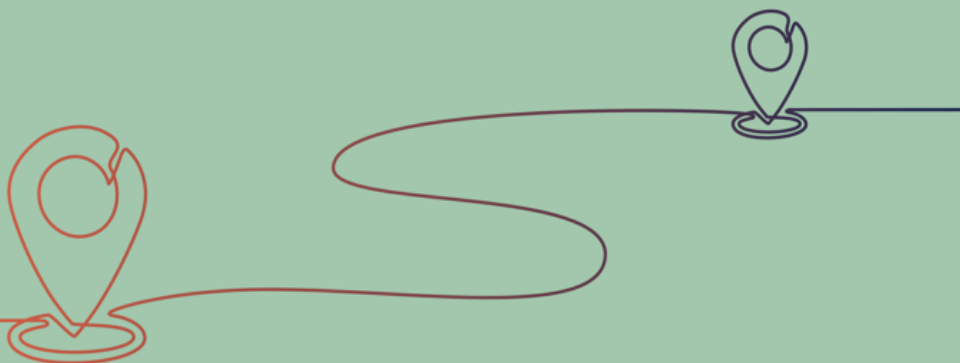


Internal Audit Work Programme 2026/27



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Introduction



- 1 This report sets out the proposed 2026/27 programme of work for internal audit, provided by Veritau, for Middlesbrough Council.
- 2 The work of internal audit is governed by the Global Internal Audit Standards in the UK Public Sector (GIAS UK Public Sector). These standards are made up of:
 - ▲ the Global Internal Audit Standards (GIAS), set by our professional body, The Institute of Internal Auditors, and
 - ▲ the Application Note: Global Internal Audit Standards in the UK Public Sector, produced by the Relevant Internal Audit Standard Setters¹.
- 3 The Application Note contains interpretations and requirements which need to be applied to the GIAS so that they form a suitable basis for internal audit practice in the UK public sector.
- 4 Internal Audit maintains organisational independence. Auditors have no operational responsibilities, and safeguards are in place to prevent any impairment to independence or objectivity. Any actual or potential threats will be reported to the Audit Committee. Veritau also operates a programme of ongoing quality assurance designed to confirm that audit work is delivered in accordance with the GIAS. The outcomes of these arrangements are reported annually to this Committee, alongside the annual audit opinion.
- 5 At the local level, the council has an internal audit charter. The charter addresses how internal audit is performed and governed, and its commitment to adhering to professional standards.
- 6 To conform to professional standards and the audit charter, the Head of Internal Audit must develop a plan based on a documented assessment of the council's strategies, objectives, and risks and on their understanding of governance, risk management, and internal control arrangements. The plan should also be informed by input from key stakeholders, such as senior management and this committee.
- 7 Internal audit work should be risk-based and dynamic, being undertaken in a way that supports achievement of organisational objectives. Accordingly, planned work should be reviewed and adjusted in response to changes to risks, priorities, operations, programmes, systems, and internal controls.
- 8 The GIAS UK Public Sector place a specific requirement on the Head of Internal Audit to prepare an overall conclusion (opinion), at the level of the organisation, about the effectiveness of governance, risk

¹ The Relevant Internal Audit Standard Setter for UK local government is CIPFA.

- management, and internal control. This must be done at least annually in support of wider governance reporting.
- 9 The basis of the Head of Internal Audit's annual opinion is the outcomes from planned audit work undertaken over the year (referred to as the 'work programme'). Our work programmes include coverage of governance, risk management, and internal control which, in turn, allows an opinion to be given.
- 10 At the February 2026 meeting of this committee, we presented our work programme consultation report. This report explained how we approach development of the work programme by considering key areas of assurance, the council's risks, and its priorities to define a body of work from which an independent and well-informed opinion can be given.

