

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 2020/21 Internal Audit Programme.

2. RECOMMENDATIONS

- 2.1 .That Members note the progress made in the 2020/21 Internal Audit Plan.
- 2.2 That Members note the schedule of 2021/22 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 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
Performance Management Systems/BVI's	T Graham	Satisfactory Assurance		Completed
Asset Management	D Richards	Satisfactory Assurance		Completed
Budgetary Control	L Younger	Satisfactory Assurance		Completed
Cash / Bank Reconciliation	L Younger	Satisfactory Assurance		Ongoing Being finalised
Creditors	L Younger	Satisfactory Assurance	2 actions	1 action outstanding
Debtors	L Younger	Satisfactory Assurance		Completed
Fraud Awareness	L Younger	Satisfactory Assurance		Ongoing Being finalised
National Fraud Initiative	L Younger	Satisfactory Assurance		Completed
Officers Expenses	L Younger	Satisfactory Assurance		Completed
Payroll	L Younger	Satisfactory Assurance		Completed
Pensions	L Younger	Satisfactory Assurance		Completed
Procurement	L Younger	Satisfactory Assurance		Ongoing Being finalised
Retained firefighter Claims	L Younger	Satisfactory Assurance		Completed
VAT	L Younger	Satisfactory Assurance		Completed
CFA Treasury Management	C Little	Satisfactory Assurance		Completed

AUDIT STATUS

In progress
Completed
Undertaken behind schedule

4.2 COMPLETED AUDITS

RETAINED FIREFIGHTER CLAIMS	
Audit Status: Completed Satisfactory Assurance	No Actions
<p>The overall opinion is that Satisfactory Assurance can be provided that the risks identified are well controlled.</p> <p>Scope Retained firefighters receive payment for the work they undertake. How payment is structured can vary from brigade to brigade, the most common method is for a retaining fee to be paid based on the hours per week they are contracted to cover, plus extra payments based for responding to calls, carrying out maintenance of the equipment on the station, carrying out community fire safety work etc. These extra payments are based on the hourly rate for a firefighter.</p> <p>The audit focused on the claim forms submitted by Retained Firefighters (RFFs), the processing of these claims by the CFA Payroll Team and the payments made as a result of this processing. The payments under review were any payments made to RFFs as a result of that individual being employed as a Retained Firefighter, which included: Retaining fees; Disturbance payments; Leave/Holiday pay; Turnout fees; Attendance fees; Training attendance/Course fees; Drill payments; Long Service Awards; Temporary promotions; Administrative duties; CPD; Casual promotions; and Bank Holiday payments.</p> <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"> • Policy & Procedures • Cleveland Fire Authority have a Recruitment & Selection Policy in place which sets out the formal arrangements in place for appointing, grading & paying Retained Fire Fighters (RFFs). • The NJC Scheme of Conditions of Service (Grey Book) provides a national framework of pay and conditions. Rates of pay are based on defined stages of development leading to demonstration of competence in the employee's role. • NJC circulars provide agreed pay scales. The latest pay scales are effective from 1/7/2020. • The CFA Payroll team have access to the Authority's Recruitment, Selection & Promotion policy as well as the NJC Grey Book and Circulars. • Procedures have been developed to ensure compliance with Policy and are available within the Finance Section. • Payments • Using Resourcelink, retained spreadsheets and paysheets, the auditor tested a sample of payments made to 15 employees. <p>Action Plan All objectives achieved</p>	

ASSET MANAGEMENT	
Audit Status: Completed Satisfactory Assurance	No actions
<p>The overall opinion is that Satisfactory Assurance can be provided that the risks identified are well controlled.</p> <p>Scope An audit of Asset Management has been undertaken in accordance with the Internal Audit Plan 2020/21. Effective management of assets depends at the outset on the establishment of a clearly defined policy on the acquisition, use, replacement and disposal of assets and promotes efficient service delivery including identifying new ways of working.</p> <p>The Fire Authority's original Asset Management Plan (AMP) was developed in 2011 as a fifteen year outline of asset requirements and their respective funding requirements up until 2026. The plan is periodically reviewed. The current Asset Management Plan covers the remaining eight years from 2018 to 2026.</p> <p>The aim of this audit was to review arrangements for delivering the Authority's AMP, ensuring the accurate and complete recording of assets, maintenance and security of assets, and the accurate valuation of assets in the annual financial statements.</p> <p>The audit objectives were:</p> <ul style="list-style-type: none"> • The organisation's approach to asset management planning is aligned with corporate objectives, service delivery requirements and medium term financial planning to optimise the utilisation of assets in terms of service benefits and financial return. • Effective arrangements are in place for accurately recording and maintaining asset data to promote effective decision making and maximise the use of assets. • Effective arrangements are in place to maintain assets and ensure their security in order that they remain fit for purpose, maintain their financial value and are secure from loss / harm. • Assets are recorded at the correct value and accurately published in the Authority's Financial Statements. • Effective arrangements are in place to monitor / manage the performance of assets to evaluate how they contribute to the achievement of corporate objectives and enable effective decision making. <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 in the areas outlined below.</p> <p><u>Strategic Framework</u> A long term Asset Management Plan (2011-2026) is in place which is consistent with the Authority's Community Integrated Risk Management Plan (CIRMP) and details funding requirements for the procurement of Estates, Fleet / equipment and ICT assets.</p> <p>The AMP is subject to periodic review and revised to reflect technical advances and changes in our priorities and working practices. The latest review was undertaken in 2018, although a review is currently being undertaken</p> <p>The AMP covers the following areas: Estates; Fleet; Equipment; ICT.</p> <p>For each area the plan describes its objectives, its ambitions and achievements to date.</p>	

