

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 2022/23 and 2023/24 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 meetings on 25 February 2022 and 24 February 2023, Members adopted the Internal Audit Plans for 2022/23 and 2023/24 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. 2022/23 AUDIT SUMMARY

Progress against the identified improvement actions from internal audit inspections is detailed in the following section;

Payroll

| Issue | Due Date | Status | Progress |
|---|-----------|----------|--|
| (A)The authorised signatory list was previously reviewed on an annual basis. Since 2020 only new signatories have been added. | Immediate | Complete | The signatory list is held and managed by the Finance & Procurement Officer. It is used as a reference point for all authorised signatories, creditors as well as payroll and is updated annually. |
| | Sept 2023 | Complete | The current format and process are under review as part of the Digital Transformation |

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|---|--|--|--|
| <p>(B)During the audit it was identified a leaver was still on the signatory list and there are no procedures in place to remove leavers.</p> | | | <p>Project. Until this review is complete, the signatory list will be updated, removing leavers using information provided by HR for the payroll process.</p> <p>The payroll assistant will ensure that the list is maintained detailing the leave date.</p> <p>Payroll will receive emails from senior managers to confirm the addition to the authorised signatory list. Payroll officers can check within Resource-link as to who can authorise claims. This reference will be included in future years planning documents.</p> <p>Processes have been refined and new spreadsheet created to capture approvers and signatures.</p> |
|---|--|--|--|

Procurement - Contract Procedure Rules Compliance

| Issue | Due Date | Status | Progress |
|---|----------------------|--------------------|---|
| <p>An opportunity was not published on Contracts Finder on one occasion and publication of awards were not published on two occasions in line with Transparency requirements.</p> | <p>June 2023</p> | <p>Complete</p> | <p>The importance of general housekeeping is discussed in the procurement team meetings.</p> <p>Process maps and suitable guidance notes are in place re: the mandatory requirement to publish on the contract finder portal.</p> <p>A contracts finder reminder to be built into procurement workplan ensuring a prompt before a project is completely closed off</p> |
| <p>Contract Management arrangements have yet to be developed to all contracts in accordance with their classification.</p> | <p>December 2023</p> | <p>In progress</p> | <p>Contract management arrangements are in place for high risk, high value contracts. Work is currently ongoing to ensure consistency re: KPI performance and engagement.</p> <p>Remaining contracts are low value and low risk, however these will be assessed in line with our contract classifications (strategic, leverage, bottleneck and routine) during 2023/2024.</p> |

Information / Data Management GDPR 2022/23

| Issue | Due Date | Status | Progress |
|---|----------------|-------------|---|
| An Information Governance Group has not met on a quarterly basis as required by Terms of Reference and minutes are not always produced to record decisions and record attendance. | August 2023 | Complete | Information Governance Group restructured with updated Terms of Reference and now chaired by Senior Head of Assets (Data Protection Officer). Meetings scheduled quarterly. First meeting held 7th June, next meetings scheduled for 20th September and 13th December 2023. |
| There is no evidence that validation checks are undertaken to ensure that all information recorded in information assessments is complete and accurate. | September 2023 | In progress | Validation checks to be undertaken with Information Asset owners and legal basis to be added to ensure information recorded is complete and accurate. This is anticipated to be completed by September 2023. |
| The IT Access Procedure promotes the use of strong passwords, however formal minimum criteria do not appear to be defined. | December 2023 | In Progress | Formal criteria is already defined and implemented, however these criteria are not explicitly stated within the Brigade's Information Security Policy. This has been noted and will be included in the next review of and update of the Information Security Policy which will take place at the end of 2023. |
| Compliance with Retention periods is not enforced. | September 2023 | In progress | Validation checks to be undertaken with Information Asset owners. This is anticipated to be completed by September 2023. |
| Review of the Information Asset Register shows 8 Data Sharing Agreements not available. | August 2023 | In progress | Of the eight data sharing agreements listed, some of these organisations are no longer involved with the Brigade. The list of data sharing agreements will be reviewed as part of the validation meetings taking place with information asset owners to cover findings #2 and #4 above. For the others, the data sharing agreements are embedded within main contract documents. |

5. 2023/24 AUDIT PROGRESS SUMMARY

Progress against the identified internal audit inspections to date includes;

- 12 Audits in the approved Audit Programme for 2023/24.
- 1 Audits not part of agreed programme but supports core work and relate to HBC activities –completed and signed off.
- 5 audits have been completed as at 31st October 2023, all of which have been assessed as Satisfactory Assurance with only 2 improvement action identified which are currently in progress of implementation.
- No category 1 (the most serious) recommendation identified.
- No audit identified as Inadequate Assurance.

The following table provides a summary of progress and outcomes against each of the audits in the 2023/24 programme.

| Audit | Status | Outcome | Improvement Actions |
|--|---------------|------------------------|----------------------------|
| 23/24 01: Cash/Bank Reconciliations | To Commence | | |
| 23/24 02: Creditors: | Complete | Satisfactory Assurance | 1 Action |
| 23/24 03: Debtors: | Complete | Satisfactory Assurance | 1 Action |
| 23/24 04: Insurances: | Complete | Satisfactory Assurance | None |
| 23/24 05: National Fraud Initiative: | To Commence | | |
| 23/24 06: Officers Expenses: | To Commence | | |
| 23/24 07: Payroll: | To Commence | | |
| 23/24 08: Pensions | To Commence | | |
| 23/24 09: Procurement: | To Commence | | |
| 23/24 10: Retained Firefighter Claims: | To Commence | | |
| 23/24 11: Value Added Tax: | To Commence | | |
| 23/24 12: Budgetary Control | Complete | Satisfactory Assurance | None |
| | | | |
| Main Accounting System* | Complete | Satisfactory Assurance | None |

*Not part of the approved HBC Audit plan that was reported to A&G Feb 2023: Part of core assessment work on the internal controls management system

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

23/24 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.

