MIDDLESBROUGH COUNCIL	Middlesbrough moving forward

Report of:	Head of Paid Service, Erik Scollay Monitoring Officer, Charlotte Benjamin Section 151 Officer, Andrew Humble
Submitted to:	Audit Committee
Date:	3 September 2026
Title:	Annual Review of Effectiveness – Draft Final Report and Recommendations
Report for:	Decision
Status:	Public
Council Plan priority:	Delivering Best Value

Proposed decision(s)

That the Audit Committee:

- **APPROVES** the findings of the annual review of effectiveness and the conclusion that the Committee is operating effectively overall while recognising the areas where further improvement is required;
- **APPROVES** the proposed recommendations arising from this report and set out at paragraph 3.19;
- **NOTES** that the outcome of this review will inform the Audit Committee's annual report to Full Council.

Executive summary

This report presents the final outcome of the Audit Committee's annual review of effectiveness for 2025/2026 and seeks approval of the improvement actions arising from that review. The review completes the approach approved by the Committee in July 2026 and draws upon member self-assessment, officer feedback, consideration of the Committee's work programme and activity during the year, assessment against the Committee's Terms of Reference, evaluation against CIPFA's Position Statement and Practical Guidance, and a review of progress against recommendations from the 2025 effectiveness review.

The review concludes that the Audit Committee is operating effectively overall and continues to provide independent assurance and constructive challenge in relation to the

Council's governance, risk management, internal control, audit and accountability arrangements. The Committee demonstrates many of the characteristics of an effective audit committee identified in CIPFA guidance, including strong engagement with internal and external audit, effective working relationships with officers, improved member development arrangements and enhanced reporting arrangements to Full Council.

The review also confirms that good progress has been made in implementing the recommendations arising from the previous effectiveness review. Annual reporting arrangements, structured effectiveness reviews and officer feedback mechanisms have now been established, while work continues on the appointment of independent members, development of the Council's assurance framework and assurance map, and alignment of published governance documents with constitutional requirements and CIPFA good practice.

Assessment against the CIPFA effectiveness framework indicates that the Committee is making a positive contribution to promoting good governance, strengthening internal control, supporting risk management, overseeing audit and assurance arrangements, improving transparency and accountability, and supporting Value for Money and ethical governance arrangements across the Council. Opportunities for further improvement have nevertheless been identified, particularly in relation to assurance mapping, visibility of assurance arrangements, action tracking, ongoing member development and ensuring continued alignment between the Committee's Terms of Reference and best practice guidance.

The report therefore recommends a series of proportionate actions designed to build on the Committee's existing strengths and support its continued development. Subject to implementation of those actions, the Committee can take assurance that it remains well placed to fulfil its governance and assurance responsibilities and to support the Council's commitment to effective governance and best value.

1. Purpose

1.1 To present the final outcome of the Audit Committee's annual review of effectiveness for 2025/2026 and seek approval of the improvement actions arising from the review.

1.2 This report completes the approach approved in July 2026 and draws together member feedback, officer feedback, assessment against CIPFA guidance, consideration of progress against previous recommendations and review of the Committee's activities during the year.

2. Recommendations

2.1 That the Audit Committee:

- **APPROVES** the findings of the annual review of effectiveness and the conclusion that the Committee is operating effectively overall while recognising the areas where further improvement is required;
- **APPROVES** the proposed recommendations arising from this report and set out at paragraph 3.19;
- **NOTES** that the outcome of this review will inform the Audit Committee's annual report to Full Council.

3. Background and relevant information

3.1 The Audit Committee comprises seven non-executive councillors, with recruitment underway for two independent non-voting members, and provides independent assurance on the Council's governance, risk management, internal control and audit arrangements.

3.2 In line with the expectation set out in CIPFA's Audit Committees Practical Guidance for Local Authorities and Police (2022) that audit committees undertake an annual assessment of their effectiveness and report the results to those charged with governance, the Committee approved a structured two-stage review of its effectiveness at its meeting on 23 July 2026. The agreed evidence base included Member self-assessment, a structured officer survey, an assessment of progress against the 2025 recommendations, and consideration of the Committee's work programme and activities against its Terms of Reference.

3.3 The Committee commissioned an external assessment by the Local Government Association, which presented its report in July 2025. The outcome of that review was a series of recommendations which were accepted and responses to them set out in the Committee's first annual report to Full Council that was considered later that year.

