Middlesbrough
moving forward

Internal Audit
Progress Report 2026/27

Date: 3 September 2026

APPENDIX 1

Veritau
Assurance for the public sector

CONTENTS

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 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 2026/27 was agreed by this committee on 16 April 2026.

5 At the June 2026 meeting, the Committee considered the outcomes of a review of the Council's internal audit arrangements. Additional investment of 170 internal audit days for 2026/27 was approved. The Committee also requested further information on how those resources would be utilised. This report sets out the updated internal audit work programme for 2026/27 and explains how those resources will support delivery of the programme during the year.

6 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.

7 The purpose of this report is to update the committee on internal audit activity up to 14 August 2026.

INTERNAL AUDIT PROGRESS

8 A summary of internal audit work currently underway, as well as work finalised in the year to date, is included in annex A. Annex A also details other work undertaken by internal audit during the year.

9 Two audits have been finalised since the last report to this committee. Further information on the key findings from completed audits is included in Annex B. A further audit is currently at draft report stage and fieldwork has been completed for another.

10 Twelve audits are in progress, six of which are at the planning stage. This reflects the fact that completing 2025/26 audit work prior to the annual report in June 2026 was prioritised, so 2026/27 work commenced in earnest in June/July.

11 To support planning and scheduling during the year, audits are assigned to one of three prioritisation categories: 'do now', 'do next' and 'do later'.

12 Annex C provides details of progress on ongoing audits. These audits are currently assigned to the 'do now' category. Work has either started and scope and objectives have been agreed with officers for these audits, or where planning has started will be agreed shortly as part of the engagement planning process.

13 The audit work programme agreed by this committee in April 2026 listed audit activities identified as a priority for 2026/27. The programme was intentionally over-planned to build in flexibility. Since the work programme was approved, further work has taken place to plan, prioritise and schedule audit work.

14 Annex D outlines the current audit priorities and programme for 2026/27 and includes audits under the 'do next' and 'do later' categories. The additional audit days have only recently been approved and planning discussions with officers are continuing. The programme remains intentionally over-planned to build in flexibility. This allows audit priorities to be refined through the year and Internal Audit to respond to emerging risks and changing organisational priorities.

15 At this early point in the audit year there is inherently less certainty about audits included in the 'do later' category. It is likely some of these audits will not be delivered, as other priorities arise and re-scheduling of work takes place through the year. This committee will continue to receive updates through the year on the current and future priorities.

16 It is also important to note that the additional internal audit days will not simply be used to complete more audit engagements. As outlined in the June 2026 review of internal audit report, presented by officers and approved by the committee, the additional investment is intended to increase the profile of internal audit and to enable audit to act more as a critical friend and consultant to the Council. It will also support additional liaison and reporting to senior leadership at the Council.

17 The additional audit days also provide greater flexibility to respond to new and emerging risks and provide additional support and advisory work. Some additional areas of new audit coverage have been identified as part of recent monthly liaison meetings and are included in Annexes C and D.

18 In addition to the audit areas already identified, ongoing liaison will continue to identify further areas of work and opportunities to contribute to the Council's governance, risk management and control arrangements. This could include:

- specific projects linked directly to the strategic and directorate risks registers;
- consultancy type work, where Veritau have greater knowledge and exposure to topic areas due to working with other local authorities and clients;
- focussed reviews on areas of non-compliance with the Constitution and the Finance & Contract Procedure Rules;
- training and guidance for council staff;
- additional projects added to the current year work programme from Veritau's own risk assessment of the Council's operations.

19 Progress reports to this committee throughout 2026/27 will continue to provide updates on internal audit priorities as they continue to develop.

20 Annex E sets out our assurance audit opinions and finding priorities.

FOLLOW UP

21 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.

22 A summary of the current status of follow up activity is included at annex F. There are currently no overdue audit actions. There are a number of actions with prolonged revised dates; these continue to be followed up by internal audit and we are satisfied that appropriate action is being taken and that the reasons for delays in implementation are reasonable.

