy, and what protections are in place when workers raise serious concerns in line with UK law. Working with officers in Human Resources, Veritau helps ensure that all whistleblowing concerns are identified, logged, and appropriately addressed.

9 Veritau shares alerts on fraud threats identified by partners in the counter fraud community, including the National Anti-Fraud Network (NAFN). When Veritau identifies threats that could affect other local authorities, a threat report is made so all NAFN members are aware. Recent alerts from NAFN have included details of fraudulent applications to crisis and resilience funds and concerns about a website advertising local authority job vacancies that is believed to be harvesting personal information rather than sending applications to the prospective employers.

MULTI-AGENCY WORK

10 The National Fraud Initiative (NFI) is a large-scale data matching programme 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 it runs every two years. The 2026/27 exercise will begin in October when a range of datasets will be uploaded to the PSFA for data matching. The results are expected in late 2026 and early 2027.

11 In line with the Local Audit and Accountability Act 2015, the PSFA has recently consulted with local government about changes to the National Fraud Initiative. They recently sought views about a proposed 50% increase in fees (from £4040 to £6045 for unitary authorities) which is in part justified by a new proactive tool which will allow councils to directly access HMRC data.

INVESTIGATIVE WORK

12 Between 1 April and 12 August 2026, the service logged 45 referrals of suspected fraud. Thirteen investigations have been completed this year and there are currently 36 cases under investigation, including cases carried forward from previous years. To date £28,132 of loss has been identified.

13 One person has accepted a formal caution in lieu of prosecution for misusing a deceased person's disabled blue badge. An investigation into the misuse of an account used to book transport for Council service users resulted in more robust controls being implemented.

14 The counter fraud team supports the Council to recover losses identified as part of investigations. Counter fraud savings[4] are tracked by monitoring repayments to the Council and calculating the value of stopping ongoing frauds. In 2026/27 £70,953 of counter fraud savings have been identified to date.

[4] Counter fraud savings consist of money recovered during the course of the year (debts may have been calculated in previous years as well as the current financial year) and 12 months of savings where an ongoing fraud has been stopped through the work of the counter fraud team.

