

Internal Audit Progress Report 2025/26

Date: 16 April 2026

APPENDIX 1

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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 for 2025/26 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 March 2026.

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 Seven final reports and one draft report have been issued since the last report to this committee.
- 9 Ten audits are currently in progress, of which a number are nearing the final stages of fieldwork. We have started planning on two other audits.
- 10 All work being completed to support the 2025/26 opinion is included in annex A.
- 11 Following discussion with officers and ongoing evaluation of priorities, some work previously planned for quarter 4 in 2025/26 has been deferred to 2026/27. The 2026/27 audit work programme which is being presented as a separate item to the April 2026 Audit Committee, includes these areas. The prioritisation and timing of 2026/27 work is currently being assessed and discussed with officers.

- 12 Annex B provides details of the key findings arising from internal audit assignments completed, that we have not previously reported to the committee.
- 13 Annex C provides details of progress on ongoing audits that have progressed beyond the planning stage. This includes when audits were started, commentary on progress and expected timescales for completion.
- 14 Annex D lists our definitions for action priorities and overall assurance levels.

FOLLOW UP

- 15 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.
- 16 A summary of the current status of follow up activity is included at annex E.

ANNEX A: INTERNAL AUDIT WORK IN 2025/26

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
Debtors	April 2026	Substantial Assurance
Information security	April 2026	Reasonable Assurance
Savings plans delivery	April 2026	Reasonable Assurance
Middlesbrough Community Learning Service (MCLS) – subcontracting standards compliance	April 2026	No opinion given
Business continuity	April 2026	Substantial Assurance
Schools themed audit	April 2026	Reasonable Assurance
Cyber security: malware protection	April 2026	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

- ▲ Supporting District Centre Improvement Grant (DCIG) processes
- ▲ Supporting counter fraud colleagues relating to whistleblowing referrals and other internal investigations
- ▲ Follow up of agreed management actions
- ▲ Provision of general support and advice, and regular liaison with officers.

Audits in progress

Audit	Status
No recourse to public funds (CS)	Draft report issued
Planning applications	Fieldwork in progress
Benefits	Fieldwork in progress
Records management	Fieldwork in progress
Creditors	Fieldwork in progress
Asset management	Fieldwork in progress
ASC financial assessments	Fieldwork in progress
Section 17 payments	Fieldwork in progress
Climate change	Fieldwork in progress
Home to school transport	Fieldwork in progress
Partnerships	Planning
Implementation of the Procurement Act	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 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.

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
Debtors	Substantial Assurance	Raising invoices and credit notes, pursuing outstanding debt, reconciling income, debt management and write off	7 January 2026	<p>Processes for raising and authorising invoices are generally working effectively. Minor issues were noted, including outdated policy guidance on minimum invoice values and unmonitored zero-sum invoices causing gaps in numbering.</p> <p>Invoices are typically raised promptly and authorised appropriately. However there is no process to monitor timeliness, and analysis of credit note data is not evidenced. Debt is aging steadily due to a focus on preventing new debt from aging.</p> <p>Monthly debtor income reconciliations were completed accurately, and reminder and write-off processes are operating as expected, with adequate documentation and oversight.</p>	<p>4 moderate findings were agreed.</p> <p>Daily and monthly reports will be introduced to monitor zero-balance invoices, ensure corrections are made, and provide oversight to managers.</p> <p>Corporate debtor guidance will be reviewed to align with current practice on small-value invoices. Monthly reporting will be implemented to strengthen monitoring. A new process will track the timeliness of invoice raising.</p> <p>Credit note monitoring has been enhanced through a quarterly report, with Finance Business Partners accountable for review and feedback to identify trends and improve controls.</p> <p>All findings are due to be completed by 30 April 2026.</p>
Information security	Reasonable Assurance	Physical checks of council premises for personal and	8 January 2026	The Council has well-established policies and procedures to	1 significant finding was agreed.