ANNEX A: INTERNAL AUDIT WORK IN 2026/27

Final reports issued

Audit	Reported to Committee	Opinion
Planning applications	September 2026	Reasonable Assurance
Home to school transport	September 2026	Substantial Assurance
No recourse to public funds (CS)	June 2026	Limited Assurance
Benefits	June 2026	Substantial Assurance
Partnerships	June 2026	Substantial Assurance
Creditors	June 2026	Substantial Assurance
ASC Financial assessments	June 2026	Substantial Assurance

Audits in progress

Audit	Status
Asset Management	Draft report issued
Section 17 payments	Fieldwork complete
Un-invoiced payment review	Fieldwork nearing completion
Records management	Fieldwork nearing completion
Climate change	Fieldwork in progress
Implementation of the Procurement Act	Fieldwork in progress
Agency staff and consultants	Planning
Community councils	Planning
Council Tax and NNDR	Planning
Main accounting system	Planning
Public Health - Public Health Grant assurance	Planning
Teesside pension fund – closedown procedures	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 nearing completion	Work is substantially complete.
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.

Other internal audit activity in 2026/27

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

- Follow-up of previously agreed management actions
- Grant certification and related assurance activity, including
  - City Region Sustainable Transport Settlement
- Supporting counter fraud colleagues relating to whistleblowing referrals and other internal investigations
- Providing annual feedback on the effectiveness of the Audit Committee
- Attendance at internal Council groups covering risk and governance.
- Ongoing general support and advice, and regular liaison with officers.

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
Home to school transport	Substantial assurance	The audit reviewed policies and procedures, including referral, eligibility, decision making and appeals processes. The audit did not review the provision of transport against individual EHCP requirements.	14 August 2026	The council has an effective framework for delivering Home to School Transport. Policies, eligibility assessments, referral processes, decision-making arrangements, and appeals procedures were found to be operating effectively and supported by appropriate management oversight. Non-home to school transport arrangements, including Adult Social Care and emergency transport, were also found to be operating effectively and in line with relevant requirements. The service is supported by experienced and knowledgeable officers. However, documented operational procedures are limited, creating reliance on individual knowledge and experience for some key operational activities. This reduces organisational resilience and increases the risk of knowledge being lost through staff absence or turnover.	1 significant finding was agreed. **Responsible officer:** ITU Manager. Actions will strengthen business continuity, knowledge transfer, and organisational resilience within the Home to School Transport service. A comprehensive Office Manual will be developed and implemented to support the consistent administration of key operational processes. The Office Manual will be completed by 30 November 2026, with implementation and review arrangements completed by 28 February 2027

System/ area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed
Planning applications	Reasonable Assurance	The audit reviewed policies and procedures and planning practices and their compliance with legislation and guidance.	3 August 2026	The council's planning framework is broadly effective, with planning applications generally processed in line with legislation, policy, and established procedures. Progress has also been made on the emerging Local Plan. Governance, performance monitoring, and operational arrangements are established and planning application fees were generally calculated and collected correctly Weaknesses were identified in governance, income assurance, supporting documentation, and strategic oversight arrangements. Delegation documentation had not been updated to reflect organisational changes, discretionary fee increases had not been implemented, and some planning guidance was outdated. Opportunities were also identified to strengthen quality assurance, stakeholder feedback arrangements, and oversight of performance and risk.	1 significant and 6 moderate findings were agreed. **Responsible officer:** Corporate Director, Regeneration and Housing. Actions will strengthen governance arrangements, income assurance controls, and the maintenance of planning policies and supporting documentation. Work will improve planning decision quality assurance, stakeholder feedback arrangements, and oversight of service performance and risk. The revised Scheme of Sub-Delegation has already been approved, with further improvements planned to strengthen planning governance and operational resilience. The majority of actions will be completed by 28 February

System/ area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed
					2027. All actions will be completed by 30 April 2027.

