

Internal Audit Work Programme 2024/25

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Introduction



- 1 This report sets out the proposed 2024/25 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 (PSIAS) and the council's audit charter. To comply with professional 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 Specifically, the PSIAS require that the Head of Internal Audit *"must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The risk-based plan must take into account the requirement to produce an annual internal audit opinion."*
- 4 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 our opinion.
- 5 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.

Strategic context



- 6 The Council is facing unprecedented financial pressures because of the continued increase in demand for its services and the impact of inflation and economic uncertainty. In the Council's report to Executive on 22 May 2024 it highlighted that the Council's financial position 'remains critical' following the need to rely on Exceptional Financial Support (EFS) from central government to balance the 2024/25 budget.
- 7 The Council is also embarking on an ambitious transformation programme entitled "Recover, Reset and Deliver" to transform the Council operationally and culturally into an organisation that can modernise services and deliver them effectively.
- 8 This is against a backdrop of governance issues that have affected the Council in recent years. Central government issued a revised Best Value Notice in January 2024 with clear expectation on the Council to demonstrate "capacity to transform at pace" and make clear progress against previously identified governance and cultural issues. In short, the Council is expected to deliver more with less.

- 9 The Council includes transformation as one of its key ambitions set out in the Council Plan 2024-27. Other ambitions relate to maximising economic growth, health and wellbeing, creating a safer environment and delivering best value.

Programme principles and development



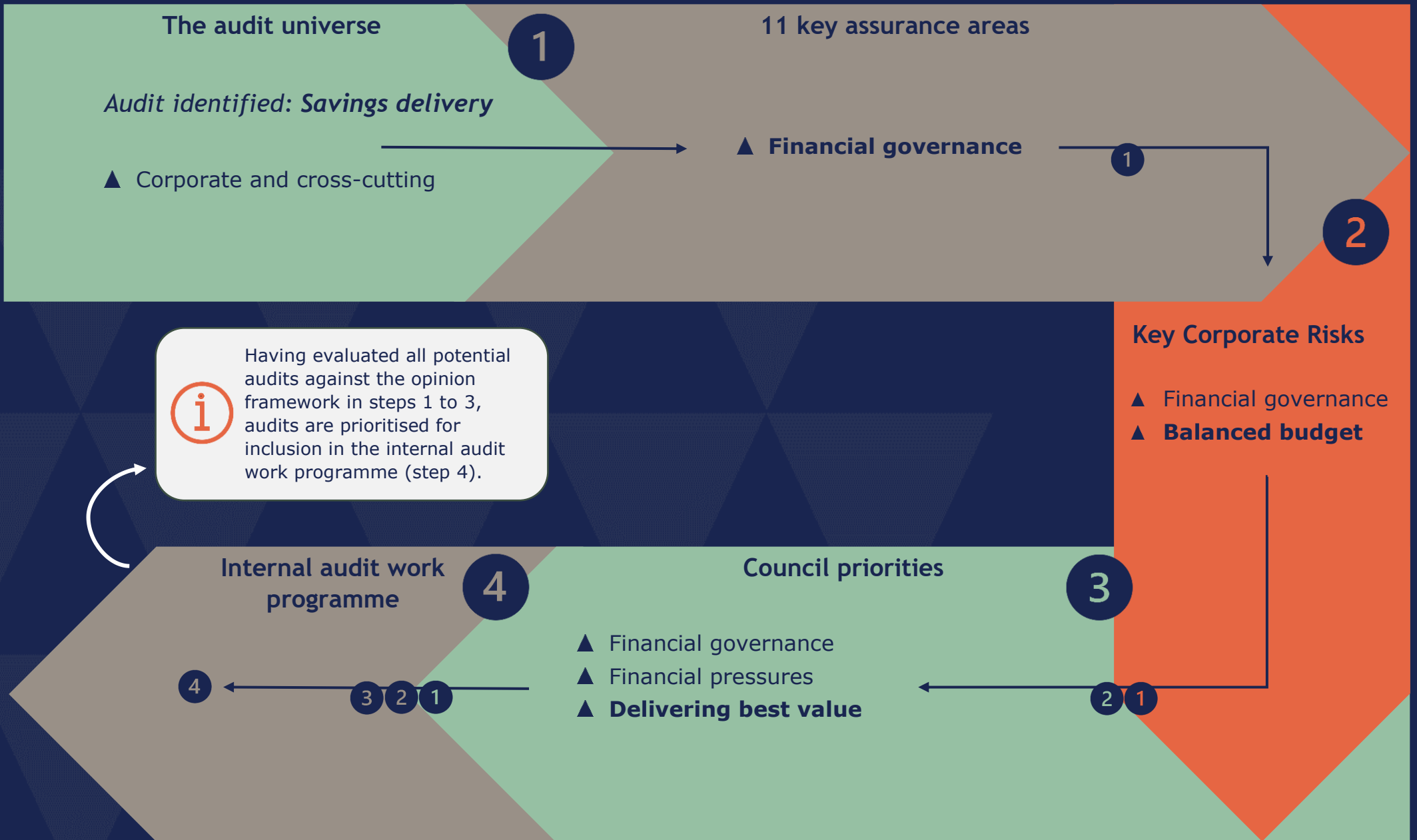
Flexible, risk-based planning and the opinion framework

- 10 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 the Council's 2024/25 internal audit work programme.
- 11 The Audit Committee was introduced to Veritau's opinion framework as part of the 1 February 2024 internal audit work programme consultation report.
- 12 The opinion framework sets out the principles that will be used to develop and manage the audit work programme over the course of the year. It ensures that assurance coverage is targeted towards priority areas. This, in turn, allows us to arrive at a properly informed annual opinion.