System/area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed
		sensitive data left unsecured and general physical security.		<p>ensure the security of information and physical assets.</p> <p>Security sweeps across three buildings showed that physical access controls were well-designed and effective.</p> <p>However, despite strong access controls, the sweeps identified multiple instances of sensitive information and physical assets being left unsecured on desks, in unlocked drawers and cupboards, and in unsecured confidential waste bins. This is not in line with Council policies.</p>	<p>Building managers and heads of service have been made aware of issues in order to take action to address weaknesses.</p> <p>By 31 March 2026, an information security inspection to be conducted by officers at Middlesbrough House, Resolution House, Fountain Count to assess compliance.</p>
Savings plans delivery	Reasonable Assurance	Assessing and setting savings proposals, actions plans to deliver, monitoring and reporting on proposals.	14 January 2026	<p>Detailed savings plans were developed by service teams and approved in February 2024.</p> <p>The quality of savings plans reviewed varied. Several included unrealistic assumptions or significant risks, contributing to non-delivery of savings. Five of the ten plans failed to achieve their targets, and in some cases alternative income-related measures were used, which may diverge from plans approved.</p> <p>Progress is monitored through Savings Tracker reports,</p>	<p>3 significant findings were agreed.</p> <p>The budget setting timeline will be reviewed to allow sufficient time for scrutiny of proposals and ensure they are realistic and achievable.</p> <p>Improvements will be made to ongoing scrutiny and reporting on savings. An approval process will be put in place for changes to savings proposals.</p> <p>All findings are due to be completed by April 2026.</p>

System/area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed
				management boards, and quarterly reporting to Members.	
Middlesbrough Community Learning Service (MCLS)	No opinion given	Compliance review against ESFA (Education & Skills Funding Agency) Subcontracting standards	6 February 2026	MCLS is largely compliant with the requirements of the standards, with established processes in place across all key areas. No significant risks were present. In a small number of areas control was not consistently applied or fully evidenced.	Recommendations were made regarding policies, due diligence re. subcontractors. There were no formal agreed management actions for this type of work.
Business continuity	Substantial Assurance	Policy, plans, roles and responsibilities, governance arrangements	23 February 2026	<p>The council has an approved Business Continuity (BC) policy, aligned with statutory requirements and subject to a three-year review cycle. This policy is supported by five BC plans and 47 Critical Function plans, all of which undergo bi-annual review and are securely stored across multiple platforms to ensure accessibility in emergencies.</p> <p>Key BC roles and responsibilities are clearly defined, and training has been completed by relevant officers.</p> <p>Governance arrangements are effective, with annual assurance reports submitted to the Audit Committee and regular updates</p>	No management actions.

System/area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed
				provided through quarterly risk management group meetings.	
Schools themed audit	Reasonable Assurance	Budget planning, approval and monitoring; management of supply teachers, purchasing card management	17 March 2026	<p>Financial monitoring is strong, with budgets regularly reviewed, scrutinised, and challenged by governors. Schools routinely assess in-year positions, forecast outturns, and key cost pressures, with multi-year forecasts supporting long-term planning and external oversight through annual submissions to the council.</p> <p>Supply teacher usage varies by school context, but all usage is justified, monitored, and proportionate, with examples of both reduced reliance and effective internal cover models.</p> <p>Purchasing card controls are generally sound, with legitimate spending and appropriate authorisation, though some weaknesses, mainly around VAT processing and segregation of duties, require further procedural strengthening.</p>	<p>1 significant and 3 moderate findings were agreed.</p> <p>All actions related to purchase cards. Schools will ensure VAT is correctly identified and applied on purchasing card transactions. Refresher training will be given to staff where required. One school will update its financial procedures to ensure purchasing cards policy aligns with the requirements of council policy. One school will review the use of purchasing cards for higher value payments. System access and review arrangements will ensure segregation of duties is in place for approving and reviewing purchasing card spend.</p> <p>All findings are due to be completed by the end of May 2026</p>
Cyber security: malware protection	Reasonable Assurance	Security patching, end point protection, web and	26 March 2026	Patch management processes are well-established and effective, with clear responsibilities, timely	2 significant and 1 moderate finding were agreed.