- Checks are made to ensure new supplier details are valid and correct and ensure that duplicate active accounts are not already in place.
- Supporting documentation verified that supplier amendments are valid and correct.
- Official purchase orders are raised and authorised for all goods and services except for limited valid exceptions.
- Reviews of outstanding orders are undertaken monthly.
- Payment of invoices are only processed when confirmation is obtained that goods and services have been fully received. All invoices assigned a due date for payment to ensure payment within terms.
- Reviews of unprocessed invoices are undertaken to determine reasons for delays.
- Appropriate checks are made to ensure that payments are valid and authorised.
- Payment run procedures ensure that expected output agrees with payment made.
- Reports of invoices over £10,000 not certified are checked for reasonableness.
- Daily validation reports produced to assist in quality assurance of payments with anomalies investigated.
- No payments are made by cheque. – stock of cheques exist at HBC.
- Monthly invoice statistics are produced detailing the number and percentage of valid invoices paid within terms and the value of interest paid for late payments and reported to Members.
- Procedures that are fully compliant with current Data Protection and GDPR guidance.
- Staff trained on Data Protection / Information security.

Action Plan

| Issue | Due Date | Status | Progress |
|---|--------------|-------------|---|
| CFA no longer offer cheque as a payment method. HBC Payments department store all unused cheque stationery. | October 2023 | In Progress | Shredding of remaining stationery to be completed. Allocated to Payments Manager HBC to action. Shredding of remaining stationery will begin on 1st September and completed by 31 st October. A requisition will be placed with the bank to request some manual cheque books for Business Continuity purposes. |

23/24 03: Debtors:

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 Procedure Rules set out roles and responsibilities for the Treasurer and Chief Fire Officer and Assistant Chief Fire Officers.
- invoice request form acts as guidance for staff outside of the finance team.
- Details of new customer accounts are requested electronically and are automatically loaded into Integra and approved by the HBC Recovery Team.
- There are effective controls in place for the processing of debtor invoices.
- No gaps in invoice numbers were identified.
- Scale of Charges is in place for 23/24 (approved by CFA) and available on the CFA website and correctly applied.
- No gaps or duplicate credit notes were identified.
- Good arrangements in place for managing and reporting outstanding debt.
- Information Governance arrangements in place appear to comply with Data Protection requirements.

Action Plan

| Issue | Due Date | Status | Progress |
|--|----------|-------------|--|
| A lack of division of duties, checks and authorisation in cancelling debt via credit notes leading to increased risk of debt being incorrectly cancelled or reduced. | Dec 2023 | In Progress | <p>Due to the small size of the team, there may be occasions where the credit has been input by the same individual that raised the debt.</p> <p>Systems Support to provide a report as part of the monthly suite, to identify any such events. This will be monitored by the Head of Finance and Procurement.</p> |

23/24 04: Insurances:**Audit Status: Completed****Satisfactory Assurance****No Actions****Opinion**

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

- Privacy Policy Statement available on the CFA Website which covers all aspects of data collection and processing.
- Specialist insurance brokers engaged to provide professional advice and support.
- Appropriate and proportionate procedures are in place to regularly review the areas of insurance cover.
- An annual review is undertaken by the insurance broker of the level and risk area of insurance coverage.
- Contract monitoring meetings scheduled regularly with the insurers.
- Procedures are being developed to assist with processing claims.
- Relevant investigations are completed for each claim, with information gathered and stored appropriately and shared where necessary.
- Monthly and Quarterly Health & Safety reports are produced including a trend analysis to identify groups of similar incidents.

Action Plan: None**23/24 12: Budgetary Control****Audit Status: Completed****Satisfactory Assurance****No Actions****Opinion**

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

- There is a Medium-term Financial Strategy in place for 23/24 to 25/26 that is linked to objectives. Approved by members on 190th February 2023.
- No appear to have been a self-assessment against the standards set out in the CIPFA Financial Management Code.
- The Full Authority approved the statutory budget calculations on 10th February 2023.
- A risk assessment of the material items of income and expenditure has been undertaken to support the Treasurers responsibility to advise on the robustness of budget assumptions.
- The Asset Management Plan (Capital Programme) is approved alongside the MTFS and is established based on priorities.
- The 23/24 budget was loaded before the end of March 2023.
- reconciliations undertaken throughout the budget setting/load process.
- Processes ensure budget holders are actively involved in the budget setting process.

Action Plan: None

| Addtn: Main Accounting Systems | |
|---|-------------------|
| Audit Status: Completed Satisfactory Assurance | No Actions |
| Opinion The overall opinion is that the risks identified are well controlled. <ul style="list-style-type: none">▪ Arrangements in place to ensure officers are aware of legislation, regulations, guidance and standards and these are reflected in the Statement of Accounts.▪ A detailed timetable for closure of the accounts is provided to staff.▪ 22/23 accounts are awaiting audit and have been published in draft form on the CFA website.▪ Feeder systems are reviewed on an annual basis as part of the Internal Audit Plan.▪ Year-end figures are reviewed by External Audit when signing off the final accounts.▪ Processes are in place to ensure new and amended codes are accurate.▪ Amendments reviewed were input correctly and had the required authorisations in place.▪ All journal transactions are input either by an officer from the Finance Section at HBC or CFA - All entries provide sufficient information.▪ Whole of Government Accounts returns: Remains under the threshold therefore unlikely to require review. Action Plan: None | |

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