

INTERNAL AUDIT PROGRESS REPORT

REPORT OF THE CHIEF FIRE OFFICER

**For Information**

1. PURPOSE OF REPORT

- 1.1 To apprise Members of the progress of the approved Internal Audit Programmes.

2. RECOMMENDATIONS

- 2.1 That Members note the progress made against the 2023/24 and 2024/25 Internal Audit Plans.
- 2.2 That Members consider whether it is necessary to report to the Fire Authority on any concerns raised.

3. BACKGROUND

- 3.1 Under the Accounts and Audit Regulations (2015), the Fire Authority is responsible for ensuring an adequate and effective internal audit function is in place.
- 3.2 At the Audit and Governance meeting on 24th February 2023 and 23rd February 2024, Members adopted the Internal Audit Plans for 2023/24 and 2024/25, respectively. The audits are carried out by Hartlepool Borough Council as part of the Service Level Agreement with regular reports provided to Members throughout the year.

4. 2023/24 AUDIT SUMMARY

- 4.1 Members have previously received details of the outcome of all reports within the 2023/24 programme. Within the reports, 6 improvement actions were identified for implementation. Four of the improvement actions have now been completed and two actions are in progress. Both remaining actions will be completed by December 2024.

5. 2024/25 AUDIT PROGRESS SUMMARY

5.1 Progress against the identified internal audit inspections to date is detailed in the following sections.

- 16 Audits identified within the approved Audit Programme for 2024/25.
- From the approved programme 2 audits have been completed and have been assessed as Satisfactory Assurance with 1 improvement action which remains to be completed.
- Two of the Audits are not part of agreed programme but are required to be completed to support the year-end financial audit work.
- No Audit categorised as inadequate or category 1 (the most serious) recommendation.

5.2 The following table provides a summary of progress and outcomes against each of the audits in the 2024/25 programme.

| Audit | Status | Outcome | Improvement Actions |
|-------------------------------------|---------------|------------------------|----------------------------|
| 24/25 01: CFA Budgetary Control | Complete | Satisfactory Assurance | |
| 24/25 02: Creditors | Complete | Satisfactory Assurance | 1 Action |
| 24/25 03: CFA Loans and Investments | Complete | Satisfactory Assurance | |
| 24/25 04: CFA Main Accounting | Complete | Satisfactory Assurance | |
| 24/25 05: CFA Retained Firefighters | Complete | Satisfactory Assurance | |
| 24/25 06: CFA Health & Safety | | | |
| 24/25 07: CFA Insurances | | | |
| 24/25 08: CFA Stores | | | |
| 24/25 09: CFA Cash Bank Recs | | | |
| 24/25 10: CFA Debtors | | | |
| 24/25 11: CFA Officers Expenses | | | |
| 24/25 12: CFA Payroll | | | |
| 24/25 13: CFA Fleet Management | | | |
| 24/25 14: CFA NFI | | | |
| 24/25 15: CFA Pensions | | | |
| 24/25 16: CFA VAT | | | |

- 5.3 The following section provides a summary of the key findings from the audits and progress against the identified improvement actions.

| 24/25 1: Budgetary Controls | |
|--|-----------------------|
| Audit Status: Completed Satisfactory Assurance | No Action Plan |
| <p>Opinion The overall opinion is that the risks identified are well controlled.</p> <ul style="list-style-type: none"> • Roles and responsibilities are formally defined in the Authority's Constitution. Effectiveness of these controls were tested during fieldwork. • Roles and responsibilities of key officers and budget holders are clearly defined. • The Constitution requires that each year the Authority sets an annual budget which is considered as part of a wider Medium Term Financial Strategy and Corporate Plans / IRMP. Formal arrangements are in place for setting and monitoring budgets at an operational level. All budget areas are assigned a budget holder who are aware of their responsibilities. • Financial planning arrangements in place ensure that that the annual budget and statutory calculations are developed and approved within prescribed timescales. Effectiveness of these controls were tested during fieldwork. • The Executive was presented with a MTFS at its meeting dated 22/9/2023 which includes a proposed timetable for approving the annual budget and council tax level. • At a Service Level, a budget setting timetable is issued by the Head of Finance and Procurement along with an excel template for completion, detailing areas of requested growth and potential savings. Submissions are summarised and presented to ELT for consideration and approval. • Audit review confirmed that deadlines set for the 2024/25 budget were adhered to with final approval of the budget by Authority undertaken at its meeting dated 9/2/2024. • CFA has established an Efficiency and Productivity Plan 2024/25 which commits to achieving 2% efficiencies and 3% increase in productivity. • Delivery of targets is achieved through delivery of the CRMP, which is monitored on a regular basis by the Executive Committee and through budgetary control arrangements. • The Efficiency and Productivity Plan 2024/25 details the Authority's 7 efficiency themes and is reflected in the Authority's MTFS 2024/5 – 2026/7 and Resource Plan 2022-26. • Efficiency targets identified in the Efficiency and Productivity Plan are reflected in the summary 24/25 Budget approved by ELT and are monitored by the Executive on a quarterly basis. • At an operational level, efficiencies are included in budget setting working papers, where identified efficiency savings are included in a column on the budget working papers. This is monitored via Corporate budget monitoring arrangements. • Reported efficiencies for 2024/25 total £249k. • The approved annual budget (Revenue and Capital) is uploaded accurately onto Integra in time for the new financial year. • Financial procedures define arrangements for administering transfers between budgets including authorisation limits. There have been no budget transfers in the current financial year to date. • Monthly budget monitoring reports are automated from Integra and emailed directly to budget holders on the 1st of each month. The budget holder is required to insert a forecast outturn for reporting purposes. Completed documents are returned to the Head of Finance and Procurement. | |

