

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 progress made in the 2021/22 Internal Audit Plan.
- 2.2 That Members note the schedule of the 2022/23 Internal Audit programme.
- 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 25 February 2022, Members adopted the Internal Audit Plan for 2022/23. The audits are carried out by Hartlepool Borough Council and cover over 100 days.

4. 2021/224.1 AUDIT SUMMARY

2021/22 AUDITS	RESP OFFICER	AUDIT STATUS	ACTION	COMMENTS
Creditors	L Younger	Satisfactory Assurance		No actions
Debtors	L Younger	Satisfactory Assurance		No actions
Insurance	L Younger	Deferred		
Officers Expenses	L Younger	Satisfactory Assurance		No actions
Payroll	L Younger	Satisfactory Assurance		No actions
Pensions	L Younger	Satisfactory Assurance		Draft received
Procurement	L Younger			
Retained Firefighter Claims	L Younger	Satisfactory Assurance		No actions
Stores	D Richards	Satisfactory Assurance	5 actions	4 completed, 1 action 31/3/23
VAT	L Younger	In progress		
National Fraud Initiative	L Younger	Satisfactory Assurance		No actions
Budgetary Control	L Younger	Satisfactory Assurance		No actions
Energy Management	D Richards	In progress		
Fraud Awareness	L Younger			
Information/Data Management - GDPR	D Richards	In progress		
Cash/Bank Recs	L Younger			
Main Accounting	L Younger	Satisfactory Assurance		No actions

4.2 COMPLETED AUDITS

CREDITORS	
Audit Status: Completed Satisfactory Assurance	No actions
<p>Scope of audit The objectives of the audit was to obtain assurance that:</p> <ul style="list-style-type: none"> • Adequate and appropriate documentation and training arrangements are in place • Access to the creditor system is well controlled and only grant to appropriate staff • Creditor accounts which have been established are valid and appropriately authorised; • All orders for goods and services are in accordance with CFA Financial Regulations • Goods received are legitimate and promptly recorded • Invoice certification procedures • Controls ensure that all direct payment transactions are authorized, accurate and secure • Adequate arrangements are in place for monitoring of duplicate payments and supplier accounts; • All payments are made in a timely manner, authorized and accurate • A management trail exists; • Performance is monitored and issues are addressed when required; • Expenditure is published in accordance with the LG Group Transparency Programme • The assessment of data risks and implementation of appropriate controls is in accordance with CFA policies and procedures <p>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.</p> <ul style="list-style-type: none"> • Policies & Procedures – Financial Procedure Rules • Departmental procedure notes on creditor processes • Creditor Accounts • Orders – processes relating to the creation of purchase orders • Goods Receiving • Invoices – for purchase order and non-purchase orders • Processing of CFA creditor payments undertaken by the HBC Payments Team • Accounting – all transactions reviewed had been correctly coded. • Performance Management – reported to the Audit & Governance Committee. • Annual performance data is published on the Authority's website • Published Spend • System Security • Information Governance – an Authority-wide Information Asset Register is maintained which contains details of information retained and associated retention periods. The auditor was advised that there are no data sharing policies in place in relation to the creditor function. <p>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.</p> <p>Action Plan No Issues identified</p>	

DEBTORS	
Audit Status: Completed Satisfactory Assurance	No actions
<p>Scope of audit</p> <p>The objectives of the audit was to obtain assurance that:</p> <ul style="list-style-type: none"> • Adequate and appropriate documentation and training are in place; • The debtor system is secure from unauthorised access to ensure the risk of fraud and/or accidental amendment of records and debts owed is reduced and that staff have appropriate access levels for their roles and responsibilities; • Debtor records are bona fide, complete and accurate; • The correct person and/or organisation is charged the correct amount, at the correct time and is charged only for those goods and/or services they have procured or received as per agreement • Controls are in place for the receipt of payment • Recovery action is in accordance with agreed procedures • Amounts deemed uncollectable after reasonable effort is to collect are correctly approved to be written off in the accounts and this is completed accurately; • Performance is appropriately measured and corrective action taken for poor performance; • The assessment of data risks and implementation of appropriate controls are in accordance with the Authority's policies/procedures and compliant with current Data Protection/GDPR guidance <p>Opinion</p> <p>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:</p> <ul style="list-style-type: none"> • Policies and Procedures • Debtor Accounts • Invoices and Credit Notes – Charging • Payments • Recovery of Debt • Write Offs • Performance Management • System Security • Information Governance <p>Action Plan</p> <p>No Issues identified</p>	

OFFICER EXPENSES**Scope of Audit**

Employees of Cleveland Fire Authority (CFA) are entitled to claim a number of expenses to reimburse them for expenditure incurred. The expenses which can be claimed are detailed in the NJC Terms & Conditions of Service Sixth Edition (known as the Grey Book) and values of expenses are notified to staff by NJC circulars. Other expenses are claimable by local agreement and the amounts determined locally. The audit covers 2021/22.