Identification of initial internal audit priorities

- 13 Internal audit maintains a long list of all areas within the council that could potentially be audited. It is not possible to review all areas in any one year. Instead, we prioritise audits by considering potential risks in each area at the time of the assessment and by considering requirements for assurance coverage.
- 14 The opinion framework provides the structure for internal audit to take informed decisions on priorities.
- 15 Figure 1 on the following page demonstrates how the framework is applied to identify initial internal audit priorities. It illustrates how an example audit ('savings delivery') passes through the framework and how we evaluate it for potential inclusion in the work programme. In this case, we have assessed the savings delivery audit as a high priority for inclusion as it contributes to coverage of a key assurance area, a key corporate risk, and a council priority. The committee will note that the savings delivery audit has been included in the 2024/25 indicative internal audit work programme at annex A.

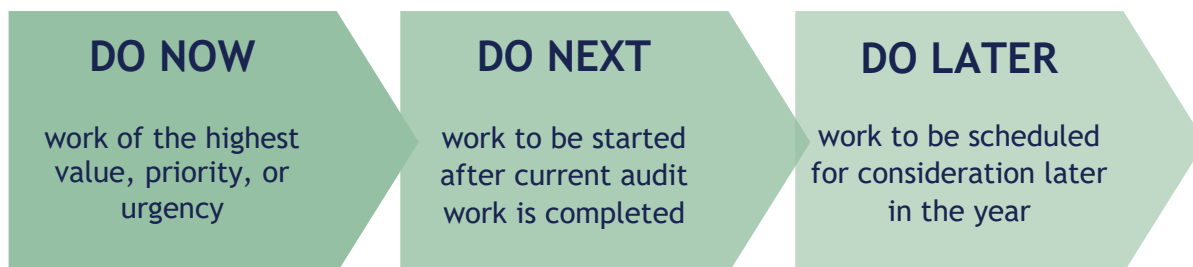
APPLYING THE FRAMEWORK: A WORKED EXAMPLE



The 'do now', 'do next', 'do later' audit prioritisation system

- 16 Once initial internal audit priorities have been identified through application of the opinion framework, we then overlay a second system of prioritisation. This system allows us to determine the relative priority of audits included in the indicative work programme.
- 17 This second prioritisation system sees audits assigned to one of three categories, as shown in figure 2 below.

Figure 2: 'do now', 'do next', 'do later' prioritisation system.



- 18 Decisions on which category of the three categories internal audit work falls into will be based on judgement and will be made having given consideration to the prioritisation factors in table 1 below. These will result in internal audit work being considered a relatively higher or lower priority at the time of assessment.

Table 1: Internal audit prioritisation factors.

Prioritisation factors	
▲ where we have no recent audit assurance, or other sources of information	▲ where controls are changing and / or risks are increasing
▲ where we are following up previous control weaknesses	▲ where specific issues are known to have arisen
▲ that are of significant importance to the council, for example they reflect key objectives or high priority projects	▲ that provide broader assurance, for example corporate policies and frameworks
▲ that need to be covered to enable us to provide an annual opinion	▲ where there are time pressures or scheduling requirements, for example grant deadlines, or work scheduled to minimise the impact on council service areas at busy times

- 19 The above factors will be used on an ongoing basis to decide what internal audit work will be carried out, and when, during the course of the year. These decisions will be made in consultation with the council through our ongoing dialogue with senior officers. Individual pieces of work will move

between the three categories, as required, based on their priority at the time of assessment.

- 20 For example, an audit scheduled for quarter two to minimise the impact on a service area may initially be classed as to 'do later' but will become 'do now' as we move into quarter two. Similarly, an audit of a Council project classed as 'do now' because it represents an area of high importance may move from 'do now' to 'do next' or 'do later' if the project slips or planned work cannot be undertaken until a specific point is reached. Towards the end of the year, audits classed as 'do later' are likely to be deferred until the following year.
- 21 The committee will be provided with information on current internal audit priorities throughout the year as part of regular progress reporting.

2024/25 Internal audit work



The 2024/25 indicative internal audit work programme

- 22 The work programme for 2024/25 is set out in annex A, beginning on page 9.
- 23 Functionally, the indicative programme is structured into a number of areas, as set out in table 2, below.