- Progress Against Revenue and Capital Budgets and forecast outturn reports are presented to ELT monthly and to the Audit and Governance Committee on a quarterly basis.
- Audit review of the Q2 budget monitoring report to ELT confirmed that budget progress (Revenue and Capital) is accurately reported.
- Section 10 of the MTFS includes the Reserves Strategy and planned use up to 2028/29, which was approved by Members in February 2024. The value of reserves held is accurately reported.

Action Plan - None**24/25 02: Creditors**

Audit Status: Completed
Satisfactory Assurance

1 x Action Identified of which;
1 x In Progress

Opinion

The overall opinion is that the risks identified are well controlled.

- **Financial procedures define expected arrangements for ordering and paying for goods and services and establish roles and responsibilities. Control Assessment.**
- **Effective arrangements are in place to ensure that employees are aware of and comply with the requirements** of CFA Financial Procedures in ordering and paying for goods and services.
- Controls are in place to verify new and amended supplier details are valid and correct. Effectiveness of these controls was tested during fieldwork.
- Checks are made to ensure new supplier details are valid and correct, however, testing of a sample of 5 new suppliers created in found that:
Mandatory documents were not provided on 2 occasions, i.e. letter on company letter headed paper signed by a company director or company email and that there is no evidence of completion of a credit check for 1 supplier.
- Checks are undertaken to ensure that duplicate active accounts are not already in place and removed if found. Supporting documentation verified that the sample of supplier amendments was valid and correct.
- Planning confirmed that procedures are in place to ensure that Integra orders are raised except in limited circumstances and are promptly authorised. Effectiveness of these controls was tested at fieldwork.
- Official purchase orders are raised for all goods and services except for limited valid exceptions and appropriately authorised. Monthly reviews of outstanding orders are undertaken periodically to determine whether budgetary commitments should remain in place.
- Planning confirmed that procedures in place ensure that invoices are not paid until goods are received and that appropriate controls are in place to identify delays in paying invoices due to failure to enter goods received are promptly identified and acted upon. The effectiveness of these controls was reviewed during the fieldwork.
- Payment of invoices received are only processed when confirmation is obtained that goods and services have been fully received.

- An exercise is carried out on a regular basis to identify unprocessed invoices to ensure that evidence of goods received is not outstanding resulting in delays in payment.
- Payment run controls were confirmed to be in place during planning. The procedures in place ensure that expected output agrees with payment and appropriate checks are undertaken to ensure only valid due payments are made and submissions are appropriately authorised.
- Payment run procedures ensure that expected output agrees with payment and appropriate checks are undertaken to ensure only valid due payments are made and submissions are appropriately authorised.
- Planning work confirmed that controls are in place for paying invoices received to ensure that appropriate checks are made to ensure that payments are valid and appropriately authorised.
- Arrangements for paying invoices received ensure that appropriate checks are made to ensure that payments are valid and appropriately authorised. Registered invoices are assigned a due date which promotes payment within terms.
- Planning work confirmed that Performance management controls are in place ensure that delays to payments are identified promptly so that corrective action can be taken. The effectiveness of the controls was reviewed at fieldwork.
- Monthly invoice statistics are produced from Integra detailing the number and percentage of valid invoices paid within terms.
- Invoice statistic reports are presented to Members on a quarterly basis. Review of the Invoice Statistics report verified that financial performance is accurately reported.
- CFA publishes performance on its website, in line with Regulation 113(7) of the Public Contracts Regulations Act 2015.
- The Authority publishes details of expenditure in accordance with Local Government Association Guidance.
- Controls in place ensure that the assessment of data risks and implementation of appropriate controls is in accordance with CFA policies and procedures that are fully compliant with current Data Protection and GDPR guidance. The effectiveness of these controls was tested at fieldwork

Action Plan

| Issue | Due Date | Status | Progress |
|--|-------------|-------------|----------|
| Testing of a sample of 5 new suppliers found that on 2 occasions mandatory documents were not provided and there is no evidence of a credit check completion for 1 supplier. | August 2024 | In Progress | |

24/25 3: Loans and Investments

Audit Status: Completed
Satisfactory Assurance

No Action Plan

Opinion

The overall opinion is that the risks identified are well controlled.