Strategic context



- 11 Middlesbrough Council's financial position improved over 2025/26 supported by the three-year settlement approved by the government in February. While this settlement has eased some of the immediate financial pressures, the council continues to face persistent demand led and inflationary pressures. Maintaining strong financial discipline and ensuring effective management of the Council's finances therefore remain essential.
- 12 Although the council's financial situation has improved, it must continue to ensure that key aspects of risk management, governance, and control are maintained. The year ahead will require the Council to balance operational pressures with wider strategic priorities, requiring sustained organisational resilience and effective oversight.
- 13 The Executive approved a refreshed Council Plan on 11 March 2026. It shifts the focus from cost-driven transformation to continuous improvement, financial sustainability, service quality and better outcomes. The Council continues to build on progress made through improvement work following previous external assurance and inspection activity, with a sustained focus on strengthening governance, leadership and organisational oversight.
- 14 Demand-led pressures remain a major challenge, especially in social care where an ageing population, greater complexity of need and difficult market conditions continue to drive costs and operational risk. In adult social care, the Council's ten-year strategy aims to build financial resilience and improve outcomes by promoting independence, embedding prevention and integrating services with health, housing and the voluntary sector. The strategy seeks to limit reliance on long-term care while ensuring residents receive safe and sustainable support.
- 15 Children's services also continue to face sustained pressure. Further budget growth is planned for 2026/27, and likely beyond, to meet rising demand and complexity, though this does not fully offset the 2025/26

overspend. With a new Corporate Director in place since October 2025 and an Ofsted inspection expected in 2026/27, the Council has developed a ten-area improvement plan to strengthen leadership, stabilise performance and support more consistent practice.

- 16 The Council also has a significant Dedicated Schools Grant (DSG) deficit. Under the recent settlement, the Government will provide grant support covering 90% of the high-needs DSG deficit, helping to stabilise the Council's position in this area.
- 17 Even as Middlesbrough is entering a period of improved financial stability, controlling expenditure and maintaining strong operational arrangements remain critical to delivering the Council's core functions and strategic priorities. Internal audit supports this by providing assurance that governance, risk management and internal control frameworks are operating effectively
- 18 To maximise the value of internal audit, it is important that we provide assurance in the right areas at the right time. We have designed the processes for developing the internal audit work programme, and refining it through the year, to do that.

2026/27 internal audit work programme



The 2026/27 indicative internal audit work programme

- 19 The proposed internal audit work programme for 2026/27 is included in annex A. The programme is made up of audit engagements which have been assessed as priorities to deliver over the next 12 months.
- 20 The overall level of service to be provided by Veritau is based on an indicative number of days, for planning purposes. The number of days available to deliver the work programme is to be confirmed by the Council's s151 officer.
- 21 The proposed areas of coverage in the 2026/27 work programme have been subject to consultation with this committee, strategic directors and their Directorate Management Teams, and with other senior officers from across the organisation.
- 22 Internal audit activity is organised into several functional programme areas. These areas are set out in table 1, on the following page.

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, grant certifications, 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.

Sufficiency of resources

- 23 The Global Internal Audit Standards and the Application Note require the Head of Internal Audit to ensure that there are sufficient financial, human, and technological resources to operate effectively (Standard 8.2, Requirement 10A). The committee must be informed where resources are considered insufficient. Adequate funding and staffing are identified as essential conditions which support the delivery of audit work and the annual opinion.
- 24 The resourcing requirements should be assessed with reference to the audit universe, risk assessment and the contribution the service is expected to make toward achieving the Council's strategic priorities (as set out in the internal audit charter).
- 25 Consideration needs to be given to the requirement for specialist skills and knowledge, for example in respect of digital assurance, cyber security and major project support. The Standards also require any resource limitations

that could impair the delivery of audit work or the annual opinion, are reported to the Board (Audit Committee) as part of its oversight role.

