

Middlesbrough Council

Internal Audit Service

Annual Internal Audit Plan April 2008 - March 2009

March 2008

## Fundamental Financial Systems

Audit	Risk Category	Number of Days	Proposed Scope / Coverage of the Audit
Budgetary Control	Key financial system annual audit	19	Assurance that the total budget is broken down into a hierarchy reflecting responsibility of specific managers and are communicated to the appropriate member of staff who has responsibility for control of those areas. Processes to monitor budgeted expenditure on an ongoing basis are effective.
Capital Accounting	Key financial system annual audit	40	Assurance that there is compliance with accounting rules. To include a review of policies, amendments to the Fixed Asset Register (FAR), the accuracy of valuation, depreciation and capital charge calculations etc. This audit will also review sample entries made to the FAR and traced to the balance sheet. Twenty days carried forward from 2007/2008
Cash Receipt & Banking	Key financial system annual audit	25	Assurance as to the receipt and accounting for income; also that the central location receiving income is secure. Arrangements for banking income are secure and timely. Assurance that the central petty cash managed by cashiers and other payments are accurate and accounted for correctly
Council Tax	Key financial system annual audit	25	Assurance that valuations of properties are kept up to date, liability is calculated correctly, bills are accurate and issued promptly, refunds are calculated accurately and there is a robust system of recovery and enforcement.
Creditors	Key financial system annual audit	25	Assurance that only bona fide creditors are paid after the Council has received the goods and services ordered. Payments are accurate and on time.

Audit	Risk Category	Number of Days	Proposed Scope / Coverage of the Audit
Debtors	Key financial system annual audit	25	All debts due to the Council are identified, raised and cleared at the appropriate time and all receipts are accepted, recorded and banked promptly. Arrangements are in place to recover outstanding debt and manage unrecoverable debt
Housing & Council Tax Benefit	Key financial system annual audit	45	Assurance that benefit is assessed accurately, payments made correctly, and overpayments identified and recovered. There is a robust system for the prevention and detection of fraud. There is a system for processing weekly incorrect benefits. Subsidy claims are completed accurately and timely and a performance measurement system is in place.
Main Accounting System	Key financial system annual audit	20	Assurance that the Council's financial information requirements are met. Information is accurate, complete and held securely at all times. SAP feeder system interfaces are effective, appropriately managed and maintained.
Non Domestic Rates	Key financial system annual audit	20	Assurance that liability is calculated correctly, bills are accurate and issued promptly, all tax due is collected and any overpayment is calculated accurately and refunded timely. A robust system of recovery and enforcement is operated.
Payroll	Key financial system annual audit	25	Assurance that only bona fide employees are paid, they are paid correctly, at the appropriate time. All deductions are authorised and paid to the appropriate organisation. All payments are taken into account.
Pensions Administration	Key financial system annual audit	20	Assurance that employers' and employees' contributions are collected at the correct rate. Pension entitlements are calculated correctly and pensioners are paid accurately. Transfer values are paid and received for the correct amount. The pension system is legislatively compliant

Audit	Risk Category	Number of Days	Proposed Scope / Coverage of the Audit
Pension Fund Investments	Key financial system annual audit	20	Assurance that all investments comply with the Council's investment strategy. They are held securely and returns are maximised. Confirmation is available that the fund is able to meet its commitments.
Treasury management	Key financial system annual audit	15	Assurance that the Council has a treasury management strategy and that all loans are authorised, paid and collected at the appropriate time. Interest on loans is calculated accurately and received at the appropriate time. Brokers and counter parties are authorised by senior managers.
Total – Fundamental Financial systems		324	

