

# 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 2021/22 Internal Audit Programme.

### 2. RECOMMENDATIONS

- 2.1 That Members note the completed final reports from 2020/21.
- 2.2 That Members note the progress made in the 2021/22 Internal Audit Plan.
- 2.3 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 (2006), the Fire Authority is responsible for ensuring an adequate and effective internal audit.
- 3.2 At the Audit and Governance meeting on 26 February 2021, Members adopted the Internal Audit Plan for 2021/22. The audits are carried out by Hartlepool Borough Council and cover over 100 days.

### 4. 2020/21

#### 4.1 AUDIT SUMMARY

2020/21 AUDITS	RESP OFFICER	AUDIT STATUS	ACTION	COMMENTS
Cash / Bank Reconciliation	L Younger	Satisfactory Assurance		Audit completed – awaiting final report
Fraud Awareness	L Younger	Satisfactory Assurance	1 action	For completion by 31/3/22

**FRAUD AWARENESS**

**Audit Status: Completed**  
**Satisfactory Assurance**

**1 action**

The audit involved reviewing the National Audit Office publication 'Good Practice Guidelines, Fraud and Error (March 2021) which describes both the audit expectations for accountability and transparency around fraud and error and understanding how the organisation can tackle it

**Opinion**

The overall opinion is that **Satisfactory Assurance** can be provided that the risks identified are well controlled. This opinion is based on the result of Work Done shown below.

**Action Plan**

Controls designed to manage fraud and error risks may not be appropriate, effective or financially viable if their impact and likelihood are not clearly understood or consideration is given to an appropriate balance between deterrent, prevention and detection activities.

**ISS.1 Fraud risk register****Finding**

A Finance Register is in place which includes Fraud Risk. It is dated 2019 and has not been subject to review due to a changeover of staff.

**Recommendation**

The Finance Risk Register which includes fraud risks should be incorporated into the Authority's cycle of reviews to ensure that fraud risks are subject to appropriate consideration and management.

**Action Plan to be completed by 31 March 2022**

**CASH BANK RECONCILIATIONS**

**Audit Status: Completed**  
**Satisfactory Assurance**

**Ongoing – report being finalised**

The overall opinion is that **Satisfactory Assurance** can be provided that the risks identified are well controlled.

**AWAITING FINAL REPORT**

**AUDIT STATUS**

**In progress**

**Completed**

**Undertaken behind schedule**

5. 2021/225.1 SUMMARY

2021/22 AUDITS	RESP OFFICER	AUDIT STATUS	ACTION	COMMENTS
Creditors	L Younger			
Debtors	L Younger			
Insurance	L Younger	In Progress		
Officers Expenses	L Younger			
Payroll	L Younger	Satisfactory Assurance		No actions
Pensions	L Younger			
Procurement	L Younger			
Retained Firefighter Claims	L Younger			
Stores	D Richards	In Progress		
VAT	L Younger			
National Fraud Initiative	L Younger	Satisfactory Assurance		No actions
Budgetary Control	L Younger			
Energy Management	D Richards			
Fraud Awareness	L Younger			
Information/Data Management - GDPR	D Richards			
Cash/Bank Recs	L Younger			

**PAYROLL**

<b>Audit Status: Completed</b> <b>Satisfactory Assurance</b>	<b>No actions</b>
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**Scope of audit**

The following areas have been reviewed as part of the audit work programme:

- Policies & procedures.
- Arrangements for processing starters and leavers.
- Variations to pay.
- System access and data security.
- Reconciliation of ResourceLink to Integra (FMS).
- Data input, processing and output controls.
- Information Governance.

A Service Level Agreement (SLA) is in place between Cleveland Fire Authority and Hartlepool Borough Council for the provision of payroll services. This report provides assurance for payroll processes undertaken by Cleveland Fire Authority staff.

The audit reviewed the overall arrangements in place undertaking detailed testing of transactions for the period 29/09/2020 to 30/11/2021.

**Opinion**

The overall opinion is that **Satisfactory Assurance** can be provided that the risks identified are well controlled. This opinion is based on the result of Work Done shown below.

**Policies and Procedures**

Procedures are currently paper based and assurance was provided these have not altered since the previous audit. These are to be made electronic by the end of January. No testing undertaken. There is a list of authorised signatories with some new signatories being added however the main signature lists have not been reviewed since 19-20. The list can become out of date almost immediately due to people acting up and temporarily promoted and it has been agreed Watch Managers and above can authorise with Station Managers authorising any payment claims for hours over contract on Kronos. This does mean that signatures cannot be verified and reliance is placed on the employee number and email.

The Cleveland Fire Authority's Pay Policy Statement 2021/22 was approved 16th April 2021 by Full Authority and is published on the CFA website.