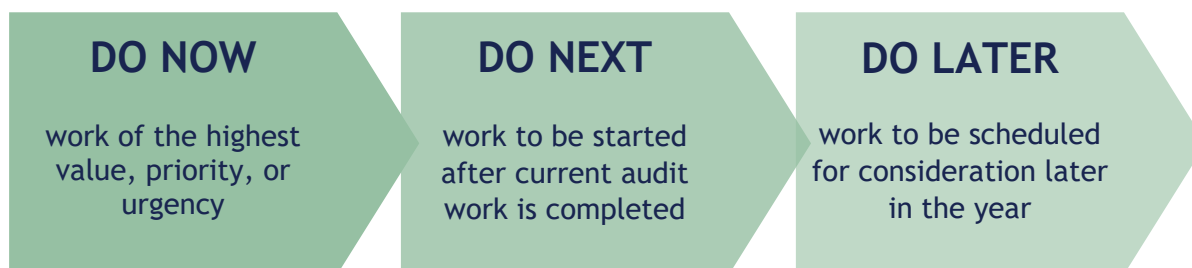
- 26 Our assessment on sufficiency of resources will be made once the level of service has been confirmed.

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

- 27 Once initial internal audit priorities have been identified through the 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.

- 28 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.



- 29 Decisions on which 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, on the following page. 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
▲ areas that are of significant importance to the council, for example they reflect key objectives or high priority projects	▲ areas that provide broader assurance, for example corporate policies and frameworks
▲ areas 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 where work is scheduled to minimise the impact on council service areas at busy times

- 30 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.
- 31 For example, an audit scheduled for quarter three 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 three. 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, for example, a 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.
- 32 Some initial timescales were discussed as part of the planning meetings held with officers. We will work with officers in quarter one 2026/27 to firm up and to schedule the delivery of work, for the year.
- 33 It is important to re-emphasise two important aspects of the programme as a whole. Firstly, the audit activities included in annex A are not fixed. Work will be kept under review to ensure that audit resources are deployed to the areas of greatest risk and importance to the council. This is to ensure the audit process continues to add value.
- 34 Secondly, it will not be possible to deliver all 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 if we need to commence work in other areas of importance to the council when risks and priorities change during the year.
- 35 The committee will be provided with information on current internal audit priorities throughout the year as part of regular progress reporting.

ANNEX A: internal audit work programme 2026/27

Programme area	Internal audit activity
Strategic / corporate & cross cutting	<ul style="list-style-type: none"> ▲ Budget management ▲ Information security ▲ Health and Safety ▲ Recruitment and retention ▲ Performance management ▲ Data quality ▲ Procurement ▲ Contract management ▲ Agency staff ▲ Complaint handling ▲ Emergency planning ▲ Management of grants
Technical / projects	<ul style="list-style-type: none"> ▲ IT: Cyber security awareness and training ▲ IT: Supplier management / third party risk ▲ IT: Disaster recovery ▲ IT: Systems review ▲ IT: Cloud management ▲ IT: AI framework ▲ Regeneration projects ▲ Programme and project management
Financial systems	<ul style="list-style-type: none"> ▲ Main accounting system

Programme area	Internal audit activity
	<ul style="list-style-type: none">▲ Ordering and creditors▲ Council tax and NNDR▲ Financial assistance schemes▲ Payroll▲ Teesside Pension Fund: Contributions income▲ Teesside Pension Fund: Closedown procedures▲ Teesside Pension Fund: Risk management
Service areas	<ul style="list-style-type: none">▲ Homelessness and temporary accommodation▲ No recourse to public funds▲ Continuing healthcare▲ Reablement and independent living▲ Direct payments (follow up)▲ Carer support▲ s117 mental health services▲ Domestic abuse (follow up)▲ Public health (focus to be confirmed)▲ Schools themed audit (focus to be confirmed)▲ Foster carers▲ Residential services (CS)▲ Children's services commissioning (follow up)▲ Panel / decision making processes (CS)▲ Private fostering arrangements▲ Virtual school

Programme area	Internal audit activity
	<ul style="list-style-type: none"> ▲ Waste management ▲ Fleet management ▲ Highways maintenance / transport infrastructure ▲ Section 106 / Community Infrastructure Levy (CIL) ▲ Middlesbrough Community Learning Service (MCLS) ▲ Enforcement (planning and building control) ▲ Housing strategy – needs assessment ▲ Property repairs and maintenance
Other assurance work	<ul style="list-style-type: none"> ▲ Grant certifications ▲ 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 ▲ Attendance at, and contribution to, governance, risk- and assurance-related working groups ▲ Ad-hoc control, governance and risk-related work requested during the year by officers
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