3.4 Good progress has been made in implementing the recommendations arising from the 2025 external review.

3.5 The table below sets out the 2025 recommendations, the agreed response and the progress that has been made:

No	Recommendation	Agreed response	Target date(s)	2026 update
1	Publish an Annual Report for Full Council that covers: ▪ compliance with the CIPFA Position Statement 2022 ▪ results of the annual evaluation, development work undertaken and planned improvements ▪ how it has fulfilled its terms of reference, and the key issues escalated in the year.	This Annual Report, once agreed by the Committee and submitted to Council will address this recommendation. A Full Council agenda item has been scheduled for the October meeting.	15 October 2025	Completed. A cycle of annual reports has now been embedded in the Committee's work programme.
2	There should also be a response from Council to the Committee's report in relation to holding the Committee to account for its performance.	This Annual Report will be accompanied by a covering report which will formally ask Full Council for a response to this report.	15 October 2025	Completed.
3	The effectiveness of the Audit Committee should be assessed annually.	The Committee will build an annual review into its work programme going forward and will conduct an annual review of effectiveness against the CIPFA Code of Practice as part of its future annual reports.	September 2026	This review completes this recommendation for 2026 and future annual reviews are embedded in the work programme of the Committee.
4	Time should be set aside before the meeting to meet with external audit and the head of internal audit.	Members services will diarise virtual pre-meetings with the Chair and Vice-Chair, Internal and External Audit before each meeting between publication of committee meeting papers and the Committee meeting.	To be in place for the December 2025 meeting of the Committee onwards	Completed. This occurs within every meeting cycle. All Committee Members meet with internal and external audit.
5	The Council should consider stopping or limiting substitution of Committee members.	Given the limited use of substitutions by the Committee and the need for compulsory training to be complete in order for an individual to be a substitute, the Committee does not propose to pursue this recommendation at this time but will commit to an annual review of the volume of substitutions along with formal consideration of statutory officer views.	Annual review due September 2026	Not progressed at this time. Membership of the committee continues to be stable, and the Committee decided in its July 2026 meeting not to seek any changes to the Constitution in relation to the use of substitutes.
6	Two independent (non-Councillor) members should be appointed to the	A benchmarking exercise will be undertaken and reported to the February	February 2026 onward	Complete. The benchmarking exercise was completed and

No	Recommendation	Agreed response	Target date(s)	2026 update
	Committee on an appropriate level of remuneration.	2026 meeting of the Audit Committee, exploring the approach of other Councils' volumes, skills and remuneration for Member consideration along with further information on the governance routes that would need to be followed.		remuneration considered by full Council as part of the recent remuneration report for all Councillors. A recruitment process has been agreed and work is underway to complete it before the end of the year.
7	A training needs analysis (TNA) should be carried out for the Chair and each Committee member.	Officers will propose the areas on which Members should have training competencies in order to be able to consider all reports that the Committee needs to be able to consider fulfilling its terms of reference. Draft proposals will be consulted on with the Committee, External and Internal Audit. This will be accompanied by proposed training solutions	31 October 2025	Completed. Training needs were assessed for all members, and a training programme was developed for the year which was approved by committee. It is now in delivery.
		The proposed training needs framework will be brought to the Committee for consideration	11 December 2025	Completed.
		All members of the Committee will engage with Democratic Services to complete a self-assessment against the training needs framework.	30 April 2026	Completed.
		Review the mandatory training required for the Committee and its substitutes following this and propose a revised set of mandatory training sessions, covering the fundamental elements of the Committee's work.	30 April 2026	Completed. The mandatory training is now supported by themed discretionary training that aligns with the Committee meeting cycle to ensure training is generally planned to match the agenda of the next Committee.
8	A training plan should be identified for each member of the Committee based on the TNA.	Training plan in place by June 2026 with reports on compliance to the Committee by exception going forward	June 2026 onwards	Completed – see above
9	Feedback from officers should be considered as a formal part of the next review.	This will be built into the next annual review due to be complete by September 2026	September 2026	Completed. All officers who have engaged with the committee in the last 12 months were given the opportunity to submit

