


INTERNAL AUDIT WORK PROGRAMME 2023/24


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Annex 1





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Max Thomas
Head of Internal Audit



Phil Jeffrey
Assistant Director Audit Assurance

INTRODUCTION

- 1 This document sets out the proposed 2023/24 programme of work for internal audit, provided by Veritau for Middlesbrough Council.
- 2 The work of internal audit is governed by the Public Sector Internal Audit Standards and the Council's audit charter. In order to comply with those standards and the charter, internal audit work must be risk based and take into account the requirement to produce an evidence-based annual internal audit opinion. Accordingly, planned work should be reviewed and adjusted in response to changes in the business, risks, operations, programmes, systems and internal controls.
- 3 The Head of Internal Audit's annual opinion is formed following an independent and objective assessment of the effectiveness of the framework of risk management, governance and internal control. Our planned audit work includes coverage of all three areas to develop a wider understanding of the assurance framework of the Council, and to produce a body of work which allows us to provide that opinion.
- 4 Responsibility for effective risk management, governance and internal control arrangements remains with the Council. The Head of Internal Audit cannot be expected to prevent or detect all weaknesses or failures in internal control nor can audit work cover all areas of risk across the organisation.

APPROACH

- 5 In order to best meet professional standards, internal audit is required to adopt flexible planning processes that are sensitive to risk. This flexibility and risk-based approach are driving principles for delivery of Middlesbrough Council's 2023/24 internal audit work programme.
- 6 The Council is facing unprecedented financial pressures as a result of the continued increase in demand for its services and the impact of inflation and economic uncertainty. In setting the budget for 2023/24 there was a £14.9m budget deficit which requires delivery of £9.4m of savings in the next year. Children's social care has been identified by the Council as its most significant financial risk.
- 7 In addition, the Council has had a number of governance issues identified by Veritau and the external auditors, EY. This resulted in a government Best Value Improvement notice which was issued in January 2023. The Council is currently implementing an improvement plan to address these issues.
- 8 The combination of these pressures means that the Council needs to act to maintain a stable and resilient financial position while still delivering on the priorities set out in the Council's Strategic Plan. These priorities include improving outcomes for young people, tackling crime and anti-social behaviour, tackling climate change and transforming the town centre.

- 9 The work programme for 2023/24 represents a summary of the overall areas we currently believe will be the highest priority for work during the next year, based on our current risk assessment. This assessment involves giving careful consideration to:
- systems where the volume and value of transactions processed are significant, or the impact if risks materialise is very high, making the continued operation of regular controls essential
 - areas of known concern, where a review of risks and controls will add value to operations
 - areas of significant change which may include providing direct support / challenge to projects, reviewing project management arrangements, or consideration of the impact of those changes on the control environment, for example where reductions in resources may result in fewer controls.
- 10 Internal audit work covers a range of risk areas to ensure that, overall, the work undertaken will enable us to meet the requirement to provide an overall opinion on the Council's framework of risk management, governance and internal control.
- 11 We have defined 11 areas where we require assurance during the course of the year to help provide that opinion:
- strategic planning
 - organisational governance
 - financial governance
 - risk management
 - information governance
 - performance management and data quality
 - procurement and contract management
 - people management
 - asset management
 - programme and project management
 - ICT governance
- 12 The 11 assurance areas represent aspects of the Council's systems of internal control that need to be in good health and functioning correctly to maximise the likelihood that its objectives are achieved without undue exposure to risk.
- 13 The requirement to provide assurance across these areas to arrive at a strong, evidenced-based annual opinion is taken into account when identifying and prioritising work throughout the year. The process for developing the 2023/24 work programme has involved the following key steps:
- undertaking a detailed review of the Council's corporate risk register, including changes in risk profile over time, controls and actions

- understanding the Council’s longer- and shorter-term objectives through an extensive desktop review of committee reports, decisions, performance data, and Strategic Plan priorities
 - evaluating other known risk areas (for example, areas of concern highlighted by management or through our experience at other clients), and
 - considering fundamental controls, the results of recent audit work, outcomes from any external reviews, and changes in Council services and systems.
- 14 The results of these assessments and considerations have been combined to allow us to evaluate the impact and value each potential audit would bring. The proposed areas of coverage have already been subject to consultation with the Corporate Affairs and Audit Committee, as part of its 16 February 2023 meeting, and they continue to be subject to consultation and discussion with directors and senior officers from across the Council.
- 15 The overall programme, and the relative priorities for work within it, will be revisited and updated throughout the year. Work to be started will be based on the most immediate priorities at any point. We will regularly consult with officers on the priority, scope and timing of work to help ensure that we provide assurance in the right areas at the right time. We will also provide regular updates on the scope and findings of our work to the Corporate Affairs and Audit Committee throughout 2023/24.

