

Internal Audit Progress Report 2025/26

Date: 25 September 2025

APPENDIX 1

CONTENTS

3	Background
3	Internal Audit progress
4	Follow Up
5	Annex A: Internal Audit work in 2025/26
7	Annex B: Current audit priorities
14	Annex C: Summary of key issues from audits finalised
15	Annex D: Summary of progress on ongoing audits
17	Annex E: Audit opinions and priorities for actions
18	Annex F: Follow up of agreed audit actions



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 the 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 was agreed by this committee in April 2025.
- 5 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.
- 6 The purpose of this report is to update the committee on internal audit activity up to 31 August 2025.



INTERNAL AUDIT PROGRESS

- 7 A summary of audits underway and those finalised in the year to date, is included in annex A. It also details other work completed by internal audit during the year.
- 8 The work programme, showing current priorities for internal audit work, is included at annex B. Alongside the work in the 'do now' and 'do next' categories are indicative timescales for when work commenced or is expected to commence, and projected dates for final reports to be produced. These timescales may be subject to change, for example if work priorities change as a result of ongoing risk assessment and work planning.
- 9 The programme includes several audits in the 'do later' category. The internal audit work programme is designed to include all potential areas that should be considered for audit in the short to medium term, recognising that not all of these will be carried out during the current year (work is deliberately over programmed). Audits which are currently not planned to be undertaken during the year have been referenced as such.

- 10 Annex C provides details of the key findings arising from internal audit assignments completed, that we have not previously reported to the committee.
- 11 Annex D provides details of progress on ongoing audits that have progressed beyond the planning stage. This includes when audits were started, commentary on progress including any issues that have caused delays and an expected date for the issuing of the final report and a summary to this committee.
- 12 Annex E lists our definitions for action priorities and overall assurance levels.

FOLLOW UP

- 13 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.
- 14 A summary of the current status of follow up activity is included at annex F.

ANNEX A: INTERNAL AUDIT WORK IN 2025/26

Audits in progress

Audit	Status
Savings plans and delivery	In progress
Schools themed audit – budget management	In progress
Anti-social behaviour management	In progress
ASC financial assessments	In progress
No recourse to public funds (CS)	In progress
Debtors	In progress
Home to school transport	Planning underway
Cyber security – malware protection	Planning underway
Section 17 payments	Planning underway
Information security	Planning underway
Business continuity	Planning underway
Benefits	Planning underway
TPF – financial controls	Planning underway
Planning applications	Planning underway

Final reports issued

Audit	Reported to Committee	Opinion
Treasury management	July 2025	Substantial Assurance
Teesside Pension Fund – Investments	July 2025	Substantial Assurance
Procurement cards (follow-up)	July 2025	Reasonable Assurance
Commercial property income	July 2025	Reasonable Assurance
Domestic abuse	July 2025	Limited Assurance
Server admin (IT)	July 2025	Substantial Assurance
Council Tax and NNDR	July 2025	Substantial Assurance
Members' allowances and declarations of interest	July 2025	Reasonable Assurance
VAT Accounting	September 2025	Substantial Assurance

Homelessness	September 2025	Reasonable Assurance
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Other work in 2025/26

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

- ▲ A review of grant claims including those relating to:
- ▲ Delivering Better Value in SEND

ANNEX B: Current priorities for internal audit work

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting ¹
Corporate & cross cutting			
Category 1 (do now)			
Savings plans and delivery	Ongoing. Savings plans reviewed are: ASC02, 06, 08, 11, 13, CS04, CC04, 05, 07	June 2025	December 2025
Information security	Opening meeting held and specification being drafted.	September 2025	December 2025
Business continuity	Opening meeting held and specification being drafted.	September 2025	March 2026
Category 2 (do next)			
Asset management	Initial planning underway.	Q3 2025/26	July 2026
Procurement (breaches)	Initial planning underway.	Q3 2025/26	July 2026
Partnerships	Deferred to Q3 at request of service due to implementation of actions relating to partnership working following the LGA peer review.	Q3 2025/26	July 2026

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
Priorities Fund	Initial planning underway. We are considering a request to defer this audit due to some ongoing work on the governance of the project.	Q3 2025/26	July 2026
Category 3 (do later)			
Records management	Planned for Q4.	Q4 2025/26	July 2026
Corporate complaints	Planned for Q4.	Q4 2025/26	July 2026
Financial resilience	Planned for Q4. This will build on the work undertaken in relation to savings plan and delivery.	Q4 2025/26	July 2026
Performance management	Deferred to Q3/Q4 at request of service whilst new performance framework is implemented. Some audit support may be provided in the interim.	Q4 2025/26	July 2026
Project management	This audit is currently not planned to commence in 2025/26, but we will consider the priority of this during the year. We are considering the transformation programme as part of all audits.		
Recruitment and retention	This audit is currently not planned to commence in 2025/26, but we will consider the priority of this during the year.		
Succession planning	This audit is currently not planned to commence in 2025/26, but we will consider the priority of this during the year.		