No	Recommendation	Agreed response	Target date(s)	2026 update
				their views on it effectiveness as part of this review and they are set out in the body of this report.
10	The Council needs to develop a comprehensive assurance framework which should be used to define an assurance map	Draft proposal around the assurance framework to be presented to the Committee	April 2026	Complete. The first phase of this work has been completed with the agreement of the Governance and Assurance Policy in April 2026. A progress update on its implementation will be considered by Committee in October 2026.
11	The assurance map should be used to guide the work of internal audit and the workplan of the Committee.	Put in place a work programme to deliver training on the assurance mapping, roles and responsibilities and programme to populate the map over an initial 12-month period. It is anticipated that the map and the framework will be refined over the medium term as the organisation matures in its understanding of the process.	April 2026 – April 2027	Ongoing. See above
12	Senior Officers (and members where appropriate) should attend the Committee to update on risk and mitigations.	The Committee work programme is being amended to build in an LMT member attending each session to share an overview of their Strategic Risks with the Committee, This will be in place from the December 2025 meeting onwards. LMT members will also attend as necessary where internal audit recommendations have not been implemented in line with agreed timescales.	September 2025 onwards	Ongoing. Over the last months the Committee has considered deep dives on: - the Dedicated Schools Grant (DSG) deficit - threats to social cohesion and democratic resilience - Funding for key external projects led by TVCA or MDC - Unlawful legal decision
13	The Committee needs to feedback to Senior Officers on improvement required in managing key risks and actions.	This already occurs on an ad hoc basis as evidenced in this Annual Report, however the Committee action will be taken to ensure this is a consideration,	December 2025 onwards	Ongoing. As the Committee considers the arrangements in place to manage strategic risks, it is given the opportunity to raise concerns where it is not

No	Recommendation	Agreed response	Target date(s)	2026 update
		systematically within the future presentations on risk management by responsible LMT members through the creation of a reporting template for this subject matter		assured that the arrangements in place to manage those risks are effective.
14	Management of the Internal Audit contract needs to be tightened	The Continuous Improvement Plan already contains an action to review the current contract in order to strengthen this area. The outcome of this review will be presented to the Committee.	April 2026	Completed. The review was completed and additional days identified to increase the capacity of the service. Improvements to oversight have also been implemented and Internal Audit are also involved in the governance and assurance mapping improvements being put in place. A report on the matter was considered by the Committee in 2026.

Findings from 2026 Effectiveness Review

Member Feedback

3.6 Members reflected on the Committee's effectiveness against its Terms of Reference, with discussion focusing on membership arrangements, meeting structure, member development, audit oversight and the Committee's contribution to assurance over value for money.

3.7 A theme emerging from the discussion was the importance of maintaining continuity of knowledge and expertise within the Committee. While views differed on the use of substitute members, the overall preference was to retain the current arrangements, recognising the practical benefits they provide. Members also acknowledged the importance of ensuring any substitutes are appropriately trained and equipped to contribute effectively to the Committee's work.

3.8 While CIPFA guidance recommends avoiding substitutes where possible, concerns relating to continuity and capability can be mitigated through robust training and development arrangements. Given that substitute member arrangements are a constitutional matter, any future changes should be considered through the appropriate governance process rather than through this review.

3.9 Members identified a need to review the Committee’s published Terms of Reference and the relevant provisions of the Constitution following differences identified between the two. The matter has now been referred for consideration through the Monitoring Officer’s Governance meeting to determine whether amendments are required to the

Constitution and/or the published Terms of Reference and to ensure appropriate alignment with the current CIPFA guidance.

3.10 Members recognised the significant progress made in strengthening training and development arrangements during 2025/2026. To support the Committee's long-term effectiveness, these arrangements should be embedded through an annual training needs assessment, structured induction for all new and substitute members, alignment of training with the work programme, and ongoing evaluation of member confidence and capability.

Officer Feedback

3.11 Officer feedback provided a broadly positive assessment of the Committee's effectiveness. Although the number of responses was relatively limited, the majority of respondents considered the Committee to be effective, appropriately challenging and well structured. Respondents generally agreed that the Committee adds value to the Council's governance, risk management and control framework and has contributed to service and governance improvements.

3.12 A consistent theme was that the Committee benefits from high levels of preparation, constructive relationships between Members, officers and auditors, and effective leadership from the Chair. Respondents highlighted the quality of reports and pre-meeting briefings as key factors supporting informed discussion and meaningful challenge.

3.13 Feedback also identified opportunities to further strengthen effectiveness. These centred on continuing investment in Member development, improving the balance and pacing of agendas, strengthening action tracking and accountability, and ensuring reports clearly articulate the assurance sought, key risks and decisions required. Respondents also highlighted the importance of maintaining the Committee's primary focus on governance, risk, control and assurance, avoiding overlap with operational or scrutiny functions.

3.14 While feedback was predominantly positive, one respondent reported concerns regarding the proportionality and value derived from a particular item of business. Although this reflected an isolated concern, it reinforces the importance of proportionate reporting, focused assurance discussions and effective meeting management to ensure Committee time is used to maximum effect.

3.15 Overall, the feedback supports the conclusion that the Committee is operating effectively and delivering value in its assurance role and the need to avoid straying into the remit of scrutiny colleagues.

Assessment against the CIPFA Audit Committee Effectiveness Framework

3.16 In addition to member and officer feedback, the Committee's effectiveness has been assessed using the CIPFA Audit Committees Practical Guidance effectiveness framework. The framework considers the extent to which the Committee contributes to good governance, risk management, internal control, audit and assurance arrangements, Value for Money, ethical governance and transparency.