2023/24 INTERNAL AUDIT WORK

- 16 The work programme is based on a total commitment of 555 days. Further details on the current priorities and expected timings for internal audit work during 2023/24 are provided in appendices A and B.
- 17 The programme is designed to ensure that limited audit resources are prioritised towards those areas which are considered to carry the most risk or which contribute the most to the achievement of the Council’s strategic priorities and objectives.
- 18 Functionally, the indicative programme is structured into a number of sections, as set out below. In assessing the work to be included in each section, consideration is given to the priorities listed at paragraph 8 and the areas set out in paragraph 10.
- **Strategic / corporate & cross cutting** – to provide assurance on areas which, by virtue of their importance to good governance and stewardship, are fundamental to the ongoing success of the Council.
 - **Technical / projects** – to provide assurance on those areas of a technical nature and where project management is involved. These areas are key to the Council as the risks involved could detrimentally affect the delivery of services.
 - **Financial systems** – to provide assurance on the key areas of financial risk. This helps provide assurance to the Council that risks of loss or error are minimised.

- **Service areas** – to provide assurance on key systems and processes within individual service areas. These areas face risks which are individually significant but which could also have the potential to impact more widely on the operations or reputation of the Council if they were to materialise.
- **Other assurance areas** – an allocation of time to allow for continuous audit planning and information gathering, unexpected work, and the follow up of work we have already carried out, ensuring that agreed actions have been implemented by management.
- **Client support, advice & liaison** – work we carry out to support the Council in its functions. This includes the time spent providing support and advice and liaising with staff.

19 It is important to emphasise two important aspects of the programme. Firstly, the audit areas included in this programme and the indicative days assigned to each of the areas in appendix A are not fixed. As described in paragraph 14, work will be kept under review to ensure that audit resources continue to be deployed in the areas of greatest risk and importance to the Council. This is to ensure the audit process continues to add value.

20 Secondly, we will not carry out all of the audits listed in the programme. The programme has been intentionally over-planned, to build in flexibility from the outset while also providing an indication of the priorities for work at the time of assessment. Over-planning the programme enables us to respond quickly by commencing work in other areas of importance to the Council when risks and priorities change during the year.

APPENDIX A: Indicative Internal Audit Work Programme 2023/24

Area	Indicative Days	Potential activity
Strategic risks / Corporate & cross cutting	126	Savings plans and delivery Procurement Decision making and Council Governance Agency staff Information governance including Freedom of Information Risk management Health and safety Performance management Information security Corporate complaints Grant claims (including TVCA grants), trust funds and other related work
Technical / projects	55	Regeneration projects including Captain Cook Square Project management including Boho X and Transporter Bridge follow-ups IT applications IT asset management Cyber security

Area	Indicative Days	Potential activity
Financial systems	69	Main accounting Treasury management VAT accounting Payroll Teesside Pension Fund – investments and administration Debtors Council Tax and NNDR Benefits and Council Tax Support
Service areas	202	Schools themed audits Youth Justice Service (Turnaround scheme) Demand management and budget management (Children’s) Early years funding Ofsted Improvement Plan Housing development Commercial property income Anti-social behaviour management Use of residential care Social care transitions (Children to Adult) Continuing healthcare including hospital discharges

Area	Indicative Days	Potential activity
		Direct payments Supporting families Homelessness Financial assessments (Adult's) Climate change Burials (follow-up)
Other assurance work	58	Follow-up of previously agreed management actions Continuous audit planning and additional assurance gathering to help support our opinion on the framework of risk management, governance and internal control Continuous assurance work, including data analytics and data matching projects Attendance at, and contribution to, governance- and assurance-related working groups including Risk Management Group
Client support, advice & liaison	45	Committee preparation and attendance Key stakeholder liaison Support and advice on control, governance and risk related issues
TOTAL	555	