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting ¹
Governance	This audit is currently not planned to commence in 2025/26, but we will consider the priority of this during the year.		
Equality and diversity	This audit is currently not planned to commence in 2025/26, but we will consider the priority of this during the year.		
Health and safety	This audit is currently not planned to commence in 2025/26, but we will consider the priority of this during the year.		
Financial / Corporate systems			
Category 1 (do now)			
Debtors	Ongoing. Fieldwork is nearly complete.	June 2025	December 2025
Benefits	Initial planning underway. Agreed start date end of August / early September.	September 2025	March 2026
TPF – Financial controls	Initial planning underway.	September 2025	March 2026
Category 2 (do next)			
Main accounting	Initial planning underway.	Q3 2025/26	July 2026
Creditors	Initial planning underway. This will follow the completion of the debtors audit.	Q3 2025/26	July 2026

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting ¹
Category 3 (do later)			
TPF – Investments (TBC)	Planned for Q4.	Q4 2025/26	July 2026
ICT			
Category 1 (do now)			
Cyber security – malware protection	Initial planning underway. Request to defer to later in Q2 due to new IT manager.	September 2025	March 2026
Category 2 (do next)			
TBC	TBC – we will be discussing the remaining IT audits with the new IT manager.		
Operational audits			
Category 1 (do now)			
Anti-social behaviour management	Fieldwork is nearly complete.	December 2024	December 2025
Schools themed audit	Fieldwork is nearly complete.	February 2025	December 2025

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting ¹
Financial assessments (Adult's)	Fieldwork is underway.	March 2025	December 2025
No Recourse to Public Funds (CS)	Fieldwork is nearly complete.	April 2025	December 2025
Home to school transport	Planning underway; opening meeting in early September.	September 2025	March 2026
Section 17 payments	Initial planning underway. Agreed start date end of September.	September 2025	March 2026
Planning applications	Initial planning underway.	September 2025	March 2026
Category 2 (do next)			
Foster carers	Initial planning underway.	Q3 2025/26	July 2026
Commissioning (CS) (follow-up)	Initial planning underway.	Q3 2025/26	July 2026
Climate change	Initial planning underway.	Q3 2025/26	July 2026
Category 3 (do later)			

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting ¹
Direct payments (follow-up)	Planned for Q4.	Q4 2025/26	July 2026
Schools themed audit (2026)	Planned for Q4. Theme to be agreed.	Q4 2025/26	July 2026
No Recourse to Public Funds (ASC)	Planned for Q4. This will follow-on from the work within CS.	Q4 2025/26	July 2026
Housing development	Deferred to Q4 at request of service as new Housing Development manager is in post.	Q4 2025/26	July 2026
TCES	This audit is currently not planned to commence in 2025/26, but we will consider the priority of this during the year.		
Appointeeships	This audit is currently not planned to commence in 2025/26, but we will consider the priority of this during the year.		
ASC budget management	This audit is currently not planned to commence in 2025/26, but we will consider the priority of this during the year. We are currently reviewing savings plans within ASC.		
Reablement	This audit is currently not planned to commence in 2025/26, but we will consider the priority of this during the year.		
Demand management (CS)	This audit is currently not planned to commence in 2025/26, but we will consider the priority of this during the year. We are currently reviewing savings plans within CS.		

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting ¹
Inclusion strategy	This audit is currently not planned to commence in 2025/26, but we will consider the priority of this during the year.		
SEN	This audit is currently not planned to commence in 2025/26, but we will consider the priority of this during the year.		
Waste management	This audit is currently not planned to commence in 2025/26, but we will consider the priority of this during the year. We will review and consider the implications of the Tees Valley-wide waste project.		
Licensing	This audit is currently not planned to commence in 2025/26, but we will consider the priority of this during the year.		
S106 / CIL	This audit is currently not planned to commence in 2025/26, but we will consider the priority of this during the year.		
Towns Fund and regeneration projects	This audit is currently not planned to commence in 2025/26, but we will consider the priority of this during the year. We have conducted some recent audits in this area.		