ANNEX C: SUMMARY OF PROGRESS ON ONGOING AUDITS

Audit	Specification issued	Scope	Details on progress	Target final report date	Target committee date
Asset Management *Draft report issued*	March 2026	Asset strategy, long term plans to manage assets, assets sales.	Fieldwork has been completed. A draft report was issued to responsible officers on 25 June. The proposed opinion is of Reasonable Assurance with a number of moderate findings but no significant control weaknesses.	August 2026	December 2026
Section 17 payments *Fieldwork complete*	April 2026	Roles and responsibilities, plans, policies and procedures, authorisation of payments, budgetary control.	Fieldwork complete. Closing meeting and quality assurance review in progress.	September 2026	December 2026
Un-invoiced payment review *Fieldwork nearing completion*	July 2026	Additional request: Fact finding review into potential non-compliance with financial regulations.	Meetings have taken place with key officers. Some work remains to be completed.	September 2026	December 2026
Records Management *Fieldwork nearing completion*	February 2026	Governance over management of records, access to records, retention and disposal,	Fieldwork nearing completion. Expect to complete fieldwork in August.	September 2026	December 2026

Audit	Specification issued	Scope	Details on progress	Target final report date	Target committee date
Climate change *Fieldwork in progress*	June 2026	Governance arrangements, embedding of plans in services, strategy priorities and actions.	Fieldwork commenced. The Green Strategy is being redrafted and discussions are taking place on whether the focus of the review should be adjusted to provide support and advice on governance arrangements.	October 2026	December 2026
Implementation of the Procurement Act *Fieldwork in progress*	April 2026	Procurement strategy, policies and procedures, training, oversight and monitoring compliance with procurement act.	Specification issued and information to further progress the work requested.	October 2026	December 2026
Agency staff and consultants *Planning*	To be issued	To be agreed	Planning in progress. Awaiting opening meeting to discuss and agree scope and objectives.	TBC	December 2026
Community Councils *Planning*	To be issued	Additional request: Scope and objectives have been discussed but still to be formally agreed.	Planning in progress. Awaiting opening meeting to discuss and agree scope and objectives.	TBC	December 2026

Audit	Specification issued	Scope	Details on progress	Target final report date	Target committee date
Council Tax and NNDR *Planning*	To be issued	To be agreed	Planning in progress. Awaiting opening meeting to discuss and agree scope and objectives.	TBC	December 2026
Main accounting system *Planning*	To be issued	To be agreed	Planning in progress. Awaiting opening meeting to discuss and agree scope and objectives.	TBC	December 2026
Public Health - Public Health Grant assurance *Planning*	To be issued	To be agreed	Planning in progress. Awaiting opening meeting to discuss and agree scope and objectives.	TBC	December 2026
Teesside pension fund – closedown procedures *Planning*	To be issued	To be agreed	Planning in progress. Awaiting opening meeting to discuss and agree scope and objectives.	TBC	December 2026

ANNEX D: CURRENT PRIORITIES FOR INTERNAL AUDIT WORK IN 2026/27

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting[1]
Strategic / Corporate & cross cutting			
Do next			
Charitable trusts – governance review	Work identified through liaison. Work to cover a review of governance arrangements for the charitable trusts which the council has involvement in, and support council with best practice recommendations. Scope to be agreed with officers.	August 2026	December 2026
Health and Safety (Environment services)	Area of corporate risk. Nature of services in Environmental Services means there is a high inherent level of risk. Audit work will assess the effectiveness of controls in managing that risk.	September 2026	December 2026
Information security	Further discussions will take place to determine the focus of the review. Potential areas for coverage include physical information security arrangements and incident management.	Q3	TBC
Do later			
Complaint handling	Deferred previously.	Q4	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]
Performance management	New performance management framework and processes implemented for 2026/27.	Q4	TBC
Financial / Corporate systems			
Do next			
Special guardianship payments	Work identified through discussion with officers. To review policy, oversight, approval and what elements are included in payments.	September 2026	December 2026
Payroll	Key financial system and not audited since 2024/25. Scope discussions will consider use of data analytics and opportunities for ongoing assurance.	Q3	TBC
Management of grants	Identified in consultation that review of overall management of grants across the council would provide useful assurance and support good governance.	Q3	TBC
Do later			
Financial assistance schemes	Discretionary support and crisis relief schemes. Significant amounts of money allocated and these schemes have very high volumes of transactions and could be open to use and abuse if not well controlled.	Q4	TBC
Teesside pension fund	Potential areas for audit include income contributions and risk management. Scope and objectives to be discussed and agreed with officers.	Q4	TBC