## Other Corporate Financial Systems

Audit	Risk Category	Number of Days	Proposed Scope Coverage of the Audit
Gifts & Hospitality	Annual Audit Fraud & Corruption	5	Assurance that offers of gifts and hospitality are recorded and that that the Council's ethical guidance is being followed.
Telephone Allowances	Management Request	5	Assurance that mobile phones provided by the Council are accounted for, usage is monitored and cost of private calls recovered
Travel & Subsistence	Medium	8	Assurance as to the accuracy, timeliness and appropriateness of claims. Compliance with statutory requirements (e.g. taxation of home to office travel)
Car Allowances	Medium	7	Assurance as to the accuracy, timeliness and appropriateness of claims. Compliance with statutory requirements (e.g. taxation of home to office travel)
Value Added Tax	Medium	17	Assurance that output and input tax is correctly charged, recovered and accounted for
Bankers Automated Clearing System	High	21	The BACS system processes several million pounds every year through payroll and creditors. Obtain assurance that controls including transfer of data from feeder systems are adequate also ensure that payments are accurately recorded on SAP
Total Other Corporate Financial Systems		63	

## Code of Practice Audits

Audit	Risk Category	No of Days	Proposed Scope Coverage of Audit
Money Laundering	Medium	10	Review and update of existing Council policies and delivery of training
Accounting Instructions	Review	12	Review and update of existing Council policies to take account of the migration to SAP
Financial Regulations	Review	10	Review and update of existing Council policies to take account of the migration to SAP
Contract Standing Orders	Review	5	Review and update of existing Council policies
Annual Governance Statement	Annual Contribution	3	Input to preparation of in accordance with the Accounts and Audit Regulations
National Fraud Initiative	Management Requirement	13	Download of data and administration of input to the National Fraud Initiative
Corporate Governance	Medium	35	To review arrangements within the Council to ensure that the highest standards of Governance are maintained and enforced. Guidance from CIPFA / SOLACE is followed
Total - Code of Practice Audits		88	

## Children Families & Learning

Audit	Risk Category	Number of Days	Proposed Scope / Coverage of Audit
Adult Education	Medium	15	Assurance as to charging and receipt of income.
Youth Management	Medium	5	Follow up of prior audit
Connexions	Medium	15	The Connexions Service became part of the Authority during 2007/2008. A review of Connexions key financial processes will be undertaken to ensure compliance with approved policies and procedures.
Youth And Community Centres	Low	51	Preparation and audit of income and expenditure account and balance sheet
Stainsacre	Medium	2	Follow up of previous audit
Primary Schools	Medium	114	Review of key risks – budgetary control, income collection, control of assets, school governance etc. To assist schools in meeting financial competencies set by FMSiS
Secondary Schools	Medium	43	Review of key risks – budgetary control, income collection, control of assets, school governance etc. To assist schools in meeting financial competencies set by FMSiS
Bank Reconciliation Cheque Book Schools	High	9	Assurance that the accounts of schools with their own cheque books are reconciled to bank statements and all discrepancies are followed up
Catering	Medium	24	Assurance as to compliance with approved policies and procedures e.g. Financial Regulations, Contract Standing

Audit	Risk Category	Number of Days	Proposed Scope / Coverage of Audit
			Orders, etc Areas subject to review include ordering cash income, inventories, budget monitoring, scheme of delegation
ICT Units	Medium	11	Assurance as to operational, support and maintenance procedures, system security and data integrity controls
Repairs & Maintenance	Medium	12	Assurance as to the financial management of the repairs and maintenance budget. Scope of work to include tendering arrangements, allocation of work and contract administration arrangements i.e. ordering, invoicing, final account checking and contract monitoring
Special Education Needs	Medium	15	An audit designed to provide assurance over the key risks facing the Special Education Needs Service
Raising Attainment	Medium	16	Review of EMAG and Welcome Project
Gleneagles Resource Centre	Medium	10	Compliance with approved policies and procedures e.g. Financial Regulations, Contract Standing Orders, etc. Areas subject to review include ordering, cash income, inventories, budget monitoring, scheme of delegation
Financial Assistance to Children	Medium	27	Assurance that effective systems are in place to ensure payments are accurate and that expenditure is monitored.
Surestart	Medium	16	Assurance of compliance with the Council's Standing Orders with respect to Contracts, conditions attached to grants and financial arrangements are in place. Further work following review in 2006/2007
Total Children Families & Learning		385	