Funding requirements for each year of the plan are also detailed. The funding requirements detailed in the AMP and linked to the Capital Strategy is approved by Members and monitored via the Medium Term Financial Strategy on a quarterly basis.

Delivery of the AMP is achieved through Internal annual delivery plans for each area. This is reviewed further below in this report under Performance Management.

Asset Recording

- Fleet assets are recorded on the Authority's Fleet Management System 'Tranman'. Non-vehicle assets are recorded on the Authority's Intranet FISH.
- ICT hardware / software are also recorded on the Authority's intranet FISH.
- Review of records found that sufficient details of assets are recorded and access is restricted to authorised employees.
- A sample of assets was selected for testing. Evidence of asset ownership is in place.
- Checks on asset stock for equipment recorded on FISH are undertaken annually and a report provided to HBC Finance for inclusion in the authority's accounts.

The CFA Asset Register is maintained on excel by Corporate Finance. It records Capital Assets under the categories:

- Operational Assets – Land and buildings;
- Vehicles, Plant and Equipment (VPE);
- AUC;
- Surplus assets;
- Investment assets;
- Assets held for sale;
- Intangibles.

Asset Management

- A planned property maintenance programme is in place to ensure the efficient running of the Estate and compliance with legislative requirements via a corporate contract with an external Mechanical and Electrical Engineering Consultancy Service.
- Appropriate arrangements are in place to maintain the security of CFA Assets.
- A planned fleet maintenance programme is in place.
- Insurance cover for property, equipment and fleet is in place.

Asset Valuation / financial reporting

- Valuations of land and buildings are carried out in accordance with the Royal Institute of Chartered Surveyors standards. A rolling programme of revaluations undertaken by HBC Property Services, ensures that all land and buildings are revalued at least every five years with reports provided to HBC Corporate Finance.
- Assets are valued at current value.
- Surplus Assets are measured at fair value.
- A report of Fleet /equipment assets are provided to HBC Corporate Finance on an annual basis for including in the Fixed Asset Register. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.
- Additions are identified through capital expenditure identified on Integra.
- Disposals are identified from capital receipts.
- Testing of the Fixed Asset Register 2019/20 was undertaken. It was found that:
 - ✓ Land / buildings are correctly recorded based on valuation reports received;
 - ✓ Fleet / equipment assets agree with reports provided by the Fleet Services;
 - ✓ All capital expenditure identified on the Integra nominal ledger is reflected on the Fixed Asset Register;
 - ✓ No Capital receipts were identified;
 - ✓ No asset impairments were recorded in 2019/20.

Performance Management

Annual delivery plans for each service area include actions designed to achieve the Corporate Asset Management Plan aims for the current financial year.

Review of annual plans confirmed that Corporate Asset management requirements for 2020/21 are included and are assigned timescales for achievement.

Achievement of outcomes by timescales is monitored in meetings with the manager of the service and the Strategic Head of Assets and justification of any delays in progress provided.

Action Plan - all objectives achieved

OFFICERS EXPENSES

Audit Status: Completed
Satisfactory Assurance

No Actions

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

Scope

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 (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. Testing covered the financial year 2020/21. The audit involved reviewing a sample of claims paid to ensure adequate supporting documentation is in place.

The audit objectives were:

- Documented procedures are in place which define arrangements for the processing and approval of officer claims;
- Claims are paid in line with CFA Policies and procedures, only where there is entitlement;
- Claims submitted are paid correctly and promptly and the FMS is correctly updated;
- Access to system parameters is secure & available only to those staff who are required to amend standing data. There is adequate separation of duties between those who input data and those who authorise claims;
- Data is held in accordance with corporate policies; and
- The assessment of data risks and implementation of appropriate controls in accordance with CFA policies and procedures that are fully compliant with current Data Protection and GDPR guidance.

