

INTERNAL AUDIT PROGRESS REPORT**REPORT OF THE CHIEF FIRE OFFICER**

For Information

1. PURPOSE OF REPORT

- 1.1 To apprise Members of the 2019/20 Audits and the progress of the 2020/21 Internal Audit Programme.

2. RECOMMENDATIONS

- 2.1 That Members note the position of the 2019/20 Internal Audit Summary.
- 2.2 That Members note the progress made in the 2020/21 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 21 February 2020, Members adopted the Internal Audit Plan for 2020/21. The audits are carried out by Hartlepool Borough Council and cover over 100 days.

4. 2019/20**4.1 AUDIT SUMMARY**

2019/20 AUDITS	RESP OFFICER	AUDIT STATUS	ACTION	COMMENTS
Procurement	G Fowler	Satisfactory Assurance	1 action	Action completion due March 21
VAT	GF/HBC	Satisfactory Assurance	1 action	Action completed

AUDIT STATUS

In progress
Completed
Undertaken behind schedule

4.2 OUTSTANDING AUDITS

PROCUREMENT	
Audit Status: Completed Satisfactory Assurance	Actions: 1 outstanding
<p>The overall opinion is that Satisfactory Assurance can be provided that the risks identified are well controlled.</p> <p>Scope The aim of the audit is to review arrangements for the delivery of procurement aims and will focus on the following areas:</p> <ul style="list-style-type: none"> • Policy and procedures; • Roles and responsibilities; • Supplier management; • Tenders / quotations; • Contract management; • Performance Management <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 as outlined below:</p> <ul style="list-style-type: none"> • Procurement Strategy and Roles and Responsibilities • Supplier Management • Tenders/Quotations/Frameworks • Contract Exemptions/Exceptions • Contract Management • Performance Management <p>Action Plan – 1 action <u>ISS.1 Procurement Action Plan</u></p> <p>Finding During the audit a number of issues were identified that had already been flagged as areas for improvement / review by the Procurement Manager and included within the Procurement Action Plan, these relate to the following:</p> <ul style="list-style-type: none"> • Roles and responsibilities for procurement being clear for all - this is covered by the development of a procurement user guide action for the Procurement Team as they manage all procurement exercises above £5,000 (P5.3). Training is also planned for budget holders which is due to take place in November 2020. • Contract Management • Performance Management, this covers developing a suite of performance indicators and cost savings targets and understanding the costs of the Procurement activity and benchmarking against others to demonstrate value for money <p>The actions contained in the Procurement action plan will be sufficient to manage the risks.</p> <p>Recommendation Continue to monitor the Procurement Action Plan and ensure actions are implemented within the timescales identified.</p> <p>Date for completion 31 March 2021</p>	

VAT	
Audit Status: Completed Satisfactory Assurance	Actions: completed
<p>The overall opinion is that Satisfactory Assurance can be provided that the risks identified are well controlled.</p> <p>Scope There is a corporate VAT manual available for all staff which provides guidance on all aspects of VAT and details of how the system operates. A review was undertaken in 2019 with no changes required. The manual is scheduled for an update in 2020 following the introduction of Making Tax Digital changes introduced by HMRC in October 2019.</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 as outlined below:</p> <p>The audit covered the following areas:</p> <ul style="list-style-type: none"> • Input/output tax • Non business, exempt, partial exemption • VAT returns • Document Retention • Inspections <p>Action Plan The date for implementation of phase 2 of Making Tax Digital has been deferred until April 2021 due to the disruption caused by Covid. The VAT manual will be reviewed and updated in 2020 prior to these changes coming to reflect how Vat will be recorded and how returns will be submitted to HMRC</p> <p>Actions Completed – Objectives achieved</p>	

5. 2020/21 AUDITS**5.1 SUMMARY**

2020/21 AUDITS	RESP OFFICER	AUDIT STATUS	ACTION	COMMENTS
Performance Management Systems/BVI's	T Graham	Satisfactory Assurance		Completed
Asset Management	D Richards			
Budgetary Control	L Younger	Satisfactory Assurance		Draft – no actions
Cash / Bank Reconciliation	L Younger			
Creditors	L Younger	Satisfactory Assurance	2 actions	1 action outstanding
Debtors	L Younger	Satisfactory Assurance		Completed
Fraud Awareness	L Younger			
National Fraud Initiative	L Younger			
Officers Expenses	L Younger	In Progress		
Payroll	L Younger	Satisfactory Assurance		Draft – no actions
Pensions	L Younger			
Procurement	L Younger			
Retained firefighter Claims	L Younger			
VAT	L Younger	Satisfactory Assurance		Draft – no actions
CFA Treasury Management	C Little	Satisfactory Assurance		Completed

