

Appendix B

Middlesbrough Council

Internal Audit Service

Annual Internal Audit Plan April 2010 - March 2011

March 2010

Fundamental Financial Systems

Audit	Risk Category	Number of Days	Proposed Scope / Coverage of the Audit
Budgetary Control	Key financial system annual audit	20	Assurance that the total budget is broken down into a hierarchy reflecting responsibility of specific managers and 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	20	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.
Cash Receipt & Banking	Key financial system annual audit	20	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	20	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.
Audits brought forward from 2009/2010		140	
Total – Fundamental Financial systems		435	

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 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	10	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	10	Assurance as to the accuracy, timeliness and appropriateness of claims. Compliance with statutory requirements (e.g. taxation of home to office travel).
World Pay / All Pay	Medium	10	Review of controls over transactions via the Council's electronic payment processing solution.
Purchase Cards	Medium	20	Assurance that purchases cards are used in accordance with issued guidelines
Total Other Corporate Financial Systems		60	

Code of Practice Audits

Audit	Risk Category	No of Days	Proposed Scope Coverage of Audit
Money Laundering	Medium	20	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 the Annual Governance Statement in accordance with the Accounts and Audit Regulations.
National Fraud Initiative	Management Requirement	17	Download of data and administration of input to the National Fraud Initiative.
Corporate Governance	Medium	20	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		87	

Children Families & Learning

Audit	Risk Category	Number of Days	Proposed Scope / Coverage of Audit
Youth And Community Centres (9)	Low	51	Preparation and audit of income and expenditure account and balance sheet.
Primary Schools (15)	Medium	135	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 (2)	Medium	22	Review of key risks – budgetary control, income collection, control of assets, school governance etc. To assist schools in meeting financial competencies set by FMSiS.
Special School (3)	Medium	33	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	3	Assurance that the accounts of schools with their own cheque books are reconciled to bank statements and all discrepancies are followed up.
Catering	Medium	38	Assurance as to 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, etc.
ICT Units	Medium	16	Assurance as to operational, support and maintenance procedures, system security and data integrity controls
Ethnic Minority Inclusion Team	Medium	15	Follow-up implementation of recommendations from previous audits

Audit	Risk Category	Number of Days	Proposed Scope / Coverage of Audit
Family Support Service	Medium	10	Follow-up implementation of recommendations from previous audits
Contact Point Data Support	Medium	10	National scheme, ContactPoint is administered locally by the accountable local authority (Unitary and County Councils). The Department for Children, Schools and Families has specified 28 organisational accreditation criteria to ensure that use of data held on the ContactPoint database is properly controlled and kept secure. This places a considerable responsibility on the accountable bodies to ensure that their partner organisations (Police, NHS, voluntary organisations and schools) comply with the accreditation criteria.
Children's Trust	Medium	10	Children Act 2004 Section 10 Children's Services Authority duty to make arrangements to promote co-operation between LA and each of its relevant partners and other people or bodies involved with children
Sixth Form Colleges Funding LSC	Medium	9	As from 1 st April 2010 the Authority will take over responsibility for commissioning and funding further education from the Learning & Skills Council (LSC). The Authority will have clear financial accountabilities for this funding that must be discharged. These include the need to demonstrate that funds voted by Parliament for the purpose of 16-19 and adult learning are managed in such away as to satisfy public expectation of stewardship, and that it can be demonstrated that statutory duties and other legal requirements have been properly discharged.
Youth Offender Team		20	Assurance as to the financial and operational

Audit	Risk Category	Number of Days	Proposed Scope / Coverage of Audit
			management controls.
Direct Payments		10	Examine the controls in place for direct payments
Leaving Care Service		10	Assurance as to the financial and operational management controls.
Total Children Families & Learning		392	

Environment & Neighbourhood Services

Audit	Risk Category	Number of Days	Proposed Scope Coverage of Audit
Emergency Planning	Medium	10	Assurance as to the adequacy of operational and financial controls in performance of the authority's statutory duty
Section 278 Agreements / Commuted Sums	Low	15	Assurance as to the adequacy of operational and financial controls
Traffic Signals	Medium	13	Assurance as to the adequacy of operational and financial controls
Area Care	Medium	10	Assurance as to the adequacy of operational and financial controls
Building Cleaning & Security	Medium	15	Assurance as to the adequacy of operational and financial controls
Horticulture	Medium	15	Assurance as to the adequacy of operational and financial controls
Stewart Park	Medium	10	Assurance as to the adequacy of operational and financial controls
Newham Grange Leisure Farm	Medium	10	Assurance as to the adequacy of operational and financial controls
Highway verge / Tree Maintenance	Low	7	Assurance as to the adequacy of operational and financial controls
Play Builder Scheme	Medium	10	Assurance as to the adequacy of operational and financial controls over the disbursement of grant funding awarded to the Council under its Playbuilder status. Funding is awarded over a three-year period 2008/2011.
Trading Standards	Medium	15	Assurance as to the adequacy of operational and financial