ANNEX C: 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
VAT Accounting	Substantial Assurance	Roles and responsibilities, reconciliations, journals, charging of VAT, partial exemption arrangements.	22 July 2025	No significant issues were identified.	None
Homelessness	Reasonable Assurance	Management of demand, policies and procedures, monitoring of expenditure.	11 th September 2025	<p>There are no formal procedural or guidance documents.</p> <p>Temporary accommodation is not always authorised correctly.</p> <p>There is no homelessness strategy.</p>	<p>Procedures and guidance documents will be developed.</p> <p>The scheme of delegation will be reviewed and clarified.</p> <p>A strategy will be approved and published.</p>

ANNEX D: SUMMARY OF PROGRESS ON ONGOING AUDITS

Audit	Specification issued	Scope	Details on progress	Target final report date	Target committee date
Anti-social behaviour management <i>Fieldwork complete</i>	19 th November 2024	Policies and procedure, performance monitoring, data analysis, risk management.	Fieldwork was originally due to commence on 9 th December 2024, however this was delayed due to unavailability of key officers and in order to complete the procurement cards audit. We re-commenced fieldwork in April 2025. Fieldwork is largely complete, but some outstanding queries remain with the service.	30 th September 2025	December 2025
ASC financial assessments <i>Fieldwork ongoing</i>	19 th March 2025	Policies and procedures, guidance, completion of assessments, reviews.	The start of fieldwork was delayed due to a combination of officer availability, and then prioritisation of other work. We have now agreed to start fieldwork in September 2025.	30 th November 2025	December 2025
Schools themed audit – budget management <i>Fieldwork ongoing</i>	26 th March 2025	Financial monitoring arrangements, budgeting, use of supply teachers, purchasing cards.	Fieldwork took place during the summer term and some final queries will be resolved in September when the schools return.	30 th September 2025	December 2025

No recourse to public funds (CS) <i>Fieldwork ongoing</i>	16 th April 2025	Procedures, management of cases, accessing and approving funds, transition to adult's services.	Fieldwork commenced in May 2025 and is largely complete. We have one outstanding query that is to be resolved.	30 th September 2025	December 2025
Debtors <i>Fieldwork ongoing</i>	6 th June 2025	Raising of invoices and credit notes, pursuing debt, reconciliation of income, debt management and write-off.	Fieldwork is ongoing and expected to be completed during September.	31 st October 2025	December 2025
Savings plans and delivery <i>Fieldwork complete</i>	1 st July 2025	Assessment of savings proposals, action plans, monitoring.	Fieldwork commenced in July 2025 and is now complete.	30 th September 2025	December 2025

ANNEX E: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

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.