5.2 COMPLETED AUDITS

DEBTORS	
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 has been undertaken of the CFA Sundry Debtors system and focussed on: Policy and Procedures; System security; Debtor records (set up and use of); Raising of invoices and credit notes; Debt Collection; Debt Recovery; Debt Write off; Performance Management; and Information Governance</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 as outlined within the scope. There had been no debt write offs at the time of the audit review.</p> <p>Action Plan All objectives achieved</p>	

CFA TREASURY 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 Treasury management is the management of an organisation's borrowing, investments and cash flows. Risk is inherent in all treasury management activities and as a public authority, it is therefore a priority that capital is protected rather maximise return.</p> <p>The audit involved reviewing arrangements in place to ensure that:</p> <ul style="list-style-type: none"> • A Treasury Management Strategy is in place that complies with the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA, 2017) and Prudential Code for Capital Finance in Local Authorities (CIPFA, 2017); • effective management and control of risk are prime objectives of HBC Treasury Management activities • effective reporting arrangements are in place for the management and control of treasury management activities <p>Opinion The Review of the Treasury Management Strategy 2020/21 confirmed that it is consistent with legislation, the Prudential Code for Capital Finance in Local Authorities 2017 and Treasury Management in the Public Services: Code of Practice & Cross Sectoral Guidance Notes (CIPFA) and the MHCLG Guidance on Local Government Investments. 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 as outlined in the areas below:</p> <ul style="list-style-type: none"> • Legislative / regulatory requirements • Risk Management • Performance Measurement • Decision making and analysis • Approved instruments, methods and techniques • Organisation, clarity and segregation of responsibilities & dealing arrangements • Reporting requirements and management information arrangements • Budgeting, Accounting & Audit Arrangements • Cash & Cashflow Management • Money Laundering • Training & Qualifications • Use of External Service Providers • Corporate Governance • Transactions • Insurance • Data security <p>Action Plan All objectives achieved</p>	

CREDITORS	
Audit Status: Completed Satisfactory Assurance	2 actions – 1 outstanding
<p>The overall opinion is that Satisfactory Assurance can be provided that the risks identified are well controlled.</p> <p>Scope</p> <p>The overall audit objective was to evaluate the systems and procedures in place for ordering, receiving and paying for goods/services to ensure that the supplies of goods and services are properly authorised and comply with Financial Procedure Rules. This included reviewing the following control objectives:</p> <ul style="list-style-type: none"> • Adequate and appropriate documentation and training are in place • Access to the creditor system is well controlled and only granted to appropriate staff, to the level required to undertake defined tasks, and only via an approval process. • Creditor accounts established are valid and appropriately authorised; • All orders for goods and services are in accordance with CFA Financial Regulations, • Goods received are legitimate, promptly recorded, identified as belonging to the CFA and safeguarded from loss/harm; • Invoice certification procedures ensure that payments are only made for goods and services received; • Controls ensure that all direct payment transactions are authorised, accurate and securely processed. • To ensure there are arrangements in place for monitoring duplicate payments and supplier accounts. • All payments are made in a timely manner, are authorised, complete, accurate and not previously processed • A management trail exists; • Performance is monitored and issues addressed when required; • Expenditure is published in accordance with the LG Group Transparency Programme; • The assessment of data risks and implementation of appropriate controls in accordance with policies and procedures that are fully compliant with current Data Protection and GDPR guidance. <p>The audit covered financial periods between 1st August 2019 and 31st August 2020.</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 as outlined in the areas below:</p> <ul style="list-style-type: none"> • Policy and Procedures • Creditor Accounts • Orders • Goods Received • Invoicing • Other Payments • Processing • Accounting • Performance Monitoring • Published Spend • System Security • Information Governance 	

Action PlanISS.1 – Creditor Account Amendment**Finding**

One supplier account was amended however this should have been a new supplier account.

