

Internal Audit Work Programme 2025/26

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Introduction



- 1 This report sets out the proposed 2025/26 programme of work for internal audit, provided by Veritau for Middlesbrough Council.
- 2 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS)¹ and the Council's audit charter. To comply with professional standards and the charter, internal audit work must be risk based and take into account the requirement to produce an evidence-based annual internal audit opinion. Accordingly, planned work should be reviewed and adjusted in response to changes in the business, risks, operations, programmes, systems and internal controls.
- 3 Specifically, the PSIAS require that the Head of Internal Audit "*must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The risk-based plan must take into account the requirement to produce an annual internal audit opinion.*"
- 4 The Head of Internal Audit's annual opinion is formed following an independent and objective assessment of the effectiveness of the framework of risk management, governance and internal control. Our planned audit work includes coverage of all three areas to develop a wider understanding of the assurance framework of the council, and to produce a body of work which allows us to provide our opinion.
- 5 Responsibility for effective risk management, governance and internal control arrangements remains with the council. The Head of Internal Audit cannot be expected to prevent or detect all weaknesses or failures in internal control nor can audit work cover all areas of risk across the organisation.

Strategic context



- 6 The Council is facing continued financial pressures because of the ongoing increase in demand for its services. Providing adult and children's social care will account for 79% of the Council's net revenue budget during 2024/25.
- 7 In addition, the Council's reserves have fallen to critically low levels. As at 1 April 2024 reserves were the fifth lowest of all English single tier councils, relative to the size of overall budget.
- 8 The Council relied on Exceptional Financial Support worth £4.7m to cover the costs of day-to-day spending during 2024/25. Although a balanced budget for 2025/26 has been produced and following public consultation will be considered by councillors in February 2025.
- 9 The Council has also embarked on an ambitious transformation programme entitled "Recover, Reset and Deliver" to transform the Council

¹ The Global Internal Audit Standards (UK Public Sector) will apply from 1 April 2025. Further information about the new standards is included in our progress report to this committee meeting.

operationally and culturally into an organisation that can modernise services and deliver them effectively.

- 10 The Council was issued a Best Value notice by the government in January 2023 due to concerns about the way the Council was operating. This followed governance issues identified in internal and external audit reports. The Best Value notice was subsequently re-issued in January 2024. It was removed in September 2024 as the government recognised the positive changes that have been made. The Council accepts that whilst this reflects the work that has already been carried out there will be more to do to ensure that the Council's governance arrangements are fit for purpose.

2025/26 Internal audit work programme

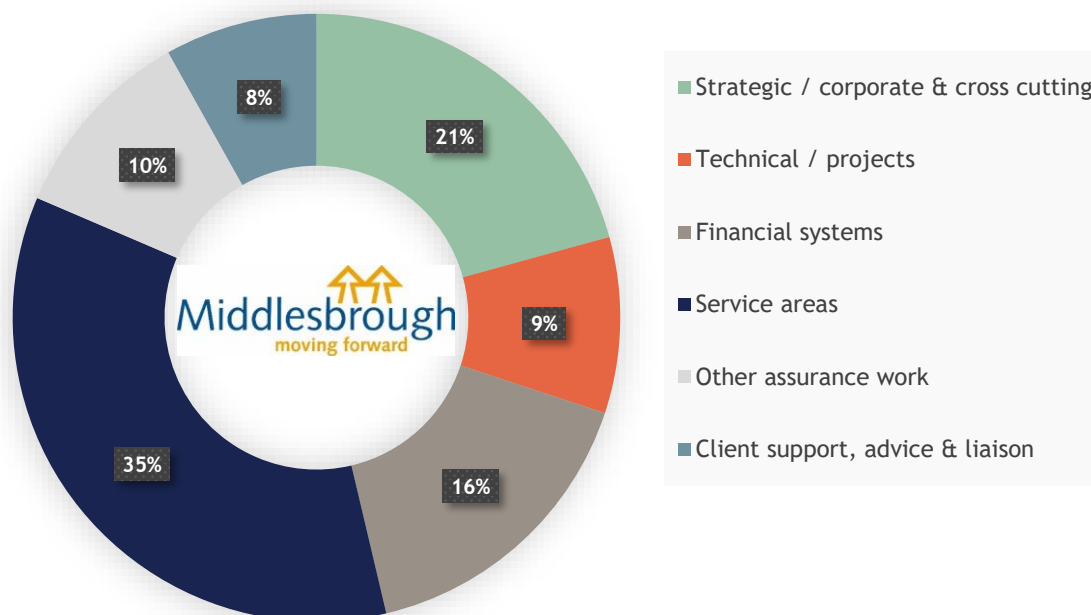
- 11 The work programme for 2025/26 is set out in annex A, beginning on page 9.
- 12 Functionally, the indicative programme is structured into a number of areas, as set out in table 1, below.