## Environment & Neighbourhood Services

Audit	Risk Category	Number of Days	Proposed Scope Coverage of Audit
Highways Maintenance	Medium	16	To review the operation of highways maintenance
Street Lighting	Medium	20	Payments to Contractor are made in accordance with contract price. Budgets are controlled and monitored. A monitoring system is in place that effectively manages the contractor's performance
Transporter Bridge	Medium	5	A review to provide assurance over financial income and expenditure.
Car Parking	Medium	8	Follow up of previous audit. Receipt of income
Concessionary Fares	Medium	16	Assurance as to the operational and financial controls
Building Cleaning	Medium	10	Assurance as to the operational and financial controls
Fleet Trading	Medium	10	Assurance as to procurement, maintenance, repair, service continuity, insurance and VOSA requirement of Council vehicles. The purchase and issue of fuel is appropriately managed; charges are accurate
Horticultural Trading	Medium	12	Assurance as to the adequacy of operational and financial controls
Supermarket Trolleys	Medium	5	Assurance as to charging and receipt of income
Stewart Park	Medium	6	Assurance as to the financial and operational management
Albert Park	Medium	6	Assurance as to the financial and operational management
Prissick Pitch & Putt	Medium	5	Follow up of previous audit. Assurance as to the collection and accounting for income.
Environmental Protection – Empty	Low	15	Contributions from property owners towards the cost of

Audit	Risk Category	Number of Days	Proposed Scope Coverage of Audit
Properties			securing premises accurately reflect cost and are received in full
Metrology	Medium	12	Assurance as to the financial and operational management.
Clean Neighbourhood & Environment Act	Medium	11	Review implementation of the new enforcement powers available under the Act
Abandoned Vehicles	Medium	11	Assurance as to the financial and operational management.
Rainbow Leisure	High	6	Follow up of previous audit. Assurance as to the collection and accounting for income.
Southlands Leisure	High	5	Follow up of previous audit. Assurance as to the collection and accounting for income.
Neptune Leisure	High	5	Follow up of previous audit. Assurance as to the collection and accounting for income.
Municipal Golf Course	High	6	Follow up of previous audit. Assurance as to the collection and accounting for income.
Clairville Stadium	High	5	Follow up of previous audit. Assurance as to the collection and accounting for income.
Acklam Sports Centre	Medium	6	Assurance as to the financial and operational management.
Total – Environment & Neighbourhood		201	

## Regeneration

Audit	Risk Category	Number of Days	Proposed Scope / Coverage of Audit
Dorman Museum	Medium	6	Assurance as to financial and operational management
Captain Cook Museum	Medium	6	Assurance as to financial and operational management
MIMA	Medium	10	Assurance as to financial and operational management of retail outlets
Town Hall	High	6	Follow up of previous audit. Assurance as to the collection and accounting for income.
Middlesbrough Theatre	High	5	Follow up of previous audit. Assurance as to the collection and accounting for income.
Central Library	Medium	11	Assurance that a sound system of financial management is in place
Building Control	Medium	2	Follow up of previous audit
Development Control	Medium	2	Follow up of previous audit
Middlesbrough Historic Quarter Lottery	Medium	10	Follow up of previous audit
Middlehaven	Medium	10	To review the system of controls surrounding individual projects
Stockton / Middlesbrough Initiative	Medium	10	To review the system of controls surrounding individual projects
Local Area Agreement	High	21	Assurance that funds are only spent for the purposes stated in the Grant Determination and that expenditure is fairly presented in the Statement of Grant Usage
Housing Advances	Medium	8	Assurance that procedures are in place to collect amounts due and that they are accounted for correctly
Housing Market Renewal Fund	High	10	Assurance that funds are only spent for the purposes stated in the Grant Determination and that expenditure is

