

INTERNAL AUDIT OUTTURN REPORT 2019/20

REPORT OF THE TREASURER



For Information

1. PURPOSE OF REPORT

- 1.1 To inform Members of the outcomes of audit work covering the period April 2019 to March 2020.
- 1.2 This report provides accountability for Internal Audit Services and allows Members to monitor the application of the delegated authority for ensuring an effective and satisfactory audit provision.

2. RECOMMENDATIONS

- 2.1 That Members note the contents of the report.

3. OUTTURN ON 2019/20 INTERNAL AUDIT WORK PROGRAM

- 3.1 The Head of Audit and Governance’s overall assessment of the adequacy of controls operating within those financial systems arrangements reviewed as part of the 2019/20 internal audit plan are summarised below:

System / Establishment	Overall assessment of controls
Budgetary Control	Satisfactory
Cash/Bank Reconciliations	Satisfactory
Creditors	Satisfactory
Debtors	Satisfactory
Fraud Awareness	Satisfactory
Full Time Fire Stations	Satisfactory
Health and Safety	Satisfactory
Information/Data Management	Satisfactory
National Fraud Initiative	Satisfactory
Officers Expenses	Satisfactory
Payroll	Satisfactory
Pensions	Satisfactory
Procurement	Satisfactory
Retained Firefighter Claims	Satisfactory
VAT	Satisfactory

- 3.2 At the time this report was completed end of year work was being finalised on Pensions and Procurement, however, sufficient reliance could be placed on testing completed for the purposes of the 2019/20 audit opinion. All necessary improvements to systems or operating arrangements have been agreed at the conclusion of each piece of work, and are detailed in Appendix A.
- 3.3 Attached as Appendix B is a copy of the Head of Audit and Governance's report to the Treasurer on the controls operating within Cleveland Fire Authority. In the opinion of the Head of Audit and Governance, key systems are operating soundly with corrective action taken where recommendations have been made, there is no fundamental breakdown in controls resulting in material discrepancy.

4. CONCLUSION

- 4.1 Overall, the systems reviewed annually by Internal Audit have provided consistently high assurance that they are fundamentally operating as intended. Where weaknesses have been identified corrective action has been taken without delay.

**CHRIS LITTLE
TREASURER**

APPENDIX A

1. **IMPROVEMENTS TO SYSTEMS OR OPERATING ARRANGEMENTS AS AGREED ACTION PLAN.**

System Reviewed	Synopsis of Agreed Action
Budgetary Control	No recommendations made.
Cash/Bank Reconciliations	No recommendations made.
Creditors	<ul style="list-style-type: none"> - The Brigade should inform all suppliers when they supply personal details (i.e. bank details) of the Brigades Privacy Notice. - Supporting working papers should be provided to the auditor to enable the parameters to be checked and the figures reconciled to the Committee reports.
Debtors	No recommendations made.
Fraud Awareness	No recommendations made.
Full Time Fire Stations	<p>Middlesbrough:</p> <ul style="list-style-type: none"> -All overtime calculations should be checked for accuracy prior to authorisation and payment. -Debtor invoices should be raised promptly. <p>Thornaby:</p> <ul style="list-style-type: none"> -Debtor invoices should be raised promptly.
Health and Safety	<ul style="list-style-type: none"> - The escalation process for the completion of actions is documented and publicised. Also, within the H&S Team the completion of inspections and follow up of actions is monitored to ensure any key risk areas are escalated promptly. - The storage of Health and Safety documentation within the archive store should be reviewed to ensure the correct level of security is applied.
Information/Data Management	<ul style="list-style-type: none"> - Meetings of the Information Governance Group should be documented. - Information Asset Registers should be reviewed to ensure that they are fully populated, accurate and assessments are undertaken in a consistent manner. - Arrangements should be established to ensure that defined data retention periods are enforced.
National Fraud Initiative	No recommendations made.
Officers Expenses	No recommendations made.
Payroll	No recommendations made.
Pensions	Ongoing.
Procurement	Ongoing.
Retained Firefighter Claims	No recommendations made.
VAT	<ul style="list-style-type: none"> - The V.A.T manual be reviewed and updated to reflect current processes and procedures.

2. **PROBITY**

In addition to systems control testing, audit activity also included a range of probity tests. The areas reviewed are detailed in the following paragraphs.

2.1 **Payroll Probity**

To ensure the integrity of payroll payments made to Fire Brigade employees, a series of tests were undertaken to ensure that:-

- Starters were correctly added to payroll records and leavers deleted,
- Changes to standing payroll data were properly authorised,
- Payments were made in accordance with terms of contract and correct salary scales,
- Time sheets and claim driven payments were properly authorised and paid,
- Deductions from salaries are supported by appropriately authorised documentation,
- Output reports are produced, regularly examined and evidenced as such,
- There is adequate budgetary control over payroll payments,
- Control or suspense accounts relating to payroll operations are regularly reconciled and cleared.

2.2 Testing identified that the arrangements in place to administer payroll within Cleveland Fire Brigade have remained consistently well controlled through the period that Hartlepool Borough Council Internal Audit have been responsible for the audits.

2.3 **Creditors Probity**

To ensure the integrity of creditor payments made by the Fire Brigade, a series of tests were undertaken to ensure that:

- An up to date approved list of authorised signatories is held,
- Written procedures for the processing of creditor payments exist,
- Adequate procedures are in place for raising and authorising requisitions/ demand notes,
- The system in place for raising and approving orders is satisfactory,
- The delivery of goods/ services is recorded and verified,
- Adequate procedures are in place for processing invoices/ payment documents, ensuring that arrangements are in place to minimise duplicate payments,
- The procedures in place for raising and payment of cheque requisitions are satisfactory,
- There is an adequate system in place for the payment of petty cash,
- Adequate procedures are in place for the payment and recording of periodic payments,
- There are procedures in place to control and record cheques returned to the Fire Brigade for distribution,
- There is adequate budgetary control.

2.4 Testing identified that the arrangements in place to administer creditor payments within Cleveland Fire Brigade have remained consistently well controlled through the period that Hartlepool Borough Council Internal Audit have been responsible for the audits.

2.5 **Pensions Probity**

To evaluate the integrity of payments made for voluntary, compulsory or ill health retirements to ensure that:

- Retirement calculations are accurate and in accordance with relevant legislation,
- New pensioner lump sum and pension payments are valid.

APPENDIX B**Noel Adamson**

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Contact Officer/Email: Noel.Adamson@Hartlepool.gov.uk

Our Ref: NA/CFA/19/20

Your Ref:

Date: 09/10/20

The Treasurer.
Cleveland Fire Authority,
Fire Brigade Headquarters,
Endeavour House,
Stockton Road,
Hartlepool.

Dear Sir,

Internal Audit Outcomes for 2019/20

From the work undertaken during the year 2019/20, Internal Audit has reached the opinion that key systems are operating soundly and that there is no fundamental breakdown in controls resulting in material discrepancy. Satisfactory arrangements were implemented to ensure the effective, efficient and economic operation of Cleveland Fire Authority's financial affairs.

No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance; this statement is intended to provide reasonable assurance.

These risks are reflected in the audit plan and are the subject of separate reports issued during the course of 2019/20.

Yours Faithfully,

N Adamson CPFA
Head of Audit and Governance