Table 1: Work programme functional areas.

Programme area	Purpose
▲ Strategic / corporate & cross cutting	To provide assurance on areas which, by virtue of their importance to good governance and stewardship, are fundamental to the ongoing success of the council.
▲ Technical / projects	To provide assurance on those areas of a technical nature and where project management is involved. These areas are key to the council as the risks involved could detrimentally affect the delivery of services.
▲ Financial systems	To provide assurance on the key areas of financial risk. This helps provide assurance to the council that risks of loss or error are minimised.
▲ Service areas	To provide assurance on key systems and processes within individual service areas. These areas face risks which are individually significant but which could also have the potential to impact more widely on the operations or reputation of the council if they were to materialise.
▲ Other assurance work	An allocation of time to allow for continuous audit planning and information gathering, unexpected work, and the follow up of work we have already carried out, ensuring that agreed actions have been implemented by management.
▲ Client support, advice & liaison	Work we carry out to support the council in its functions. This includes the time spent providing support and advice, and liaising with staff.

- 13 The overall level of service is based on an indicative number of days, for planning purposes (555 for 2025/26). Figure 1 below shows the proportion of time we expect to deliver across each area during the year.

Figure 1: 2025/26 work programme: indicative functional area split.

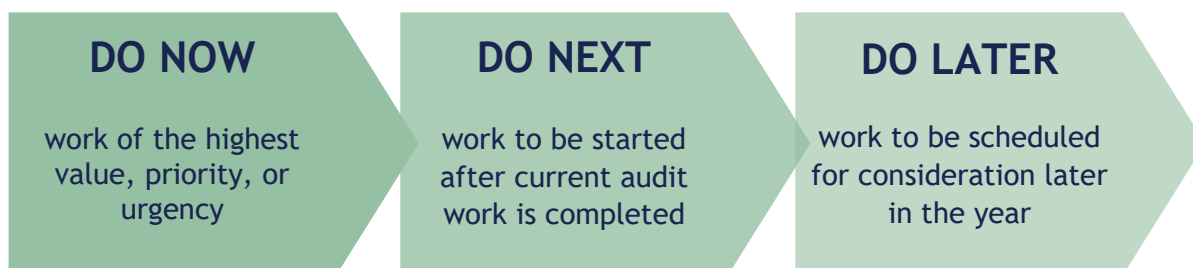


- 14 It is important to emphasise two important aspects of the programme. Firstly, the audit activities included in annex A are not fixed. As described above, work will be kept under review to ensure that audit resources are deployed to areas of greatest risk and importance to the council. This is to ensure the audit process continues to add value.
- 15 Secondly, it will not be possible to deliver all the audit activities listed in the programme. The programme has been intentionally over-planned, to build in flexibility from the outset while also providing an indication of the priorities for work at the time of assessment. Over-planning the programme enables us to respond quickly by commencing work in other areas of importance to the council when risks and priorities change during the year.

The 'do now', 'do next', 'do later' audit prioritisation system

- 16 Once initial internal audit priorities have been identified through application of the opinion framework, we then overlay a second system of prioritisation. This system allows us to determine the relative priority of audits included in the indicative work programme.
- 17 This second prioritisation system sees audits assigned to one of three categories, as shown in figure 2 below.

Figure 2: 'do now', 'do next', 'do later' prioritisation system.