System/area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed
		email service protection		<p>deployment, and regular vulnerability scanning, supported by annual external assessments.</p> <p>Strong controls exist to secure IT assets, including encrypted devices, approved software usage, and anti-malware protection, though monitoring could be improved by removing unused devices from management systems.</p> <p>Web and email security is robust, using NCSC-approved filtering and measures to block malicious emails and spoofing. The council could further strengthen its security posture by establishing a dedicated IT security function and investing in a Security Information and Event Management (SIEM) solution for enhanced threat monitoring.</p>	<p>Officers are to review and decide whether to purchase a SIEM solution, remove IT assets not in use from Sophos system, and review the structure of the IT team and consider need for a dedicated security team.</p> <p>All findings are due to be completed by the end of September 2026</p>

ANNEX C: SUMMARY OF PROGRESS ON ONGOING AUDITS (As at 31 March 2026)

Audit	Specification issued	Scope	Details on progress	Target final report date	Target committee date
No recourse to public funds <i>Draft report issued</i>	April 2025	Policy and procedures, case management, budgetary control	Testing completed. Closing meeting held with Corporate Director. Draft report issued. Actions being agreed with management	April 2026	June 2026
Adult Social Care financial assessments <i>Fieldwork in progress</i>	Re-issued December 2025	Policies and procedures, guidance, completion of assessments, reviews.	The specification was re-issued with new timescales in December 2025. Fieldwork is in progress.	May 2026	June 2026
Planning applications <i>Fieldwork in progress</i>	September 2025	Compliance with legislation and guidance, compliance with policies and procedures.	Fieldwork started in autumn 2025 but initial progress was slow. Now progressing better with testing aiming to be completed by the end of April.	May 2026	June 2026
Benefits <i>Fieldwork in progress</i>	November 2025	Reviewing applications, payments and procedures and monitoring of overpayments and adjustments.	Fieldwork progressing and expected to be completed by the end of April.	May 2026	June 2026
Records Management <i>Fieldwork in progress</i>	February 2026	Governance over management of records, access to records, retention and disposal,	Fieldwork in progress; systems documented with testing starting in April.	May 2026	June 2026

Audit	Specification issued	Scope	Details on progress	Target final report date	Target committee date
Creditors <i>Fieldwork in progress</i>	November 2025	Authorisations, timely payments, supplier set up and changes of details, duplicate invoice controls, performance management.	Testing well progressed. Testing expected to be completed in April.	May 2026	June 2026
Asset Management <i>Fieldwork in progress</i>	March 2026	Asset strategy, long term plans to manage assets, assets sales.	Fieldwork has recently started.	June 2026	June 2026
Section 17 payments <i>Fieldwork in progress</i>	February 2026	Roles and responsibilities, plans, policies and procedures, authorisation of payments, budgetary control.	Testing strategy in place. Information requested from client to be able to start fieldwork.	May 2026	June 2026
Climate change <i>Fieldwork in progress</i>	March 2026	Governance arrangements, embedding of plans in services, strategy priorities and actions.	Fieldwork due to start in April and planned for completion second half of May 2026.	June 2026	June 2026
Home to school transport <i>Fieldwork in progress</i>	March 2026	Policy and procedures, transport referrals, emergency procedures, non-school transport.	Fieldwork has recently started.	June 2026	June 2026
Partnerships <i>Planning</i>	Will be issued April 2026	To be agreed	Opening meetings held, specification to be issued shortly.	June 2026	June 2026

Audit	Specification issued	Scope	Details on progress	Target final report date	Target committee date
Implementation of the Procurement Act <i>Planning</i>	Will be issued April 2026	To be agreed	Initial planning	June 2026	June 2026