Audit	Risk Category	Number of Days	Proposed Scope Coverage of Audit
			controls
Private Sector Housing	Low	10	Assurance as to the adequacy of operational and financial controls
Healthy Towns	High	16	Assurance as to the adequacy of operational and financial controls over the disbursement of grant funding awarded to the Council under the Change4Life Movement.
Safe Middlesbrough Partnership	Medium	10	Cyclical review of the partnership arrangements
Rainbow Leisure	High	5	Assurance as to the collection and accounting for income.
Southlands Leisure	High	5	Assurance as to the collection and accounting for income.
Neptune Leisure	High	5	Assurance as to the collection and accounting for income.
Municipal Golf Course	High	5	Assurance as to the collection and accounting for income.
Clairville Stadium	High	5	Assurance as to the collection and accounting for income.
Acklam Sports Centre	Medium	5	Assurance as to the collection and accounting for income.
Total – Environment & Neighbourhood		196	

Regeneration

Audit	Risk Category	Number of Days	Proposed Scope / Coverage of Audit
Town Hall	High	5	Assurance as to the collection and accounting for income.
Middlesbrough Theatre	High	5	Assurance as to the collection and accounting for income.
Tourist Information Office	Low	5	Assurance as to the financial and operational management controls.
Urban Policy & Implementation	Medium	20	Review financial and operational management of consultancy projects and individual commissions.
Middlesbrough Historic Quarter Lottery Grant	Low	8	Follow up of previous audit. The grant timetable was extended to facilitate the completion of outstanding projects.
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	15	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	10	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 fairly presented in the Statement of Grant Usage.
Places For Change Grant	Low	5	Certification of Grant Claim
Community Councils	Low	29	Preparation and audit of Income and Expenditure Account and Balance Sheet.

Audit	Risk Category	Number of Days	Proposed Scope / Coverage of Audit
Community Centres	Low	20	Preparation and audit of Income and Expenditure Account and Balance Sheet.
Business Support Start Up Grants Capital Grants Business Competitiveness & Growth	Medium	15	Assurance that funds awarded to businesses are in line with Service business plans and strategies.
Preventing Violent Extremism	Medium	10	Assurance as to the financial and operational management controls.
Future Jobs Fund	Medium	5	Assurance as to the financial and operational management controls.
Total - Regeneration		182	

Social Care

Audit	Risk Category	Number of Days	Proposed Scope / Coverage of Audit
Direct Payments	High	10	Examine the controls in place for direct payments.
Individual Budgets	High	15	Assurance that financial and operational management controls are reliable.
Residential Agency	Medium	16	Assurance that payments are appropriate, legitimate and accurate; also an appropriate system of monitoring is in place.
Lansdowne Day Centre	Low	11	Assurance that financial and operational management controls are reliable
TCES	High	15	Follow up work from previous audit.
Home Care	Medium	20	Assurance that financial and operational management controls are reliable
Supporting People Grant Claim	High	20	Grant certification
User / Carer Support		15	Assurance that financial and operational management controls are reliable
Information Technology	Medium	16	Comment on systems of control in implementation of new management system.
Total – Social Care		138	

Legal & Democratic Services

Audit	Risk Category	Number of Days	Proposed Scope Coverage of the Audit
Members Allowances	Medium	10	Assurance as to the accuracy, timeliness and appropriateness of allowances and expenses
Total – Legal & Democratic Services		10	

Performance and Policy

Audit	Risk Category	Number of Days	Proposed Scope Coverage of the Audit
Strategic Risk Management	High	20	Assurance that risk management is embedded within Services.
National Information Statistics	High	43	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.
Health & Safety	Medium	10	To provide assurance that risks have been adequately mitigated
Total – Performance & Policy		73	

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.
Procurement	Medium	15	Assurance that the acquisition of goods, works and services is carried out in accordance with approved processes
Total Strategic Resource		41	

IT Audit

Audit	Risk Category	Number of Days	Proposed Scope Coverage of the Audit
Internet Usage and Security	Medium	11	Assurance that arrangements are in place to ensure the proper and secure use of the internet, monitoring of usage and compliance with policies.
Installation Review	Medium	21	Assurance that appropriate controls are in place covering the processing and security of the Council's data.
Application Reviews	Medium	51	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.
Total - IT Audit		94	

Contract Audit

Audit	Risk Category	Number of Days	Proposed Scope Coverage of the Audit
Contract Registers	Medium	10	Assurance that Services are maintaining appropriate records of quotations and tenders.
Contractors Final Accounts	Medium	15	Assurance that final accounts submitted by contractors are accurate.
Appointment of Consultants	Medium	10	Compliance with approved policies and procedures Contract Standing Orders, Financial Regulations.
Receipt and custody of quotations & tenders	Medium	7.5	Compliance with approved policies and procedures Contract Standing Orders, Financial Regulations
Opening of quotations & tenders	Medium	7.5	Compliance with approved policies and procedures Contract Standing Orders, Financial Regulations.
Sourcing Strategy	Medium	10	Assurance that goods, works and services are sourced in accordance with the Council's policies.
Total – Contract Audit		60	

Non Audit Work

Audit	Risk Category	Number of Days	Proposed Scope Coverage of the Audit
Partnerschaft Association	Management Request	1	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		5	

Other Work

Audit	Risk Category	Number of Days	Proposed Scope Coverage of the Audit
Follow-up implementation of recommendations made in previous audits	N/A	40	
Audit Advice	N/A	52	Advice to services.
Contingency	N/A	97	
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	7	Requests to bank for copies of presented cheques.
Petty Cash Requests	N/A	5	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	261	General operation of the Internal Audit Section: administration, meetings, research etc.
Total – Other Work		531	