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 - All objectives achieved

PENSIONS	
Audit Status: Completed Satisfactory Assurance	Ongoing – being finalised
<p>Scope</p> <p>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.</p> <p>There are three main pension schemes for firefighters in England</p> <ul style="list-style-type: none"> • The Firefighters' Pension Scheme 1992 (FPS 1992) - which came into effect on 1 March 1992. This scheme was closed to new member on 6 April 2006. • The New Firefighters' Pension Scheme 2006 (FPS 2006) - which came into effect on 6 April 2006. • The Firefighters' Pension Scheme 2015 (FPS 2015) – which came into effect on 1 April 2015 and is the occupational pension scheme available to operational firefighters first appointed on or after 1 April 2015 or who are transferred from an earlier version of the Scheme. <p>The two previous Schemes (FPS 1992/2006) continue in force for firefighters who were serving before 1 April 2015 and who are eligible to remain members of their earlier Scheme. They also continue in force for the previous pension rights of "transition members".</p> <p>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.</p> <p>The audit objectives focused on the effectiveness of controls employed in the administration of the pension fund administration to ensure that:</p> <ul style="list-style-type: none"> • 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. <p>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.</p> <p>The audit covered transaction during the period November 2019 to end March 2021.</p> <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>	

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. There had been no updates to any of the pension schemes in operation at the time of the audit that required any further action taking.

Detailed guides and relevant forms are available to all members via the XPS website.

Membership - Two new starters were identified as not being in the pension scheme for the period reviewed. In both 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 was one transfer out of the scheme during the period reviewed. Paperwork was in place to support the transfer.

There were a total six transactions noted on the transfers in report. Evidence of the signed option forms and correspondence from XPS of the transfer and values expected were provided. A query was raised for the remaining transaction listed on the report. Following investigation, the auditor was informed that this appears to be a miscoding which is to be rectified by CFA finance staff.

Life Cycle Events – a sample of retirement payments were selected for testing. From the testing completed, it was found that:

- All calculations appear correct. As the auditor does not possess the technical knowledge to verify the accuracy of some calculations used to determine the resultant pension entitlement, a number of queries were forwarded to XPS who provided supplementary documents and evidence to support the entitlement calculations for the sample.
- Payments were sent direct from XPS with evidence retained on Integra;
- Tax deductions were correctly calculated.

Not all calculation documents provided contained signatures of the officers undertaking the calculation and checking steps of the process to demonstrate there is a division of duties. However, as noted in the last two audits, original documents are issued to the leaver and not retained by the service.

CFA Pension are 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 in place 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.

No testing was undertaken regarding ResourceLink and Integra as both systems are subject to separate individual audits.

IT controls relating to the Heywood system is co-ordinated by XPS with employees having different access levels dependent on their roles within the team. Access is restricted by User ID and password. Daily backups are undertaken which are retained on a server located in a separate building as well as on the Disaster Recovery server.

Evidence that the Heywood system is GDPR compliant was provided as part of the 2019/20 audit. The report provided an overview of the approach to information security and quality which included the following statement: *a full standard recertification audit is carried out every 3 years, following which our QMX and ISO certifications are reviewed.* As the report was produced in May 2019, assurance has been allocated to the work previously undertaken and reported.

Local Pension Board – there is a Local Pension Board in place who meet twice yearly. Terms of Reference are reviewed annually and were presented to members for ratification at the meeting held in November 2020. 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.

Training is provided to Board Members on an ongoing basis.

Action Plan – all objectives achieved

CASH BANK RECONCILIATIONS

Audit Status: Completed
Satisfactory Assurance

Ongoing – being finalised

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

AWAITING FINAL REPORT

FRAUD AWARENESS

Audit Status: Completed
Satisfactory Assurance

Ongoing – being finalised

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

AWAITING FINAL REPORT

PROCUREMENT	
Audit Status: Completed Satisfactory Assurance	Ongoing – being finalised
The overall opinion is that Satisfactory Assurance can be provided that the risks identified are well controlled.	
AWAITING FINAL REPORT	

5. 2021/22 AUDITS

5.1 SUMMARY

2021/22 AUDITS	RESP OFFICER	AUDIT STATUS	ACTION	COMMENTS
Creditors	L Younger			
Debtors	L Younger			
Insurances	L Younger			
Officers Expenses	L Younger			
Payroll	L Younger			
Pensions	L Younger			
Procurement	L Younger			
Retained Firefighter Claims	L Younger			
Stores	D Richards			
VAT	L Younger			
National Fraud Initiative	L Younger			
Budgetary Control	L Younger			
Energy Management	D Richards			
Fraud Awareness	L Younger			
Information/Data Management - GDPR	D Richards			
Cash/Bank Recs	L Younger			

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