Recommendation

To ensure amendments requested are valid and do not require a new supplier account creating.

Management Response

With immediate effect - additional checks have been established before amending/creating a new supplier and creditor processing guidance has been updated.

Action - completedISS.2 Performance Management**Finding**

Performance is reported to the Audit and Governance Committee. April 2020 - September 2020 figure of 98% for invoices processed within 30 days was reported at the 27th November 2020 Audit and Governance Committee, the figures matched supporting documentation. The 'received date' is not used as an input field and the Finance Officer explained that irrespective of the date the invoice was received the 'registered date' is the date that is used for the calculation. This may not be the date the invoice was received.

Recommendation

Review the field used for the 'date an invoice is received' to ensure the correct data is produced. Inaccurate data may be produced if the incorrect dates are used in calculations. Non-compliance with Regulation 113 of the Public Contract Regulation Act 2015 if data is not published.

Management Response

Clarification of the 'criteria date' will be established and financial systems and performance definition sheets will be amended and approved where necessary. The criteria used will be clarified in the end of year performance and efficiency report, with any new reporting requirements commencing 1/4/21.

Date for completion – 31 March 2021

PAYROLL	
Audit Status: Completed Satisfactory Assurance	Draft – No actions
<p>The overall opinion is that Satisfactory Assurance can be provided that the risks identified are well controlled.</p> <p>Scope The following areas have been reviewed as part of the audit work programme:</p> <ul style="list-style-type: none"> • 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, and • Information Governance. <p>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.</p> <p>The audit reviewed the overall arrangements in place undertaking detailed testing of transactions for the period 01/08/2019 to 30/09/2020.</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 as outlined in the areas below:</p> <ul style="list-style-type: none"> • Policies & Procedures • Master Data • Starters • Leavers • Overtime & Other Payments • Deductions • BACS Payments • Payroll Parameters • System Security • Reconciliations • Exception Reports • Information Governance <p>Action Plan No actions required, all objectives achieved</p>	

BUDGETARY CONTROL	
Audit Status: Completed Satisfactory Assurance	Draft - no actions
<p>The overall opinion is that Satisfactory Assurance can be provided that the risks identified are well controlled.</p> <p>Scope The Authority has a Medium Term Financial Strategy (MTFS) that integrates the Authority's financial plans and the Integrated Risk Management Plan (IRMP). The audit involved reviewing both revenue and capital budgets and aims to provide assurance on the following:</p> <ul style="list-style-type: none"> • 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. <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> <ul style="list-style-type: none"> • Roles & Responsibilities • Budget Timetable • Budget Setting & Approval • FMS Upload • Budget Monitoring • Virements • Reserves <p>Action Plan No actions required, all objectives achieved</p>	

VAT	
Audit Status: Completed Satisfactory Assurance	Draft - no actions
<p>The overall opinion is that Satisfactory Assurance can be provided that the risks identified are well controlled.</p> <p>Scope The aim of the audit was to review the arrangements in place for administering VAT to ensure that that staff involved in the processing of VAT are aware of their responsibilities, VAT categories are correctly identified, accounted for, and effective planning ensures efficient, effective and economic operations which maximise benefits to the Authority.</p> <p>The audit objectives were to ensure that :</p> <ul style="list-style-type: none"> • effective procedures are in place which ensure that relevant staff are aware of their responsibilities, there is compliance with VAT legislation and that efficient and effective operations maximise cash flow for the organisation and ensure that VAT attributable to exempt activities do not exceed defined limits. • processes in place ensure that all VAT is correctly categorised and conditions required to reclaim VAT are met; • all relevant records required to submit complete and accurate returns are retained in a secure manner for the required length of time. • effective arrangements are in place to ensure that monthly VAT returns are completed fully, accurately and in a timely manner and that reclaimed VAT is received promptly. • recommendations from HMR&C inspections are implemented fully. <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>Administration of VAT Procedures Accounting for VAT VAT record keeping VAT returns</p> <p>Action Plan No actions required - all objectives achieved</p>	

IAN HAYTON
CHIEF FIRE OFFICER

KAREN WINTER
ASSISTANT CHIEF FIRE OFFICER
STRATEGIC PLANNING AND RESOURCES