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Theme	Report	Authors	25/06/26	23/07/26	03/09/26	01/10/26	29/10/26	17/12/26	28/01/27	25/02/27	24/03/27	29/04/27	first meeting 27/28
Governance, Risk and control	Health and Safety Annual Assurance report	A Johnstone											
Governance, Risk and control	Complaints annual assurance report	A Johnstone											
Governance, Risk and control	Risk annual assurance report expanded to include an overview on progress made in addressing risks	A Johnstone											
Governance, Risk and control	Mid-year Risk Update expanded to include an overview on progress made in addressing risks	A Johnstone											
Governance, Risk and control	Senior Information Risk Owner (SIRO) annual report	A Johnstone											
Governance, Risk and control	Management of Strategic Risk 17 - Funding for Key External Projects led by TVCA or MDC	R Horniman	☑										
Governance, Risk and control	Management of Strategic Risk 04 - Unlawful Decision by the Council	C Benjamin											
Governance, Risk and control	Management of Strategic Risk 02 - Volatility into the Demand, Complexity and Cost of Chidren's Social Care	A Bates											
Governance, Risk and control	Management of Strategic Risk 08 - Failure to Ensure an Approach to Cyber Security that Meets Good Practice Standards as set out by the National Cyber Security Centre and Other Bodies	L Zipfell											
Governance, Risk and control	Annual Assurance Report on Partnership Governance	A Johnstone											
Governance, Risk and control	Annual Assurance Report on Decision Making	C Benjamin / A Wilson											
Governance, Risk and control	Annual Assurance Report on Business Continuity	A Johnstone											
Governance, Risk and control	Local Code of Corporate Governance	A Johnstone											
Governance, Risk and control	Annual Assurance Report HR	N Finnegan											
Governance, Risk and control	Performance Management assurance report	A Johnstone											
Governance, Risk and control	Programme and Project Management Framework assurance report	A Johnstone											
Governance, Risk and control	Outcome of the review of Internal Audit Services	A Humble	☑										
Governance, Risk and control	Annual assurance report on the governance around revenue and capital budgets and the effectiveness of budget monitoring processes	A Humble											
Governance, Risk and control	Annual Assurance report on actions taken to reduce the likelihood of fraud	J Weston											
Governance, Risk and control	Annual review of the effectiveness of Internal Audit Service	A Humble											
Governance, Risk and control	Corporate Governance Assurance policy, framework and imeplementation plan	A Johnstone											
Governance, Risk and control	Annual Update on Failure to Prevent Fraud legislation	J Weston											
Governance, Risk and control	Role and Recuritment of an Independent Member	J Weston		☑									
Financial and governance reporting	Prudential Indicators and Treasury Management Mid-Year Review	J Weston											
Financial and governance reporting	Prudential Indicators and Treasury Management Outturn Report 2025/26	J Weston		☑									
Financial and governance reporting	Final Statement of Accounts	J Weston											
Financial and governance reporting	Treasury Management Report	J Weston											
Financial and governance reporting	Letter of Representation on the Accounts from the Director of Finance	J Weston											
Financial and governance reporting	Draft Statement of accounts including AGS	J Weston / A Johnstone		☑									
Financial and governance reporting	Annual Review of Financial Procedure Rules Compliance	J Weston											
Financial and governance reporting	Annual Procurement Report	C Walker											
Financial and governance reporting	Annual Review on Financial Procedure Rules Compliance	J Weston											
Financial and governance reporting	Update to Committee on Comparative Reserves Performance	H Dalby											
Financial and governance reporting	Payroll Reconciliation Arrangements	A Humble / N Finnegen											
Internal Audit	Head of Internal Audit Annual Report and Counter Fraud Annual Report	S Cutts / J Dodsworth	☑										
Internal Audit	Internal Audit Progress Report and Counter Fraud Progress Report	S Cutts / J Dodsworth											

Internal Audit	Internal Audit Future Year Consultation Report	S Cutts											
Internal Audit	Internal Audit and Counter Fraud Work Programme 2027/28	S Cutts / J Dodsworth											
Internal Audit	Head of Internal Audit Annual Report and Counter Fraud Annual Report 2027/27	S Cutt / J Dodsworth											
External Audit	Audit Strategy Memorandum for Teesside Pension Fund/Middlesbrough Council	Thomas Backhouse / Cath Andrews		☑									
External Audit	Progress report – Forvis Mazars	Cath Andrew											
External Audit	Pension Fund Audit Progress Report – Forvis Mazars	Thomas Backhouse											
External Audit	Forvis Mazars Auditors Annual Report	Cath Andrew											
External Audit	Forvis Mazars – Audit Completion Report (backstop is end jan - may need special)	Cath Andrew											
External Audit	Audit Completion report for the Pension Fund (deadline end of Jan - may need a special)	Thomas Backhouse											
Accountability	Annual review of the Committee's effectiveness	A Johnstone		☑									
Accountability	Draft Annual Report of the Committee	A Johnstone											
Accountability	Annual CCTV Report	M Walker											
Misc	Audit Committee work programme	A Johnstone	☑	☑									
Misc	Ad hoc attendance and reporting as necessary by LMT members to set out reasons why significant audit actions have not been delivered	Various											
Governance, Risk and control	Training progamme for Audit Committee Members (June) and then progress reports as necessary	J Weston / A Johnstone	☑										
Committee ask from 11 December 2025 meeting	If not addressed, committee require an update from the Chief Officer who has not ensured information is supplied to auditors to enable them to complete an audit on no recourse to public funds audit	TBC - Stuart Cutts to advise											

Deadline for final audited accounts is 30 January 2027 for 2025/6 accounts

Deadline for final audited accounts is 30 November 2027 for 2026/7 accounts

The meeting in diaries at the moment will likely be too early and may need a special meeting booked in or the February date moved