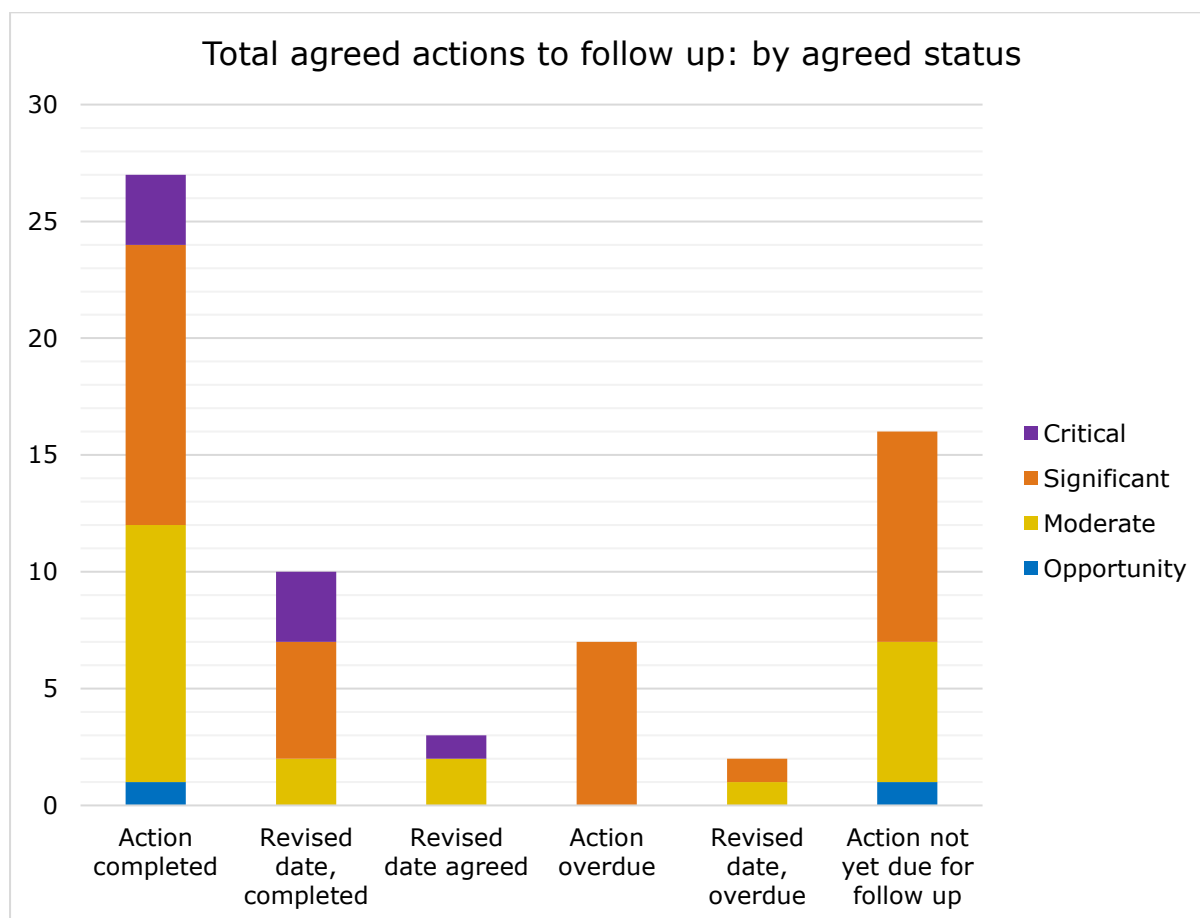
Priorities for findings

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

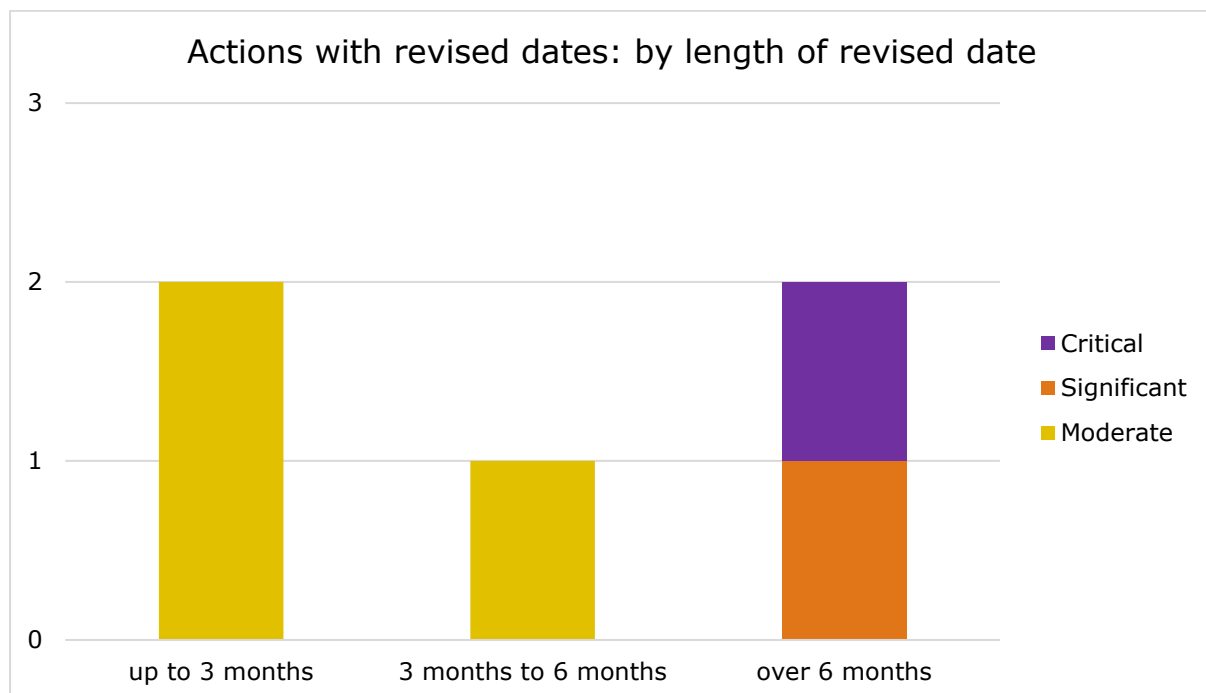
- 1 Follow-up work is carried out through a combination of notifications via the Council's Pentana system, questionnaires completed by responsible managers, risk assessment, and by further detailed review by the auditors where necessary.
- 2 Where responsible officers have not taken the action they agreed 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 In figure 1, below, the status of agreed actions from follow-up activity undertaken between 1 April 2025 – 31 August 2025 is shown.
- 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 1 April 2025 but which 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