ANNEX D: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

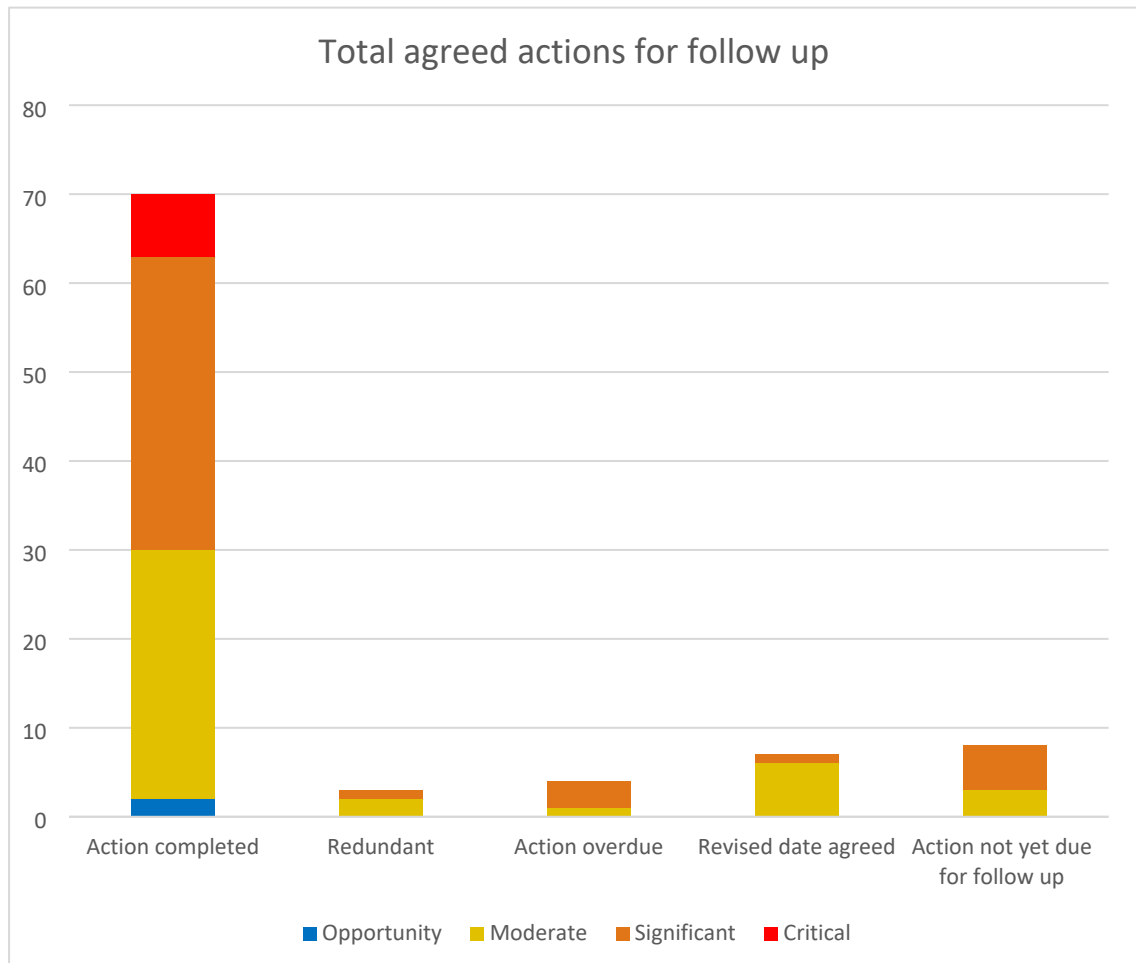
Audit opinions	
Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on four grades of opinion, as set out below.	
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 E: 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 March 2026 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

