

Internal Audit Progress Report 2025/26

Date: 11 December 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
13	Annex C: Summary of key issues from audits finalised
14	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 28 November 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 undertaken by internal audit during the year.
- 8 One final report and two draft reports have been issued since the last report to this committee. A further two other audits are at the fieldwork complete stage.
- 9 Seven audits are currently in progress, of which a number are at, or nearing the final stages of fieldwork. We have also started planning on six other audits.
- 10 The work programme, showing current priorities for internal audit work in 2025/26, 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.

- 11 Annex C provides details of the key findings arising from internal audit assignments completed, that we have not previously reported to the committee.
- 12 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 expected timescales for completion.
- 13 Annex E lists our definitions for action priorities and overall assurance levels.

FOLLOW UP

- 14 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.
- 15 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
Debtors	Draft report issued
Information security	Fieldwork complete
Savings plans and delivery	Fieldwork complete
Schools themed audit – budget management and purchasing cards	Fieldwork in progress
ASC financial assessments	Fieldwork in progress
No recourse to public funds (CS)	Fieldwork in progress
Business continuity	Fieldwork in progress
Planning applications	Fieldwork in progress
Cyber security – malware protection	Fieldwork in progress
Benefits	Fieldwork in progress
Section 17 payments	Planning
Creditors	Planning
TPF – financial controls	Planning
Foster carers	Planning
Children's Commissioning (follow-up)	Planning
Asset management	Planning

Further explanation of audit progress status

Status	Further explanation
Planning	Working with officers to define and agree the scope and timing of work.
Fieldwork in progress	A specification has been issued and agreed with officers. Target dates for key work deadlines agreed as part of the specification.
Fieldwork complete	Fieldwork has been completed. Closing meetings to discuss findings and/or quality assurance of completed work is being undertaken.
Draft report issued	A report with findings has been shared with officers. Appropriately focused agreed actions need to be provided by officers before an agreed final report can be issued.

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 Regen	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
Anti-social behaviour management	December 2025	Reasonable Assurance

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
 - ▲ Bus Service Operators
 - ▲ City Region Sustainable Transport Settlements
 - ▲ Middlesbrough Council's Community Learning Service (MCLS)
- ▲ Work supporting District Centre Improvement Grant (DCIG) processes

ANNEX B: Current priorities for internal audit work in 2025/26

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting ¹
Corporate & cross cutting			
Category 1 (do now)			
Savings plans and delivery	The fieldwork has been completed, and a closing meeting arranged for early December with the deputy s151 officer to discuss findings. Savings plans reviewed are: ASC02, 06, 08, 11, 13, CS04, CC04, 05, 07	June 2025	April 2026
Information security	Site visits have been undertaken, and closing meeting was held with officers on 26 November 2025.	September 2025	April 2026
Business continuity	The specification was agreed and issued in September. Work is in progress.	September 2025	April 2026
Asset management	Initial planning is underway.	November 2025	April 2026
Partnerships	We have been unable to make progress in planning this audit. Discussions have been held with relevant senior officers, and further discussions are planned.	TBC	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
Category 2 (do next)			
Procurement	Initial planning underway. The focus is likely to be on the post implementation of the new Procurement Act. An audit of the new breaches' procedure had been considered but this is more likely to take place during 2026/27 to allow it more time to bed in.	Q4 2025/26	September 2026
Priorities Fund	Initial planning underway. We considered a request to defer this audit due to some ongoing work on the governance of the project. The audit is now likely to take a retrospective review of the Fund and identify any lessons to be learned.	Q4 2025/26	September 2026
Records management	Planned for Q4.	Q4 2025/26	September 2026
Corporate complaints	Planned for Q4.	Q4 2025/26	September 2026
Financial resilience	Planned for Q4. This will build on the work undertaken in relation to savings plan and delivery.	Q4 2025/26	September 2026
Performance management	Deferred to Q4 at request of service whilst new performance framework is implemented.	Q4 2025/26	September 2026

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting ¹
Financial / Corporate systems			
Category 1 (do now)			
Debtors	A draft report was issued on 28 November 2025.	June 2025	April 2026
Benefits	Specification was agreed with officers in November 2025.	November 2025	April 2026
The Pension Fund (TPF) – Financial controls	Initial planning underway. Arranging opening meeting with officers.	November 2025	April 2026
Creditors	Specification was issued to officers on 13 November 2025.	October 2025	April 2026
Category 2 (do next)			
Main accounting	Planned for Q4.	Q4 2025/26	July 2026
TPF – Investments	Planned for Q4.	Q4 2025/26	July 2026