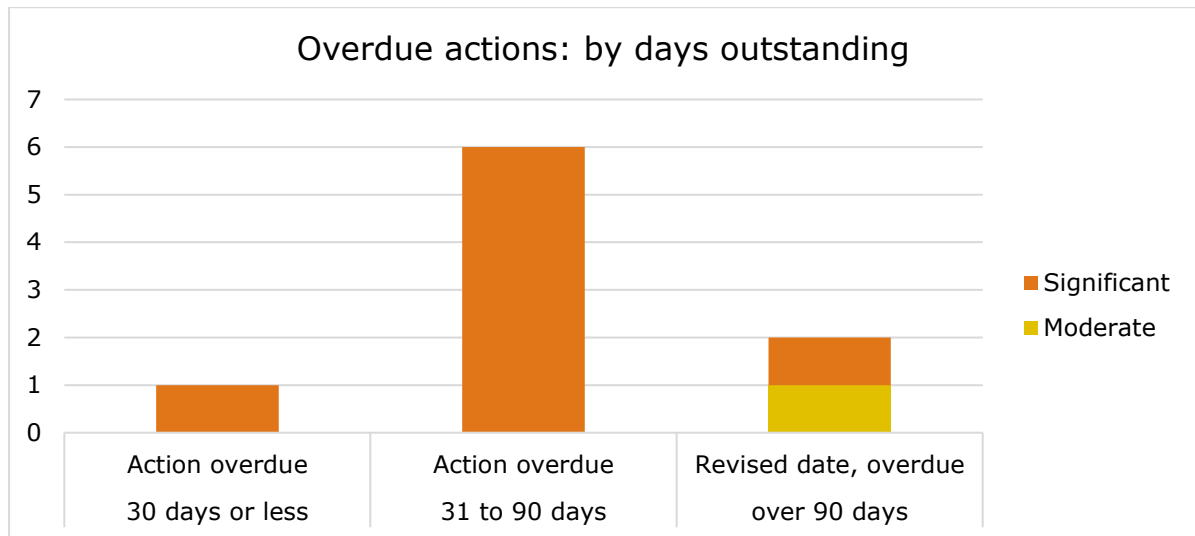
- 6 A total of 49 actions have been followed up so far this year. Of these, 37 have been satisfactorily implemented. 15 actions are not yet due for follow-up as their original implementation date has not passed at the time of reporting.
- 7 A total of 5 actions had their original implementation timescale extended, with revised implementation dates being 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.
- 8 However, the committee should be aware that lengthy or continued revised dates do inevitably lead to a degree of risk exposure to the council.
- 9 Figure 2, below, shows how long dates have been revised from the original implementation date.

Figure 2: Length of revised dates agreed for action implementation



- 10 At the time of reporting, nine actions are overdue. This is shown in figure 3, below.

Figure 3: Length of time actions have been overdue



- 11 One significant action has been overdue for more than 90 days beyond the original due date. This action relates to an audit of burials, and the relevant officer (Director – ECS) attended the July meeting of this committee to discuss progress made in implementing the action. The action was originally due on 30th June 2023 and required Bereavement Services to complete a strategy for the service. The service has advised us that the strategy will be completed in September 2025 and will then require Executive approval before it is finalised.
- 12 The other eight overdue actions relate to 5 audits: procurement, payroll, purchasing cards, domestic abuse, and commercial property income. These actions are currently being followed up with the responsible officers.