APPENDIX B: Rationale for inclusion in the work programme / expected timings

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish
Corporate & cross cutting			
Category 1 (do now)			
Procurement cards	Requested by Children's DMT as an area of high risk and spend.	April 2023	July 2023
Category 2 (do next)			
Agency staff	The Council has significant issues with recruitment and retention and subsequent spend on agency staff, particularly within Children's and Adult's Services	Q2 2023/24	Q3 2023/24
Health and safety	Proper arrangements for managing health and safety risks, and incident management, are essential. This area has not been audited for some time.	Q2 2023/24	Q3 2023/24
Procurement	Procurement is a key function of the Council and has high inherent risk.	Q2 2023/24	Q3 2023/24
Category 3 (do later)			
	These are audits which are under consideration for Q3 onwards:		
Information governance including FoI	Key governance area and weaknesses in relation to responding to FoI Act requests have been identified by EY as part of their annual work.		

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish
Savings plans and delivery	The Council has significant budget pressures and has agreed a further set of savings plans. The audit will review progress against plans and the reasonableness of assumptions made in calculating savings.		
Decision making and Council governance	The Council has had several governance related issues in recent years that have been reviewed by internal audit. We will put some time aside to review any emerging issues and to ensure previously agreed actions have been implemented.		
Risk management	This is a key area of governance for the Council and has not been audited for some time.		
Information security	Considered high risk due to external threats and continuing pace of technological change. The Council has also recently moved into new offices at Fountains Court.		
Corporate complaints	Essential for effective governance. This area has not been audited for some time.		
Project management	Sound project management arrangements are important because it helps every part of the Council run more efficiently and effectively. When done correctly, it enables leadership to plan and manage projects so that every objective and deliverable is completed on time and within budget. The Council has several projects in development or underway including Boho X and regeneration projects including the old Southlands Centre, Captain Cook Square, the former Crown site and housing regeneration in Gresham. This may include a follow-up of actions relating to Boho X.		
Performance management	A key assurance area reflecting its significant contribution to the achievement of the Council's objectives		

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish
Financial / Corporate systems			
Category 1 (do now)			
Council Tax/NNDR	This is a key financial system requiring effective internal controls.	February 2023	July 2023
Debtors	This is a key financial system requiring effective internal controls.	April 2023	July 2023
Teesside Pension Fund – Administration	This is a key financial system for the Teesside Pension Fund requiring effective internal controls.	May 2023	July 2023
Main accounting	This is a key financial system requiring effective internal controls.	June 2023	September 2023
Category 2 (do next)			
Benefits & Council Tax Support	This is a key financial system requiring effective internal controls.	July 2023	September 2023
Treasury management	Risks have increased in this area due to a number of factors including the tightening of PWLB lending criteria, increases to borrowing rates and ongoing concerns about the stability of some banks and money market funds.	Q2 2023/24	Q3 2023/24
VAT accounting	This area has not been reviewed for some time.	Q3 2023/24	Q4 2023/24
Teesside Pension Fund – Investments	This is a key financial system for the Pension Fund requiring effective internal controls.	Q3 2023/24	Q4 2023/24

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish
Category 3 (do later)			
	These are audits which are under consideration for Q3 onwards:		
Payroll	This is a key financial system requiring effective internal controls.		
Creditors	This is a key financial system requiring effective internal controls.		
ICT			
Category 1 (do now)			
IT business continuity and disaster recovery	This is a key risk area for IT and there have been no recent audits in the area.	May 2023	August 2023
IT asset management	No recent audit coverage and a key area for information security as well as increased risks since Covid and as a result of more homeworking and more mobile assets.	Q2 2023/24	Q3 2023/24
Category 2 (do next)			
Category 3 (do later)			
	These are audits which are under consideration for Q3 onwards:		
IT Applications	This audit will review the clarity of system ownership for a selection of IT applications. If ownership is not clear, then risks may not be managed effectively.		
Cyber security	Cyber threats are a high risk for all organisations and it's essential that controls are in place to manage the risks they present.		