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting[1]
Direct payments	Review of management of direct payments. Previous limited assurance audit (reported to members December 2024), actions have been followed up and confirmed as implemented. To re-assess key controls.	Q4	TBC
Ordering and creditors	High volume and value of transactions. Audited frequently. To discuss reviewing areas not previously examined and using data analytics.	Q4	TBC
ICT			
Do next			
IT audit – user access	Key area for managing cyber risk. Opening meeting held. Due to recent external review this work may be delayed and replaced with an alternative IT audit. Further discussions to take place.	September 2026	December 2026
IT audit – cyber security user awareness and training	People are key attack vector / point of weakness. Therefore, audit of user awareness and training identified as priority.	Q3	TBC
Do later			
IT audit - TBC	Further discussions will take place to determine the priority area for work. Potential areas identified through planning include cloud management, AI framework, systems review, disaster recovery and supplier management / third-party risk. Audit work may take the form of support and advice rather than a formal assurance review.	Q4	TBC

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting[1]
Operational audits			
Do next			
No Recourse to Public Funds (ASC)	Increasing number of individuals presenting with 'no recourse to public funds' (NRPF). There are initiatives for NRPF families/individuals including access to free school meals. Follows work in Children's services last year.	September 2026	December 2026
Housing strategy – needs assessment	Identifying needs is challenge for effective strategy. Review how systems could improve quality, consistency, robustness of data on housing need, collated from across the council (e.g. link to supported housing, homelessness, landlord licensing etc.).	September 2026	December 2026
Children's services – Residential services	Following the recent Ofsted inspection, priorities within Children's Services are being re-evaluated. Discussions are ongoing to identify the highest priority area for audit review.	September 2026	TBC
Carer support (ASC)	ASC strategy and CQC improvement plan identify carer support as key risk and requiring improvement. Support at DMT for audit of carer support.	Q3	TBC
Section 106 / CIL	Middlesbrough has not previously operated a CIL. Priority for audit in 26/27 as generally high risk for most councils, audits at other councils often find issues and weaknesses in control and effective use of s106 (and CIL).	Q3	TBC
Waste management	Not previously audited. Changes in working practices present an opportunity for audit review. Scope and objectives to be agreed with officers.	Q3	TBC

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting[1]
Schools themed audit	Specific focus to be agreed with the directorate and Veritau's Schools Audit Manager. HR processes are a potential area for review.	Q3	TBC
Do later			
Reablement and Independent living	Significant area in ASC strategy and council plan. DMT support for audit as high risk and/or high importance for delivery of objectives of service. Key element to reducing demand and costs of care.	Q4	TBC
Middlesbrough Community Learning Service	Review of policy, procurement exemption documentation, contract mgmt. due diligence checks, invoice administration.	Q4	TBC
Regeneration projects	Important corporate priority. Various projects across council. Could review overall approach to project management / governance or more specific review of individual projects. High profile, significant risk so to include audit and use ongoing liaison to identify specific objectives and scope.	Q4	TBC
Children's services – Virtual school	Further Children's Services audit work may be undertaken during the year. Potential areas include residential services, the virtual school, private fostering, commissioning and decision-making processes.	Q4	TBC
Enforcement (Regen Dir)	Areas of enforcement important for council. To discuss scope and objectives, Areas could include building control, MO licencing, renters rights act.	Q4	TBC
Fleet management	Significant spend and vital for delivery of services. Recent external reviews of H&S, maintenance. Scope could be on financial aspects.	Q4	TBC

ANNEX E: ASSURANCE AUDIT OPINIONS AND FINDING PRIORITIES

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.