Objectives

The audit objectives are:

- Documented procedures are in place which define arrangements for the processing and approval of officer expense claims;
- Claims are paid in line with CFA policies and procedures and only where there is entitlement;
- Claims submitted are paid correctly and promptly and updated correctly
- Access to system parameters is secure and available only to those staff who are required to amend standing data and there is adequate separation of duties between officers inputting data and those authorising claims;
- Data is held in accordance with corporate policies and the assessment of data risks and the implementation of appropriate controls is in accordance with those policies and procedures which are fully compliant with current data protection and GDPR guidance requirements.
- Following an analytical review of transactions processed during the 2021/22 financial period, it was determined that the test sample would focus on two areas due to the value and volume of transactions in comparison to the other associated expense heads

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.

Policy & Procedures
Claims & Payment of Claims
System Set Up
Information Governance

Action Plan

No issues

STORES**Scope of Audit**

The aim of the audit was to review arrangements for the procurement, custody and issue of stores to ensure that they are in accordance with the Authority's Financial Procedure Rules so that stock items are secure from loss or misuse. The valuation of stores items to ensure that year end stock balances are valued in accordance with relevant accounting standards was also undertaken. The audit involved testing a sample of transactions for the financial year to date including: • completion of requisitions; • ordering items; • taking receipt of goods; • payments; • issues to jobs; • transfers back to stock • write offs

Objectives

The audit objectives were: • All orders are supported by an official written order and authorisation is by an appropriate officer. Delivery notes/invoices agree to original orders and to items delivered to the Stores and that invoices received are correct and are supported by adequate documentation. • Adequate documentation which has been correctly completed is in place to support all issues from, returns to and exchanges are in place. • A complete, accurate and up to date stock record is maintained and checked to physical stock by staff who are independent of the day to day management of stock as defined in the Authority's rules of procedure. • Write offs and the disposal of obsolete or damaged stock procedures are in line with the Authority's Rules of Procedure. • Stores are secure and protected against unauthorised access, stock records, both manually & computerised are held security and access is restricted to authorised employees only.

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.

Policy & Procedures

Ordering and Receipt of Goods

Issues, Transfers and Returns

Stock Value/Levels

Store Checks / Reconciliations

Write Offs

Security

Action Plan

SS.1 Stock issues Finding A sample of 10 issues was selected for testing. On 3 occasions, green copies of requisitions marked as 'items received' had not been returned to Stores by Stations. Recommendation Stations should be reminded that procedures require requisitions to be returned to Stores verifying assets issued have been received.

Completed

ISS.3 Stock value and levels Finding A sample of 10 stock items was selected at random from shelves in the Stores room. On 2 occasions, the number of assets recorded on the Stores System did not agree with the number of physical assets held on the shelf. Recommendation Discrepancies should be investigated and appropriate action taken to address differences in stock held and recorded on the stores system.

Completed

ISS.4 Stock checks Finding Stock checks are undertaken in a continuous manner with assets assigned a frequency of monthly, bi-monthly, quarterly or annual checks based upon value / volume, although checks do not appear to have been undertaken in the current financial year until November 2021. Recommendation Stock checks should be undertaken in accordance with the timetable established.

Completed

ISS.6 Write offs Finding A system report of write offs from the Stores system is not available, therefore no assurance can be provided that all write offs input onto the Stores system are authorised and in accordance with the Obsolete Stock report. Recommendation The service should investigate the possibility of including a reporting tool on the system that produces details of all assets written off the system to enable comparison of system write offs to the obsolete stock report.

Completed

ISS.7 Stores Database Finding Review of the database (transactions and catalogue enquiry records) for 5 catalogue items found that the system does not appear to calculate the average unit price (AUP) of stock correctly in all instances. Recommendation The Service should consider replacing the Stores Database with the Stock Management Module on Integra as soon as it is practical to do so

Completion due March 2023

BUDGETARY CONTROL

Scope of Audit

Cleveland Fire Authority has a Medium Term Financial Strategy (MTFS) that integrates the Authority's financial plans and the Integrated Risk Management Plan (CIRMP). The audit involved reviewing both revenue and capital budgets in order to provide assurance on the following:

- Roles and responsibilities of officers and Members are clearly defined in relation to the budget setting and budget monitoring processes.
- Budgets are prepared within the time frame set out in the budget timetable. The timetable is laid out in accordance with statutory requirements / deadlines.
- An approved, medium / long term financial planning strategy is in place that has considered all potential issues.
- The budget is promptly and accurately uploaded in to the financial ledger before the 31 March deadline. There is a mechanism for checking that the correct figures have been used. Unauthorised or invalid amendments cannot be made to the budget on the ledger.
- Virements are authorised in accordance with Financial Procedure Rules.
- Accurate and timely information is provided to budget holders, chief officers and members to enable them to make key decisions about services.
- The level of reserves is determined by the authority's financial risk management process and adhered to

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:

- Roles & Responsibilities
- Budget Timetable
- Medium Term Financial Strategy (MTFS)
- FMS Upload
- Budget Monitoring
- Virements / amendments
- Reserves

Action Plan

No actions

MAIN ACCOUNTING SYSTEM**Scope of Audit**

The aim of the audit was to ensure identified risks are managed at an acceptable level with regard to legislative and regulatory requirements and financial accounts are accurate and complete. The audit objectives were:

- Final accounts are prepared that comply with all legislation, regulation, guidance and standards;
- Effective closedown procedures are in place to ensure that balances and assets are accurately reported in the Statement of Accounts in line with legislative/regulatory requirements;
- The financial ledger provides the data required to meet accounting standards;
- Data from feeder systems transferred to the financial ledger is bona fide, authorised, accurate and reconciled;
- Effective arrangements are in place for amending, deleting and adding codes to the financial ledger and for identifying and correcting the use of unauthorised/invalid codes;
- A robust process is in place to restrict the ability to input journals and internal transfers to the minimum of staff who are independent of the person requesting the amendment, ensure authorisation and reconcile input;
- Access to transfer funds in and out of suspense and holding accounts is restricted to a minimum number of staff. Such accounts are regularly cleared resulting in income/expenditure being posted to the correct budget codes to ensure the reliability and accuracy of financial data to enable informed decisions by budget holders and the accuracy of data used in the preparation of the Statement of Accounts; and
- Year-end procedures include processes to ensure that Whole of Government Accounts (WGA) data returns are collected as directed and submitted by the required deadlines

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:

- Final Accounts – Legislative/Regulatory Requirements
- Final Accounts – Reporting
- FMS – Financial Ledger
- FMS – Feeder Systems
- FMS – Coding Structure
- FMS – Journals/Internal Transfers
- FMS – Suspense/Holding Accounts
- Whole of Government Accounts
-

Action Plan

No actions

PENSIONS**Scope of Audit**

A review of CFA Pensions has been undertaken in accordance with the 2021/22 Internal Audit Annual Plan. Responsibility for policy on the pension schemes rests with the Home Office whilst the administration and payment of individual pensions and benefits is the responsibility of fire and rescue authorities.

The audit focused on the systems and procedures in place within the Pensions and Payroll section of Cleveland Fire Authority, in order to provide assurance on the administration of the fund with a view to ensuring the accuracy, completeness and timeliness of payments due to and from the fund and compliance with Home Office circulars and other guidance.

Objectives

The audit objectives focused on the effectiveness of controls employed in the administration of the pension fund administration to ensure that:

- there are effective arrangements in place to identify and comply with changes in the pension scheme/legislation;
 - new scheme members (including transfers in) and transfers out of the scheme are processed and recorded completely and accurately and in accordance with scheme rules;
 - calculation of members retirements are processed accurately and in accordance with scheme rules;
 - employer/employee contributions are calculated and processed accurately;
 - The assessment of data risks and implementation of appropriate controls are in accordance with CFA policies and procedures that are fully compliant with current Data Protection & GDPR guidance
 - The Fire Authority has a Local Pension Board and complies with the statutory requirements.
- The audit scope did not include a review of the governance and management of investment of the fund nor a review of the CLG return as this is audited separately by Mazars. The audit covered transaction during the period 1 April 2021 - 28 February 2022.

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.

- Legislation - effective arrangements are in place to ensure the service is aware of and reacts to changes in legislation and to communicate such changes to members of the Pension Scheme. An amendment to the firefighter pension schemes regarding changes to remove age discrimination from the firefighter pension scheme in relation to the transitional protection for members of previous schemes has recently been subject to public consultation. The consultation was on the amendments required to implement the Prospective Remedy including moving all active members to the reformed scheme and making consequential changes to scheme regulations in line with The Public Service Pensions & Judicial Offices Bill (PSPJO). Following enquiry, the auditor was advised that there is no immediate impact as the remedy legislation is still to be published and the deadline for this is October 2023. In the meantime, the Authority are considering the financial impact of paying immediate detriment cases in accordance with the LGA/FBU Immediate Detriment Framework and Home Office Guidance however no decision has as yet been made by the Authority. It was also confirmed that all active members were moved to the reformed scheme on 1 April 2022 which was actioned internally on both HR and Payroll systems. Contribution rates were also amended, XPS have updated their systems and that members have also been notified of the change. Detailed guides and relevant forms are available to all members via the XPS website.