Audit	Risk Category	Number of Days	Proposed Scope / Coverage of Audit
			fairly presented in the Statement of Grant Usage
Housing Improvement Grants / Loans	High	21	Assurance that grants / loans are awarded in accordance with legislation / Council policies and procedures. Records are up to date and accurate
Community Councils	Low	39	Preparation and audit of Income and Expenditure Account and Balance Sheet.
Community Centres	Low	18	Preparation and audit of Income and Expenditure Account and Balance Sheet
TVR / TDC	Medium	10	The company operates within its own financial control environment (using the Council's payroll system but separate systems for all other financial functions). Undertake review work on the key systems
Area Based Initiatives	High	11	Assurance that grants to individuals assisting them to return to work are assessed correctly, paid on a timely basis and measures are in place to identify potential fraud
Business Start Up Grants	Medium	5	Assurance that funds awarded to businesses are in line with Service business plans and strategies
Capital Grant	Medium	5	Assurance that funds awarded to businesses are in line with Service business plans and strategies
Business Competitiveness & Growth	Medium	5	Assurance that funds awarded to businesses are in line with Service business plans and strategies
West Middlesbrough Neighbourhood Trust	High	5	Assurance as to the Council's role as Accountable body for grant funding
Stronger Together In East Middlesbrough (STEM)	High	11	Assurance that funds are only spent for the purposes stated in the Grant Determination and that expenditure is fairly presented in the Statement of Grant Usage
Total - Regeneration		247	

## Social Care

Audit	Risk Category	Number of Days	Proposed Scope / Coverage of Audit
Commissioning	High	24	Assurance as to the adequacy and implementation of the Commissioning Strategy
Care Assessments	High	20	Assurance that arrangements in place for ensuring that appropriate assessments are undertaken on a timely basis and that they are properly reviewed and authorised
Financial Assessments	High	21	Assurance that arrangements in place for ensuring that appropriate assessments are undertaken on a timely basis and that they are properly reviewed and authorised
Client Bank Accounts	High	11	Assurance that client bank accounts are managed appropriately
Court Of Protection	High	11	Assurance that there is a clear individual record for each client, which records charges levied and income collected with regular monitoring of balances
Residential Agency	Medium	21	Assurance that payments are appropriate, legitimate and accurate; also an appropriate system of monitoring is in place.
Carelink Home Support	Medium	11	Assurance that accurate bills are issued, income is received, and queries are resolved and debt recovery procedures are operating effectively.
Lansdowne Day Centre	Medium	11	Assurance as to financial and operational management
Equipment and Adaptations	Medium	10	Review the process for supply of equipment and adaptations to enable individuals to live at home. Budgets are monitored and controlled
4 St Pauls Road	Medium	9	Assurance as to the financial and operational management

Audit	Risk Category	Number of Days	Proposed Scope / Coverage of Audit
11A Sunningdale	Medium	9	Assurance as to the financial and operational management
North Ormesby	Medium	6	Assurance as to the financial and operational management
Lothian Road Day Centre	Medium	5	Assurance as to the financial and operational management of the day care centre
Supporting People	Medium	21	Assurance of compliance with legislation, client needs are met / monitored. Adherence to the contract standard is reviewed / monitored. Payments made are appropriate and in line with policy
Transport	Low	10	Use of vehicle Service level Agreement with Fleet Management
TCES	High	5	Follow up work from previous audit
Swift	Medium	16	Assurance as to operational, support and maintenance procedures, system security and data integrity controls
Total – Social Care		221	

## Legal & Democratic Services

Audit	Risk Category	Number of Days	Proposed Scope Coverage of the Audit
Coroners	Low	11	Assurance as to the financial and operational controls
Electoral Registration	Medium	11	Assurance of compliance with legislation, entries on the register are appropriate / accurate. Payments / expenditure / charges are correct.
Total – Legal & Democratic Services		22	