**Master Data**

- a report of employee standing data at 30th November was obtained and reviewed:
- details of amendments to master data were obtained:
- a sample of 5 was selected for review and authorisation for the changes was provided.
- Employees who made the most changes are those who would be expected to and there were no instances of an employee details being repeatedly changed.

**Starters**

A sample of 5 starters in the period was reviewed. Payroll identify the post reference from the information provided by HR and allocate this on Resourcelink, all were allocated to the correct post and cost centre.

**Leavers**

In the period 29/9/20 - 30/11/21 there were 67 leavers. A sample of 5 was randomly selected and testing confirmed:

**Additional Payments**

- Overtime claim forms are fully completed showing adequate detail, however it should be noted this does not always include the times worked.
- Not all those approved to authorise payroll documents are on the list of authorised signatories as this is difficult to keep up to date. Payroll staff confirmed the employees are at a level where they have the authority and they will have emailed the documents into the Payroll Team. The use of emails does weaken the audit trail and it may be beneficial to consider the use of e-forms to process transactions.
- Calculations were correct.
- The hourly rate is in accordance with the information provided by HR.
- The overtime payment made to the employee agrees with the claim.

**Deductions**

Different authorisations are required depending on the deduction, in the sample selected the appropriate authority was in place. There were two large value payments in the sample resulting from prior underpayments, in order to maintain an audit trail and appropriate authorisation it may be beneficial to consider an additional authorisation where the payment is above a set value.

**BACs Payments**

A sample of two months BACs payment documents were obtained and checked to ensure they reconciled, there were no matters arising.

**System Security**

Only two CFA employees have access to the payroll function, the remaining employees with access only have the ability to change MyView passwords..

It has been agreed that the audit will be undertaken remotely due to the COVID19 restrictions at the time of the fieldwork and the guidance to work from home where possible therefore it is not possible to view the storage of paper documents in practise.

**Reconciliations**

HBC Finance ensure payroll deduction holding codes are reconciled, this is usually monthly but may be less regularly at times. . At the time of the audit there were 3 transactions totalling £23,102.45 that were being followed up.

**Exception Reports**

These are warnings of changes/events related to individuals that may need to be investigated. Pages are not numbered and there is no title on the report. All have some entries ticked or comments handwritten against entries. They are not initialled or dated to show who or when the checks were completed however assurance was provided of the Payroll Officer completing checks. There is also a gross variance report in excel format. Parameters for the reports have been checked at previous audits and not reviewed again here.

**Information Governance**

It was confirmed at the 20/21 audit that the payroll system and data has been identified and on the Brigades Information Asset Register. This was based on the 19/20 Information Governance audit findings which the auditor has reviewed and assessed as still being valid. Access controls for the Resourcelink application will be covered by the HBC Resourcelink audit in 21/22, this will also review actions identified in the previous audit.

**Action Plan**

No Issues identified

NATIONAL FRAUD INITIATIVE	
<b>Audit Status: Completed</b> <b>Satisfactory Assurance</b>	<b>No actions</b>
<p><b>Scope of audit</b> The following areas have been reviewed as part of the audit work programme: A review of the 2020/21 National Fraud Initiative (NFI) matches has been undertaken in accordance with the 2020/2021 Internal Audit Plan. The following areas are covered by the NFI data matching exercise:</p> <ul style="list-style-type: none"><li>- Pensions</li><li>- Payroll</li><li>- Creditor Accounts and Payments</li><li>- Procurement</li></ul> <p><b>Opinion</b> The overall opinion is that <b>Satisfactory Assurance</b> can be provided that the risks identified are well controlled. This opinion is based on the result of Work Done shown below.</p> <p><b>Pensions</b> - reports are reviewed and actioned by XPS Administration.</p> <p><b>Payroll</b> - There were no issues relating to duplicate employment that required further review other than 3 occasions where a declaration of secondary employment form had not been received. All 3 had moved to CFA from Retained FireFighter (RFF) posts at those authorities they were matched with so the RFF post was known about. The forms were to be requested.</p> <p><b>Creditor Accounts</b> - 2 duplicate supplier accounts identified.</p> <p><b>Creditor Payments</b> - 2 duplicate payments with a total value of £4,001.78 were identified, these are in the process of being recovered.</p> <p><b>Procurement</b> - 1 unrecorded declaration of interest was identified. The CFA Treasurer was aware of the interest and was satisfied that it was not an issue however it will be recorded in accordance with internal procedures and recorded as such in the CFA financial statements</p> <p><b>Action Plan</b> No Issues identified</p>	

IAN HAYTON  
CHIEF FIRE OFFICER

KAREN WINTER  
ASSISTANT CHIEF FIRE OFFICER  
STRATEGIC PLANNING AND RESOURCES