- Effective arrangements are in place to keep up to date with legislative / regulatory requirements.
- Treasury Management activities are undertaken in line with CIPFA's Prudential Code and Treasury Management Code of Practice.
- Treasury Management risks are effectively managed in line with suggested schedules within the CIPFA Treasury Management Code of Practice.
- Performance monitoring reports are presented to Members in accordance with the CIPFA Treasury Management Code of Practice.
- Full records of the Authorities Treasury Management decisions, and of the processes and practices applied in reaching those decisions are maintained to ensure accountability and demonstrate that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.
- The Authority undertakes only those Treasury Management activities detailed on the CIPFA guidance and within approved limits and parameters approved by Members.
- Treasury Management activities are structured and managed in a fully integrated manner, with clearly defined responsibilities in place for developing and approving strategy and for processing transactions.
- Testing is undertaken as part of Performance Measurement.
- The Authority effectively accounts for its Treasury Management activities and clearly defines accounting practices and standards in the annual statement of accounts.
- Testing undertaken as part of the Transaction Testing.
- A Money Laundering Policy is in place and is available to relevant staff.
- All staff involved in the Treasury Management function are fully equipped to undertake the duties and responsibilities allocated to them.
- HBC uses Link Group – Treasury Solutions as its external Treasury Management adviser. The contract is due for renewal and will be followed up through the HBC Loans and Investments audit.
- Treasury Management activities are undertaken with openness, transparency, honesty, integrity and accountability and in a manner that is consistent with the Authority's overall objectives.
- Formal documented arrangements are in place to ensure that all Treasury Management transactions are properly authorised, controlled and recorded.
- Testing of a sample of deals found processes are operating as intended.
- There have been no loans entered into during the period under review.
- Appropriate Fidelity Insurance is in place and the Authorities transactions are within the insured value limits.
- Access to data is secured appropriately.

Action Plan - None

24/25 4: Main Accounting Systems**Audit Status: Completed****Satisfactory Assurance****No Action Plan****Opinion**

The overall opinion is that the risks identified are well controlled.

- Arrangements are in place to ensure officers are aware of legislation, regulations, guidance and standards which are reflected in the Authority's Statement of Accounts.
- The external audit service provides assurance on compliance on an annual basis.
- A closure memo is issued by HBC detailing deadlines for the provision of relevant information which is used by the Authority to identify key tasks and deadlines to be met to enable the completion of the annual accounts.
- At the time of the 2024/25 audit, external audit had provided an unqualified audit opinion in relation to the 2022/23 financial statements. However as in previous years, a delay in the issue of their 22/23 audit certificate was anticipated whilst they await clearance instructions from NAO.
- The 2023/24 financial statement are awaiting audit and at the time of the audit had been published in draft format on the Authority's website.
- Main data sources feeding into the Financial Management System (FMS) are reviewed annually via separate audits.
- At the time of the audit, the reviews for 24/25 had not taken place. However, audit reviews for 2023/24 did not identify any major issues.
- Balances on accounts are reviewed by the External Auditor and as noted previously the review for the 2023/24 financial year has not as yet been completed.
- Feeder systems are also reviewed annually via separate audits.
- Year End figures are also reviewed by External Audit when signing off the final accounts.
- Processes are in place to ensure new and amended codes are accurate.
- A report of all new and code amendments was produced from the system and a sample of both selected for testing:
 - New cost centres - a sample of 5 selected for testing. Documentation was provided to support all new cost centre requests. All details had been input correctly and where applicable the relevant Accountancy checks had been completed.
 - Amended cost centres - a sample of 5 selected for testing. Documentation was provided to support all amendment requests. All details had been input correctly.
- A sample of JV01 & JV03 journal transaction types selected for testing as these are the two journal types with transactions processed by CFA Finance staff. For 2/6 of the test sample, the auditor was advised that as these were petty cash transactions, these are processed once receipts from the relevant department/station has been received. No request is received as this is an internal process of changing the coding from petty cash to the actual expenditure codes. Checks completed indicate that these transactions were correctly coded.
- For the remainder of the test sample, in all instances journal requests contained all details required including codes to be debited/credited; amount; reason for transfer, all had a unique number, year of account and accounting period and included the name of the initiator/originator. No issues identified that required further investigation.
- For journals over £100k, a test month was selected and evidence provided to confirm journals over £100k had been appropriately authorised.
- As reported in previous assessment steps, the 2023/24 Statement of Accounts has not as yet been fully signed off and is currently published in draft format.
- A sample of holding codes were selected for testing. Of those monitored by the Authority, monitoring arrangements appear adequate.

As previous audit programmes noted that External Auditors had not reviewed the WGA as they were noted as below the threshold and assessed as low risk no testing has been undertaken as part of the 24/25 audit programme.

Action Plan - None

24/25 5: Retained Firefighter Claims

Audit Status: Completed
Satisfactory Assurance

No Action Plan

Opinion

The overall opinion is that the risks identified are well controlled.

- Effective arrangements are in place to ensure payment of retained fees are as set by the National Joint Council.
- Effective arrangements are in place to ensure that payments for retained duty work are appropriately checked for accuracy and authorised appropriately.

Action Plan - None

PETER RICKARD
CHIEF FIRE OFFICER