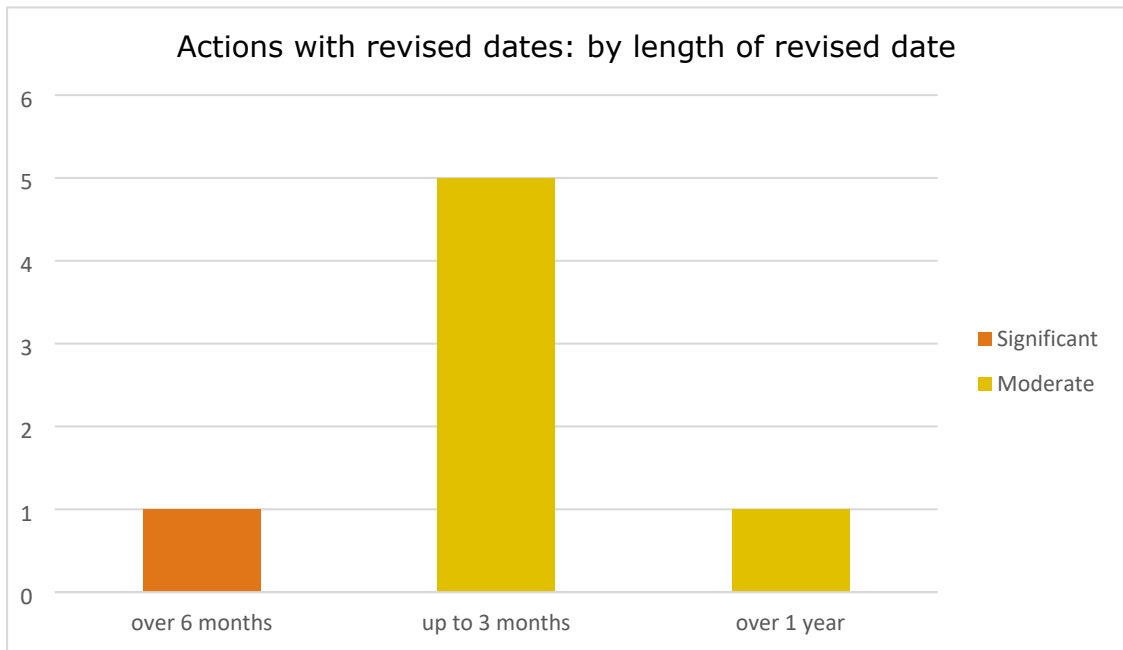


- 6 A total of 84 actions have been followed up in the last twelve months. Of these, 70 have been satisfactorily implemented (82%). Eight actions are

not yet due for follow-up as their original implementation date has not passed at the time of reporting.

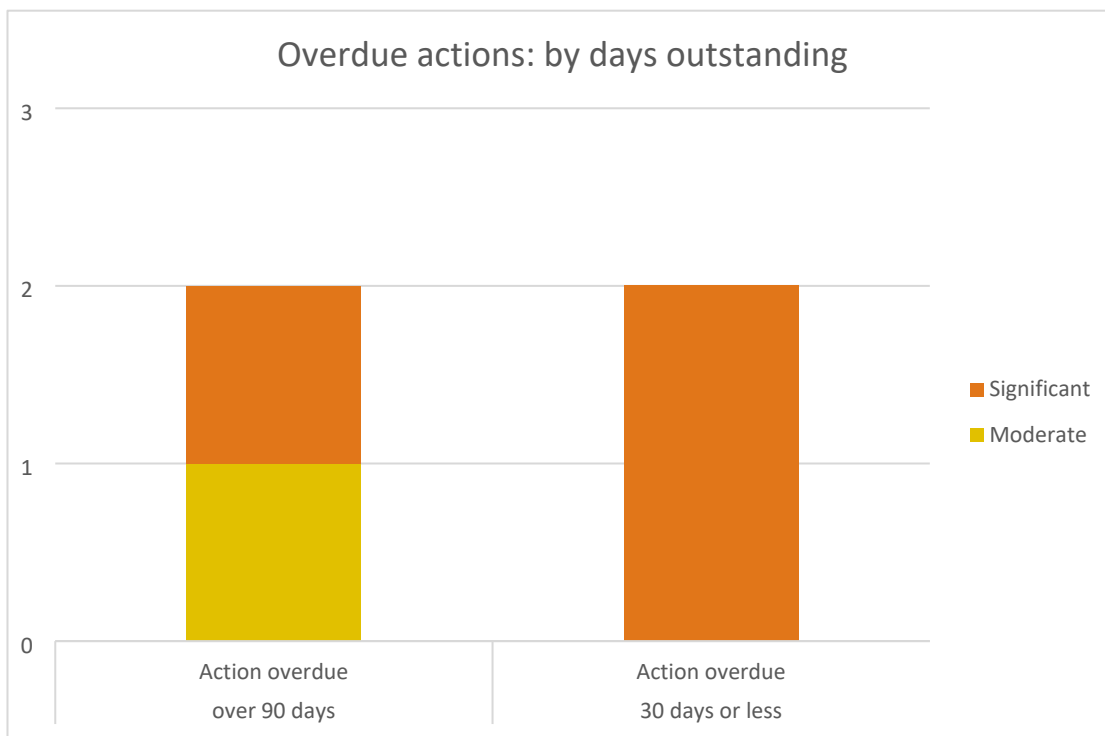
- 7 A total of seven outstanding actions have had their original implementation timescale extended. A revised implementation date has been agreed with the action owner. We agree revised dates where the delay in addressing an issue will not lead to unacceptable exposure to risk and where the delays may 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 One significant action has been overdue for more than 90 days beyond the original due date. This action relates to an audit of burials. The relevant Director has responded and completion of this action is expected to be confirmed very shortly. The moderate action also relates to the audit of the burials service and is being followed up with officers.
- 10 The other two overdue actions relate to the anti-social behaviour management audit. These have only just become overdue and are currently being followed up with the responsible officers.