## Performance and Policy

Audit	Risk Category	Number of Days	Proposed Scope Coverage of the Audit
Strategic Risk Management	High	29	Assurance that risk management is embedded within Services
CPA Performance Indicators	High	11	Assurance as to the robustness, accuracy and monitoring of performance information
Best Value Performance Indicators	High	16	Assurance as to the robustness, accuracy and monitoring of performance information
LPSA2	High	11	Assurance as to the robustness, accuracy and monitoring of performance information
National Information Statistics	High	16	System and process checks are required for new indicators and for those where existing data is available but a re-calculation is required. These apply to those only where the Local authority is responsible for reporting and calculation of data.
Local Strategic Partnership	Medium	10	To review partnership arrangements
Total – Performance & Policy		93	



## Strategic Resources

Audit	Risk Category	Number of Days	Proposed Scope Coverage of the Audit
Insurance	High	11	Assurance that costs to the Council are minimised
Dispensation From Contract Standing Orders	Management Request	15	Advice given to the Director of Resources relating to the requests for exemption from the Council's Standing Orders with respect to Contracts
Total Strategic Resource		26	

## IT Audit

Audit	Risk Category	Number of Days	Proposed Scope Coverage of the Audit
Internet Usage and Security	Medium	11	Assurance that arrangements for ensuring the proper and secure use of the internet, monitoring of usage and compliance with policies
Installation Review	Medium	11	Assurance that appropriate controls are in place covering the processing and security of the Council's data
Application Reviews	Medium	21	Assurance as to the adequacy of operational controls, passwords, interfaces, database controls and management
Voice Transmission	Medium	11	Assurance as to the management of the PBX including banned numbers, monitoring, backup, resilience and service contracts
SAP Update and Development	Management Request	21	To provide advice and input to the project throughout the year
Total - IT AUDIT		75	

## Contract Audit

Audit	Risk Category	Number of Days	Proposed Scope Coverage of the Audit
Performance Bonds	Medium	10	Assurance that performance bonds are obtained in appropriate circumstances
Contract Registers	Medium	15	Assurance that Services are maintaining appropriate records of quotations and tenders
Contractors Final Accounts	Medium	26	Assurance that final accounts submitted by contractors are accurate
Appointment of Consultants	Medium	11	Compliance with approved policies and procedures Contract Standing Orders, Financial Regulations
Partnering Agreements	Medium	20	Assurance as to contract management, cost control, roles and responsibilities
Total – Contract Audit		82	

## Non Audit Work

Audit	Risk Category	Number of Days	Proposed Scope Coverage of the Audit
Partnerschaft Association	Management Request	2	Preparation and audit of Income and Expenditure Account and Balance Sheet
Middlesbrough Golf Club	Management Request	4	Preparation and audit of Income and Expenditure Account and Balance Sheet
Total - Non Audit Work		6	

## Other Work

Audit	Risk Category	Number of Days	Proposed Scope Coverage of the Audit
Audit Advice	N/A	56	Advice to services
Contingency	N/A	110	
External Audit Liaison		7	Resource provision to meet External Auditor to discuss respective work plans and audit findings
Review of Code of Practice 2006 and Audit Manual	N/A	25	Ongoing provision to update key strategic documents and processes within the section
Presented Cheque Requests	N/A	6	Requests to bank for copies of presented cheques
Petty Cash Requests	N/A	10	Requests for new / increased petty cash imprests
Authorised Signatories	N/A	5	Administration of authorised signatory requests
Audit Management - Reporting	N/A	32	On going maintenance and production of the Audit Plan and production of internal audit performance indicators
Audit - Other	N/A	266	General operation of the Internal Audit Section: administration, meetings, research etc.
Total – Other Work		517	