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish
Operational audits			
Category 1 (do now)			
Children's Commissioning and Contract Management	Deferred from 2020/21. Links to the audit work carried out last year following the Ofsted inspection. There have been delays due to a lack of officer availability. This is now at the draft report stage.	March 2022	June 2023
Middlesbrough Development Company	Significant priority for the Council. This is now at the draft report stage.	August 2022	June 2023
Tees Community Equipment Service	A review of the service along with compliance with financial procedures.	October 2022	June 2023
Homecare	A review of homecare payments was identified as an area for audit following other work; we have identified issues at other Councils.	November 2022	June 2023
Schools themed audit – School's Financial Value Standard	There have been changes to the requirements relating to related party transactions for schools and this will be considered as part of the audit.	November 2022	June 2023
Regeneration projects	An action from the Boho X audit report was to review the project management of other regeneration projects.	January 2023	June 2023
Disabled Facilities Grant	This has been raised as an area for review by the relevant DMT.	February 2023	June 2023

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish
Domestic abuse	The number of domestic abuse-related crimes recorded with the Police has increased by 7.7% in the year to 31 March 2022 according to the Office for National Statistics. It is therefore a priority area for the Council.	May 2023	July 2023
Supporting families	Quarterly review of grant claims.	Ongoing	Ongoing
Category 2 (do next)			
Selective landlord licensing	This has been raised as an area for review by the DMT. A specification has now been agreed with the service along with a start date of June 2023.	June 2023	September 2023
Early years funding	High potential risk due to the volume and value of transactions and no work has been undertaken in this area recently.	Q2 2023/24	Q3 2023/24
Ofsted Improvement Plan	This remains a high risk for the Council and progress is regularly reported to Executive. We have done work on this in the past and agreed with DMT that this would be a timely moment for some further work and review.	Q2 2023/24	Q3 2023/24
Use of residential care	The Council has a significant over-65 population. The audit will review the use of residential care and the decision-making processes.	Q2 2023/24	Q3 2023/24
Youth Justice Service (Turnaround scheme)	The South Tees Youth Justice Service is a multi-agency partnership serving the local authority areas of Middlesbrough and Redcar and Cleveland. The scheme receives funding from central government for early intervention for young people.	Q3 2023/24	Q4 2023/24
Commercial property income	The Council has a portfolio of commercial property which it leases out and it was raised as an area of risk by the DMT due to the increasing number of	Q3 2023/24	Q4 2023/24

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish
	tenants. The audit would review the processes involved to acquire tenants, manage income and chase debts.		
Direct payments	High inherent risk due to potential fraud and the complexity of care packages. Has not been reviewed for some time.	Q3 2023/24	Q4 2023/24
Continuing healthcare	CHC is a key area for adult social care budget management. This includes the pressures caused from hospital discharges.	Q3 2023/24	Q4 2023/24
Social care transitions (Children's to Adult's)	This was identified as a significant risk at DMT due to the pressures on resources, the increasing number and the complexity of the individual cases. This may include several different aspects including financial and non-financial.	Q3 2023/24	Q4 2023/24
Category 3 (do later)			
	These are audits which are under consideration for Q3 onwards:		
Schools themed audit	We set aside time as part of the audit programme to look at aspects of governance and financial management across schools, as part of a themed audit. Priorities for themed audits will be agreed with officers. One area being considered is management of school exclusions.		
Children's Services demand / budget management	The Council continues to face significant budget pressures within Children's Services. This audit would look at overall arrangements for managing demand for services and costs.		
Housing development	A review of the Council's arrangements to regenerate housing provision in the Council area.		
Regeneration projects	The Council has a number of high-profile regeneration projects underway including Captain Cook Square which are of strategic and reputational		

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish
(including Captain Cook Square)	importance to the Council. Audit work is currently ongoing on regeneration projects, and we will consider further work later in the year.		
Financial assessments (Adult's)	In the context of increasing financial pressure on care services, robust assessments can help the Council to accurately determine charges for care and work within financial constraints. This area has not been reviewed for some time.		
Climate change	Climate change is a Council priority in the Strategic Plan and the Council has a 2-year Green Strategy (2021-2023) with 3 overarching aims including to ensure the Council is a lead authority on environmental issues.		
Anti-social behaviour management	Reducing anti-social behaviour (and crime) is a Council priority in the Strategic Plan. We have conducted a recent audit and an audit would follow-up previously agreed actions.		
Homelessness	This is a high risk nationally with 271,000 people recorded as homeless in England. Middlesbrough has the highest rates of homelessness in Teesside according to the charity Shelter.		
Burials (follow-up)	An audit of the burials service was carried out in 2022/23 which provided an opinion of Limited Assurance. A follow-up review will be due towards the end of 2023/24 or early 2024/25.		
Transporter Bridge (follow-up)	This audit will follow-up the outstanding actions which remain to be implemented in relation to the maintenance of the Transporter Bridge. Implementation will depend on whether the bridge is returned to operational use.		