*There are circumstances when it is not appropriate to give an opinion/assurance level on completed work, for example on projects, investigations and other targeted support, consultancy, and follow up work. In these instances a 'No opinion' will be given. No opinion should not be mistaken for No assurance.

Finding ratings	
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 further review by audit where necessary.

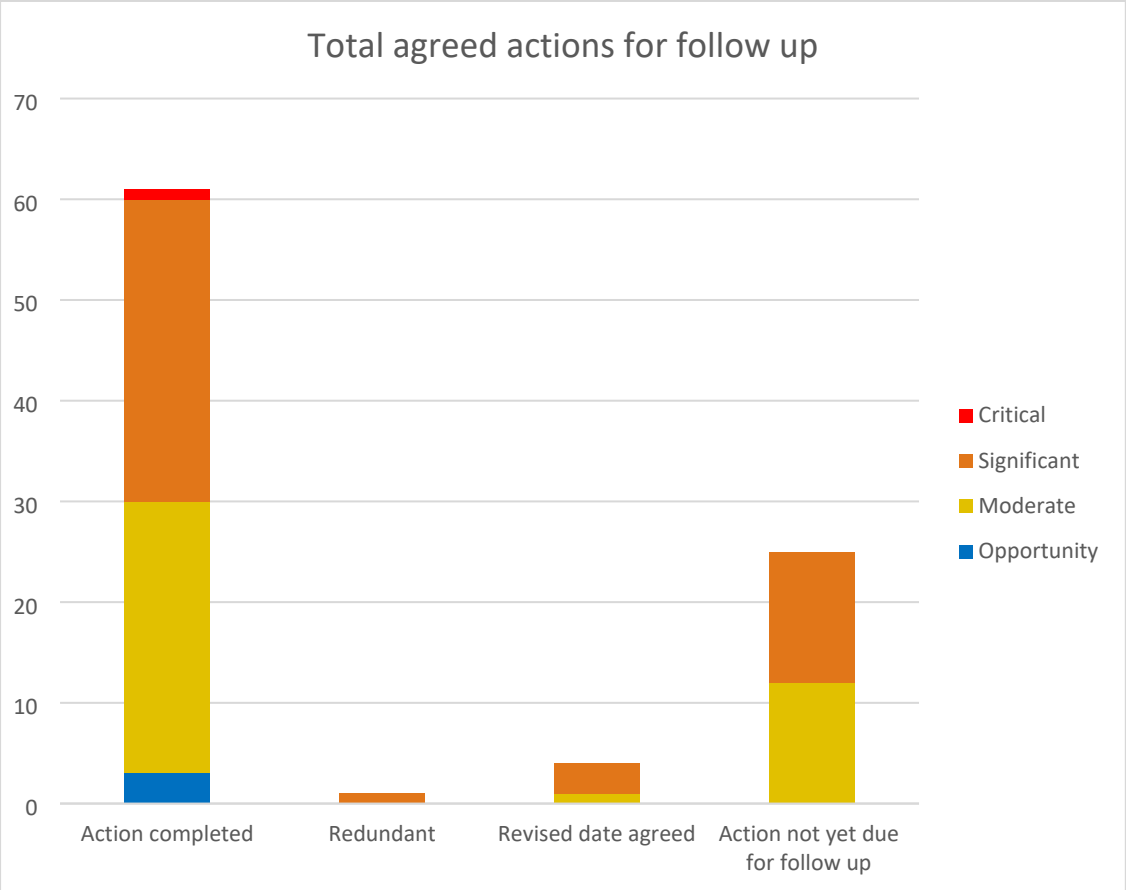
2 Where responsible officers have not taken the action they agreed to, issues are escalated to more senior officers. Ultimately, they may be referred to the Audit Committee in accordance with the follow-up and escalation procedure.