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting ¹
ICT			
Category 1 (do now)			
Cyber security – malware protection	Specification agreed with officers in November 2025	September 2025	April 2026
Category 2 (do next)			
To be confirmed (TBC)	In December 2025 we will discuss with the recently appointed IT manager any remaining IT risks/ audits for possible Q4 work	TBC	TBC
Operational audits			
Category 1 (do now)			
Schools themed audit (Budget Management and Purchasing Cards)	Fieldwork is close to completion.	February 2025	April 2026
No Recourse to Public Funds (CS)	Fieldwork is close to completion.	April 2025	April 2026

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting ¹
Financial assessments (Adult's)	Fieldwork is in progress.	March 2025	April 2026
Planning applications	Specification was agreed at the end of September. Fieldwork is in progress.	September 2025	April 2026
Section 17 payments	Specification was issued to officers on 7 November 2025.	January 2026	April 2026
Foster carers	Initial planning underway.	November 2025	July 2026
Children's Commissioning (follow-up)	Initial planning underway.	November 2025	July 2026
Category 2 (do next)			
Climate change	Initial planning underway. This has been deferred to Q4 as the service is currently reviewing the Green Strategy. Director has approved a February 2026 start.	Q4 2025/26	September 2026
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

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting ¹
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

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
Anti-social Behaviour Management	Reasonable Assurance	Policies and procedures, performance monitoring and reporting, the use of data analysis, risk registers monitoring and review.	November 2025	<p>Two significant priority findings reported.</p> <p>Performance metrics have not been established and aligned with the council's new neighbourhood model approach, and metrics are not monitored.</p> <p>Discussions evidencing monitoring of targets and risks are not documented.</p>	<p>Targets that align with the priorities of the neighbourhood model will be established and monitored. Performance against these targets will be reported to Community Safety Partnership meetings.</p> <p>Discussions of targets and risks in Community Safety Partnership and Active Intelligence mapping meetings will also be documented</p> <p>Deadlines for completion of both actions set for 28 February 2026.</p>

ANNEX D: SUMMARY OF PROGRESS ON ONGOING AUDITS

Audit	Specification issued	Scope	Details on progress	Target final report date	Target committee date
Adult Social Care financial assessments <i>Fieldwork in progress</i>	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. Fieldwork has been delayed due to issues in providing us with access to the relevant systems.	January 2026	April 2026
Schools themed audit – budget management <i>Fieldwork in progress</i>	March 2025	Financial monitoring arrangements, budgeting, use of supply teachers, purchasing cards.	Fieldwork took place during the summer term and some final queries are now being resolved.	December 2025	April 2026
No recourse to public funds (CS) <i>Fieldwork in progress</i>	April 2025	Procedures, management of cases, accessing and approving funds, transition to adult's services.	Fieldwork commenced in May 2025 and is largely complete. An outstanding issue needs to be resolved and this has been escalated to management.	December 2025	April 2026

Audit	Specification issued	Scope	Details on progress	Target final report date	Target committee date
Debtors <i>Draft report issued</i>	June 2025	Raising of invoices and credit notes, pursuing debt, reconciliation of income, debt management and write-off.	Draft report issued on 28 November 2025.	December 2025	April 2026
Savings plans and delivery <i>Fieldwork complete</i>	July 2025	Assessment of savings proposals, action plans, monitoring.	Fieldwork is complete, closing meeting planned for early December.	December 2025	April 2026
Information security <i>Fieldwork complete</i>	September 2025	Security of personal and sensitive data, extent of general security weaknesses.	Physical security reviews were undertaken by visiting Middlesbrough House, Fountain Court and Resolution House. All visits have been completed and a closing meeting is booked for 26 November 2025.	December 2025	April 2026
Business continuity <i>Fieldwork in progress</i>	September 2025	Policies, plans, roles and responsibilities, governance arrangements.	Fieldwork started in October 2025 and is ongoing.	January 2026	April 2026
Planning applications <i>Fieldwork in progress</i>	September 2025	Compliance with legislation and guidance, compliance with policies and procedures.	Fieldwork started in September 2025. A mid-point meeting was held 13 November. Work is ongoing.	February 2026	April 2026

Audit	Specification issued	Scope	Details on progress	Target final report date	Target committee date
Benefits <i>Fieldwork in progress</i>	November 2025	Reviewing applications, payments and procedures and monitoring of overpayments and adjustments.	Specification was agreed with officers in November 2025	February 2026	April 2026
Cyber security – malware protection <i>Fieldwork in progress</i>	November 2025	Compliance with policies and procedures. Security patches, web and email services.	Specification was agreed with officers in November 2025	March 2026	April 2026

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.