3.17 The review indicates that the Committee is operating effectively overall and is making a positive contribution across all key areas. A number of opportunities for further development have been identified and are reflected in the improvement actions contained within this report.

2026 Recommendations

3.18 Taken collectively, the findings from member self-assessment, officer feedback, assessment against the Committee's Terms of Reference, consideration of progress against previous recommendations and evaluation against the CIPFA effectiveness framework provide evidence that the Committee is operating effectively and making a positive contribution to the Council's governance, risk management, internal control, audit and assurance arrangements. Areas for further development have been identified and are reflected in the proposed improvement actions.

3.19 It is recommended that the Committee agrees the following actions for delivery in 2026/27:

No	Recommended actions	Target date(s)	Owner
1	Publish the 2026 Annual Report for Full Council that covers: ▪ compliance with the CIPFA Position Statement 2022; ▪ results of the annual evaluation, development work undertaken and planned improvements; ▪ how it has fulfilled its terms of reference, and the key issues escalated in the year; and ▪ ensures that review is considered and responded to by Full Council.	November 2026	Head of Chief Executive's Department
2	Agree the inclusion of an annual review of the effectiveness of the Audit Committee within the draft 2027/28 work programme of the Committee	September 2026	Audit Committee
3	The Committee commits to reviewing the use of substitutes within its next annual review	Annual review due September 2027	Head of Chief Executive's Department
4	That work is undertaken to progress the recruitment of two independent (non-Councillor) members	December 2026	Monitoring Officer and Section 151 Officer
5	That the agreed training plan continues to be delivered during 2026/27	March 2027	The Head of Chief Executive's Department and training deliverers
6	Continue to gather structured feedback from officers and committee members as part of future annual effectiveness reviews.	September 2027	Head of Chief Executive's Department
7	That work to implement the governance, and assurance mapping continues and that the Committee are provided with regular progress updates.	Next update planned October 2026	Head of Chief Executive's Department
8	The Committee's published Terms of Reference and the relevant provisions of the Constitution be reviewed to ensure	April 2027	Monitoring Officer

No	Recommended actions	Target date(s)	Owner
	they are appropriately aligned with each other and current CIPFA guidance, with any necessary amendments progress through the appropriate governance process.		

4. Other potential alternative(s) and why these have not been recommended

4.1 Members could choose not to approve the recommendations. This is not recommended as the Committee would not be operating in accordance with CIPFA good practice guidance and their commitment to the continuous improvement of its arrangements and the delivery of its functions.

5. Impact(s) of the recommended decision(s)

Topic	Impact
Financial (including Social Value)	There are no direct financial implications arising from approval of the review. Some actions, including independent-member remuneration, training and assurance development, may require resources however will be met from existing budgets or reported separately. Stronger oversight of internal audit and Value for Money arrangements supports sound financial governance.
Procurement	There are no direct procurement implications. The review of effectiveness supports oversight of governance arrangements that underpin procurement and contract management.
Legal	The report supports the Council's governance obligations under the Accounts and Audit Regulations 2015. Any amendment to the Committee's Terms of Reference or substitute arrangements must follow the Council's constitutional process.
Risk	The annual review of effectiveness is a key element of the Council’s assurance framework. The recommendations reduce governance risk by clarifying responsibilities, improving continuity and training, strengthening action follow-up and completing the assurance framework and map.
Human Rights, Public Sector Equality Duty and Community Cohesion	There is no direct impact. Effective governance arrangements support the Council in meeting its human rights and equality duties through robust decision-making and oversight.

Reducing poverty	There is no direct impact. Effective governance and Value for Money assurance support delivery of Council priorities, including reducing poverty and inequality.
Climate Change / Environmental	There is no direct impact. The review supports the governance framework that underpins delivery of the Council's climate change and environmental commitments.
Children and Young People Cared for by the Authority and Care Leavers	There is no direct impact. Effective risk, control and assurance arrangements support the governance of services for children and care leavers.
Data Protection	There are no direct data protection implications arising from this report. Officer survey feedback was gathered and handled in accordance with data protection requirements and reported in anonymised form. The final report contains no personal data from respondents.

Background papers

Body	Report title	Date
Audit Committee	Review of the Effectiveness of Audit Committee – Final Report, Recommendations and Next Steps for 2024/2025	31 July 2025
Full Council	Annual Report of the Audit Committee	15 October 2025
Audit Committee	Audit Committee – Annual Review of Effectiveness 2025/2026 (Initial Stage)	23 July 2026

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