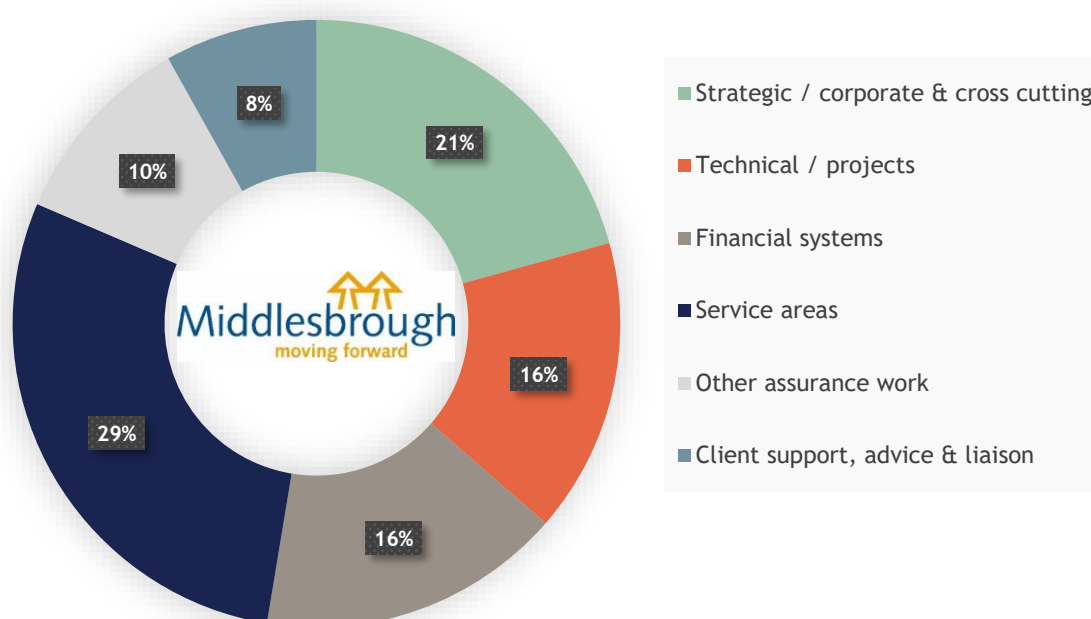
Table 2: Work programme functional areas.

Programme area	Purpose
▲ 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 work	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.

- 24 The overall level of service is based on an indicative number of days, for planning purposes (555 for 2024/25). Figure 4 below shows the proportion of time we expect to deliver across each area during the year.

Figure 3: 2024/25 work programme: indicative functional area split.



- 25 It is important to emphasise two important aspects of the programme. Firstly, the audit activities included in annex A are not fixed. As described above, work will be kept under review to ensure that audit resources are deployed to areas of greatest risk and importance to the council. This is to ensure the audit process continues to add value.
- 26 Secondly, it will not be possible to deliver all of the audit activities 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.

Annex A: indicative internal audit work programme 2024/25

Programme area	Potential internal audit activity
Strategic / corporate & cross cutting	<ul style="list-style-type: none"> ▲ Savings plans and delivery ▲ Financial resilience ▲ Key partnerships (including the Middlesbrough Development Corporation) ▲ Business continuity ▲ Members allowances and declarations of interest ▲ Risk management ▲ Recruitment and retention ▲ Governance (including decision making) ▲ Information security ▲ Performance management ▲ Succession planning ▲ Corporate complaints ▲ Health and safety ▲ Grant claims (including TVCA grants), trust funds and other related work ▲ Procurement (including implementation of the new Procurement Act) ▲ Asset management (including asset maintenance)
Technical / projects	<ul style="list-style-type: none"> ▲ Transformation programme ▲ IT – server administration and security ▲ IT – email security ▲ IT – malware protection

Programme area	Potential internal audit activity
Financial systems	<ul style="list-style-type: none"> ▲ Income collection ▲ Main accounting ▲ Debtors ▲ Council Tax and NNDR ▲ Creditors ▲ Benefits and Council Tax Support ▲ Teesside Pension Fund (Administration and Investments)
Service areas	<ul style="list-style-type: none"> ▲ Domestic abuse ▲ Adult's commissioning and contract management ▲ S117 after care (mental health services) ▲ Social care financial assessments ▲ Foster carers ▲ Schools themed audits ▲ Home to school transport ▲ Supporting Families grant claims ▲ Anti-social behaviour management ▲ Middlesbrough Community Learning Service (sub-contracting) ▲ Homelessness ▲ Reablement ▲ Adult Social Care legislative changes (including Liberty Protection Safeguards) ▲ Special Educational Needs ▲ Inclusion strategy

Programme area	Potential internal audit activity
	<ul style="list-style-type: none"> ▲ Climate change (including energy management) ▲ Housing development ▲ Planning
Other assurance work	<ul style="list-style-type: none"> ▲ 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 (including attendance at Directorate Management Teams) ▲ 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	<ul style="list-style-type: none"> ▲ Committee preparation and attendance ▲ Key stakeholder liaison ▲ Support and advice on control, governance and risk related issues