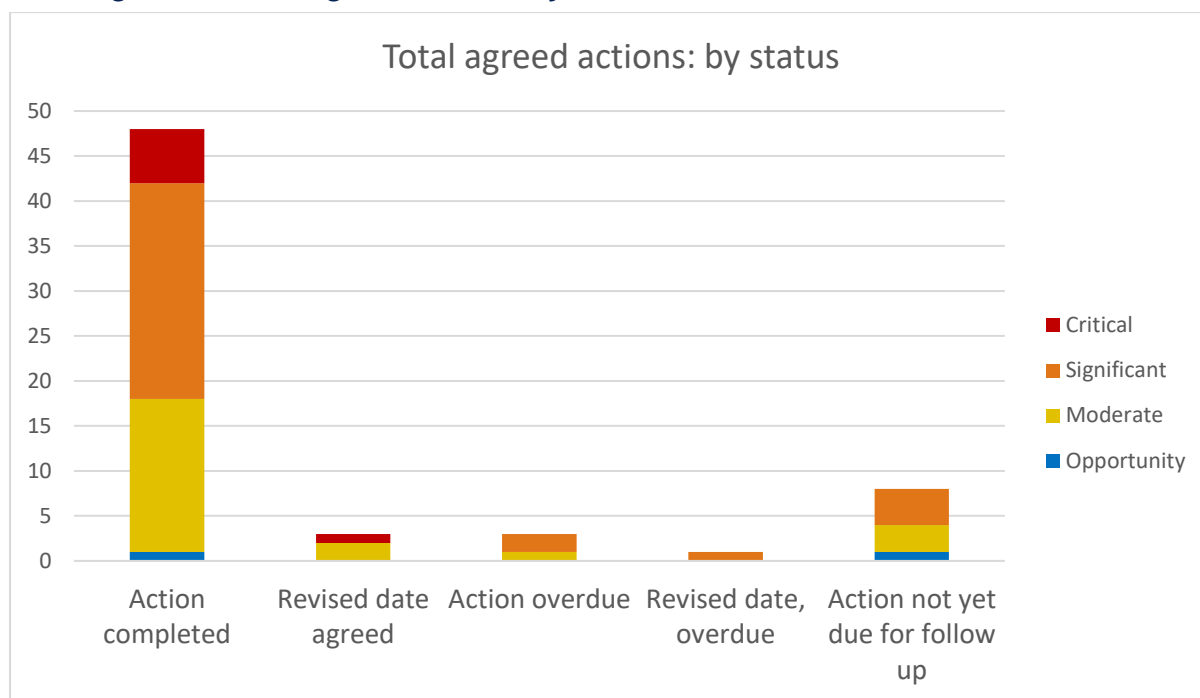
Priorities for findings

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 – 14 November 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.

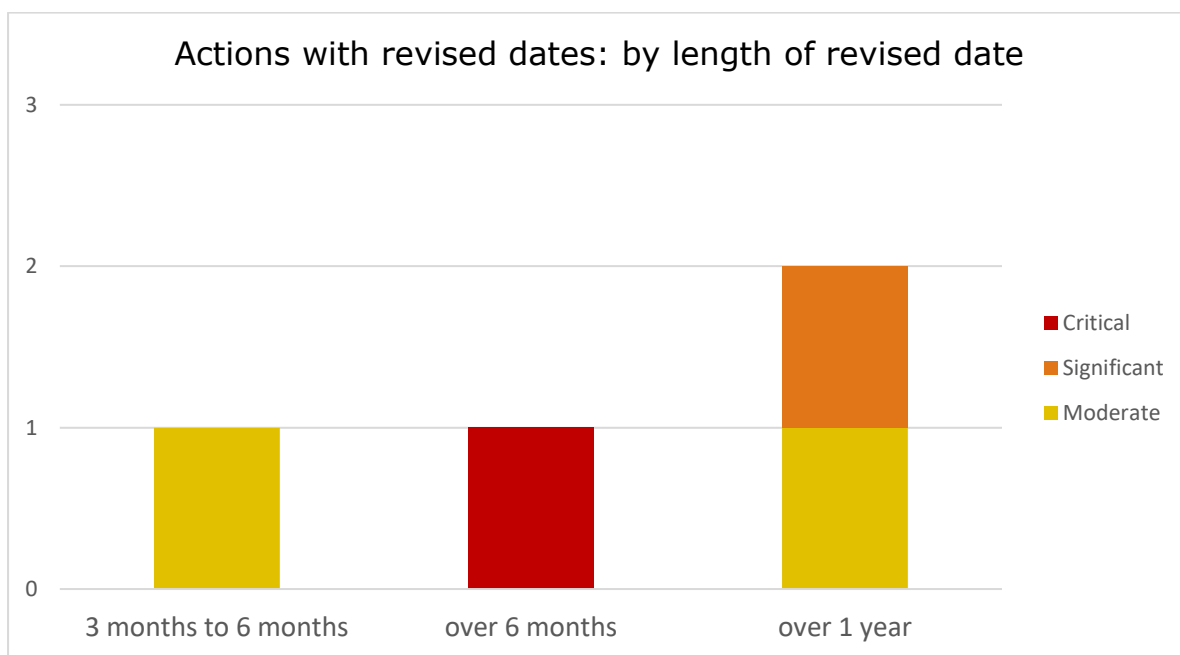
Figure 1: Total agreed actions by current status