- Membership - Nine new starters were identified as not being in the pension scheme for the period reviewed. A random sample of three employees were selected for testing and in all instances, signed opt out forms had been completed. Using Integra, the auditor extracted details of all transfers in and out of the pension schemes since the last audit was completed. There were no transfers out of the scheme during the period reviewed. Integra showed that there had been a total of two transfers into the pension scheme. Paperwork was in place to support the transfer.
- Lifecycle Events - a sample of retirement payments were selected for testing which found all calculations appear correct. As the auditor does not possess the technical knowledge to verify the accuracy of calculations relating to LSI and CPD amounts used to determine the resultant pension entitlement the figures used on the XPS final calculation documentation were used. • Payments were issued directly from XPS with evidence retained on Integra • Tax deductions were correctly calculated. • All calculation documentation completed by CFA pension staff contained signatures of the officer undertaking the calculation and also the officer checking the calculations. CFA Pensions are also provided with monthly reports of payments to pensioners to ensure they are paid in accordance with the calculation sheets.
- Contributions – a random sample of members from all schemes were selected for testing. In all instances, contribution rates were correct. A sample of members paying AVCs were also selected for testing. Documentation was provided to support all additional voluntary contributions reviewed.
- CLG Return – the return is audited by Mazars and was not included in the programme of work for this audit.
- Information Governance - three systems are utilised for the processing of CFA pensions; ResourceLink, Integra and the XPS Heywood System. An agreement For the Provision of Firefighter Pension Administration and Pension Payroll Services is in place.
- Local Pension Board - there is a Local Pension Board in place who meet quarterly. Terms of Reference are reviewed annually and were presented to members for ratification at the meeting held in October 2021. The Terms of Reference state that the Board shall as a minimum meet four times per year, considering that quarterly meetings are recommended good practice. A review of meeting minutes confirmed that Board membership appears to be in accordance with Terms of Reference and includes two employer and two employee representatives as well as an officer with detailed knowledge of the law relating to pensions. Minutes confirmed that all meetings are quorate and that training is provided to Board Members on an ongoing basis

Action Plan

No actions

INSURANCE**Scope of Audit**

A review of Insurances was due to be undertaken in accordance with the Internal Audit Strategic Plan. The Authority currently have a broker reviewing insurance and the extent of cover, therefore this will not be reviewed during this audit. The level of the self-fund has not been reviewed as part of the broker process, the Head of Finance and Procurement confirmed this process will take place in 2022 Arrangements for processing claims from incident through to settlement will be undertaken. The audit objectives were:

- The scope / level of insurance cover sufficiently transfers the financial risks associated with all Authority's activities.
- Effective arrangements are in place for processing claims to ensure that all necessary evidence required to defend against fraudulent / malicious claims is obtained and ensure that legitimate claims are settled in the most economic, efficient and effective manner.
- Effective monitoring of claims ensures that appropriate action is taken to reduce associated risks and similar future potential claims.

Opinion

The Authority is withdrawing from the current SLA provider for the provision of insurance and insurance claims handling services. The CFA now has a broker reviewing its insurance and the insurance cover direct with their current insurance provider which will include access to a portal which shows real time information regarding the status of all claims. This will enable the CFA to manage and monitor claims in a way that is not possible at the moment. As a result of this, this audit has been deferred until 2022/23.

Action Deferred**AUDIT STATUS**

In progress
Completed
Undertaken behind schedule

5. 2022/23 AUDITS SUMMARY

In order that a comprehensive opinion on the Fire Authority's control environment can be given, the proposed coverage for 2022/2023 is detailed below.

Advice and Support
Asset Management Systems
Budget Holder Responsibilities and Support Arrangements
Cash/Bank Reconciliations
Creditors
Data Quality – Data Protection Compliance
Data Quality – GDPR Compliance
Debtors
National Fraud Initiative
Officers Expenses
Payroll
Pensions
Procurement Contract Procedure Rules Compliance
Retained Firefighter Claims
Stores
Value Added Tax

IAN HAYTON
CHIEF FIRE OFFICER

KAREN WINTER
ASSISTANT CHIEF FIRE OFFICER
STRATEGIC PLANNING AND RESOURCES