3 Follow up activity is reported on a rolling twelve month basis. Figure 1 below reports the status of agreed actions from follow-up activity for the period from 21 August 2025 – 20 August 2026.

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 August 2025 but which were implemented in the last twelve months or 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.

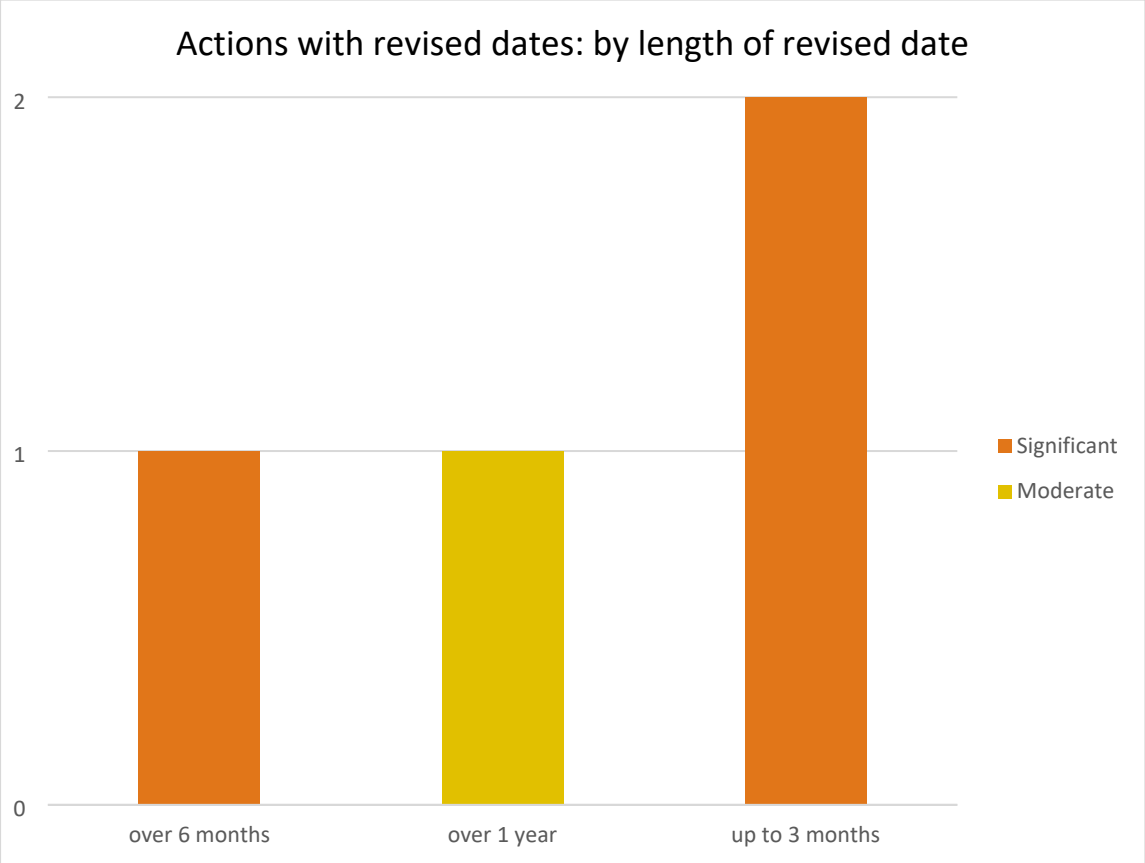
Figure 1: Total agreed actions by current status



6 A total of 68 actions have been followed up in the last twelve months. Of these, 61 have been satisfactorily implemented (90%). Twenty-three 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, no actions are overdue.