- 6 A total of 55 actions have been followed up in the last twelve months. Of these, 48 have been satisfactorily implemented. Eight actions are not yet due for follow-up as their original implementation date has not passed at the time of reporting.

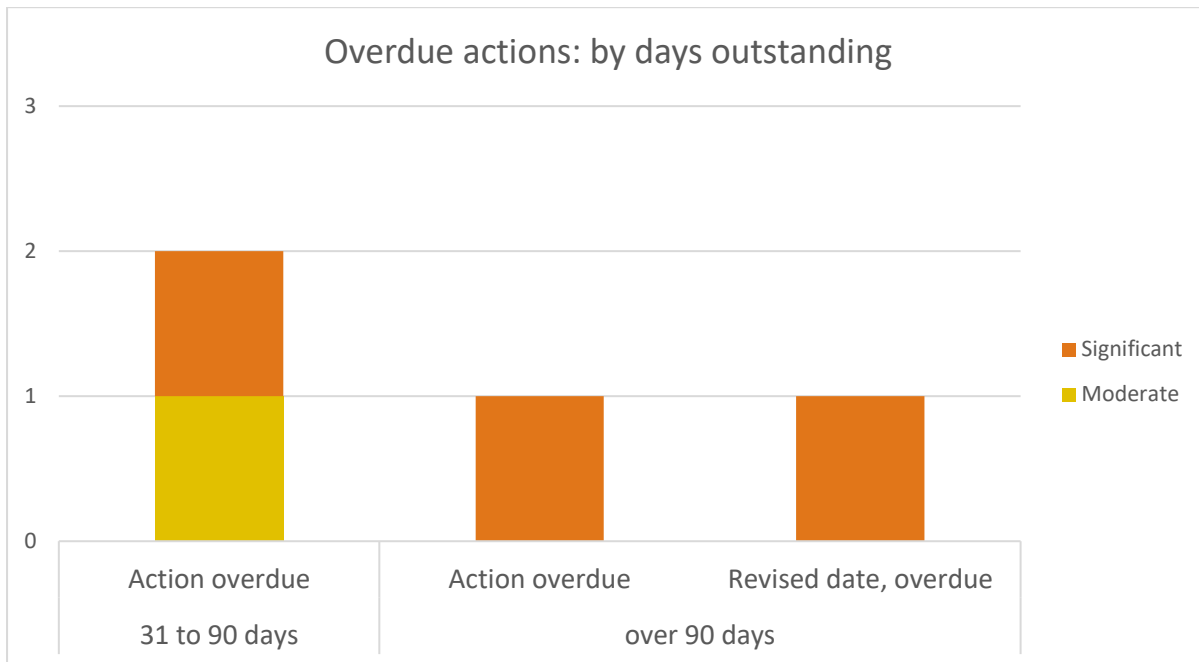
- 7 A total of four outstanding actions have had their original implementation timescale extended. A revised implementation date has been agreed with the action owner. We agree revised dates where the delay in addressing an issue will not lead to unacceptable exposure to risk and where the delays may 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, four actions are overdue. This is shown in figure 3, below.

Figure 3: Length of time actions have been overdue



- 9 Two significant actions have been overdue for more than 90 days beyond the original due date. One 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 service has advised us that a strategy has been drafted and is being reviewed by Directors. The other relates to monitoring of domestic abuse cases against practice standards. This is currently being followed up and has been escalated with officers.
- 10 The other two overdue actions relate to two audits: domestic abuse and Teesside crematorium. These actions are currently being followed up with the responsible officers.