- 18 Decisions on which category of the three categories internal audit work falls into will be based on judgement and will be made having given consideration to the prioritisation factors in table 2 below. These will result in internal audit work being considered a relatively higher or lower priority at the time of assessment.

Table 2: Internal audit prioritisation factors.

Prioritisation factors	
▲ where we have no recent audit assurance, or other sources of information	▲ where controls are changing and / or risks are increasing
▲ where we are following up previous control weaknesses	▲ where specific issues are known to have arisen
▲ that are of significant importance to the council, for example they reflect key objectives or high priority projects	▲ that provide broader assurance, for example corporate policies and frameworks
▲ that need to be covered to enable us to provide an annual opinion	▲ where there are time pressures or scheduling requirements, for example grant deadlines, or work scheduled to minimise the impact on council service areas at busy times

- 19 The above factors will be used on an ongoing basis to decide what internal audit work will be carried out, and when, during the course of the year. These decisions will be made in consultation with the council through our ongoing dialogue with senior officers. Individual pieces of work will move between the three categories, as required, based on their priority at the time of assessment.
- 20 For example, an audit scheduled for quarter two to minimise the impact on a service area may initially be classed as to 'do later' but will become 'do now' as we move into quarter two. Similarly, an audit of a Council project classed as 'do now' because it represents an area of high importance may move from 'do now' to 'do next' or 'do later' if the project slips or planned work cannot be undertaken until a specific point is

reached. Towards the end of the year, audits classed as 'do later' are likely to be deferred until the following year.

- 21 The committee will be provided with information on current internal audit priorities throughout the year as part of regular progress reporting.

Annex A: indicative internal audit work programme 2025/26

Programme area	Potential internal audit activity
Strategic / corporate & cross cutting	<ul style="list-style-type: none"> ▲ Savings plans and delivery ▲ Financial resilience ▲ Key partnerships ▲ Recruitment and retention ▲ Governance (including decision making) ▲ Information security ▲ Records management ▲ Succession planning ▲ Home working ▲ Corporate complaints ▲ Health and safety ▲ Equality and diversity ▲ Grant claims (including TVCA grants), trust funds and other related work ▲ Procurement (including breaches of the Corporate Procurement Rules) ▲ Asset management (including asset maintenance)
Technical / projects	<ul style="list-style-type: none"> ▲ Transformation programme (“Recover, Reset, Deliver”) ▲ Towns Fund (including Town Deal Board governance) ▲ Regeneration projects ▲ Cyber security – malware protection ▲ IT user access

Programme area	Potential internal audit activity
	<ul style="list-style-type: none"> ▲ IT applications
Financial systems	<ul style="list-style-type: none"> ▲ Main accounting ▲ Debtors ▲ Creditors ▲ Benefits and Council Tax Support (including overpayments) ▲ Teesside Pension Fund (Administration and Investments)
Service areas	<ul style="list-style-type: none"> ▲ Social care financial assessments ▲ Direct payments (ASC – follow-up) ▲ No Recourse to Public Funds (NRPF) ▲ Tees Community Equipment Service (TCES) ▲ Appointeeships (ASC) ▲ Budget management (ASC) ▲ Foster carers ▲ Schools themed audits ▲ Direct payments (CS) ▲ Demand management (CS) ▲ Section 17 payments ▲ Middlesbrough Community Learning Service (sub-contracting) ▲ Reablement ▲ Special Educational Needs ▲ Inclusion strategy ▲ Climate change (including energy management)

Programme area	Potential internal audit activity
	<ul style="list-style-type: none"> ▲ Waste management ▲ Licensing ▲ Planning applications ▲ S106 and Community Infrastructure Levy
Other assurance work	<ul style="list-style-type: none"> ▲ Follow-up of previously agreed management actions ▲ Continuous audit planning and additional assurance gathering to help support our opinion on the framework of risk management, governance and internal control (including attendance at Directorate Management Teams) ▲ Continuous assurance work, including data analytics and data matching projects ▲ Attendance at, and contribution to, governance- and assurance-related working groups (including Risk Management Group)
Client support, advice & liaison	<ul style="list-style-type: none"> ▲ Committee preparation and attendance ▲ Key stakeholder liaison ▲ Support and advice on control, governance and risk related issues

