INTERNAL AUDIT OUTTURN REPORT 2018/19

REPORT OF THE HEAD OF AUDIT AND GOVERNANCE

For Information

1. PURPOSE OF REPORT

1.1 To inform Members of the outcomes of audit work covering the period April 2018 to March 2019.

1.2 This report provides accountability for Internal Audit Services and allows Members to monitor the application of the delegated authority for ensuring an effective and satisfactory audit provision.

2. RECOMMENDATIONS

2.1 That Members note the contents of the report.

3. OUTTURN ON 2018/19 INTERNAL AUDIT WORK PROGRAM

3.1 The Head of Audit and Governance's overall assessment of the adequacy of controls operating within those financial systems arrangements reviewed as part of the 2018/19 internal audit plan are summarised below:

System / Establishment	Overall assessment of controls
Attendance Management	Satisfactory
Budgetary Control	Satisfactory
Cash/Bank Reconciliations	Satisfactory
Creditors	Satisfactory
Debtors	Satisfactory
Fleet Management	Satisfactory
Information Data Management	Satisfactory
Insurances	Satisfactory
Payroll	Satisfactory
Pensions	Satisfactory
Procurement	Satisfactory
Retained Firefighter Claims	Satisfactory
Stores	Satisfactory
VAT	Satisfactory

At the time this report was completed end of year work was being finalised on Cash/Bank Reconciliations and Procurement, however, sufficient reliance could be placed on testing completed for the purposes of the 2018/19 audit opinion. All necessary improvements to systems or operating arrangements have been agreed at the conclusion of each piece of work, and are detailed in Appendix A.

3.2 Attached as Appendix B is a copy of the Head of Audit and Governance's report to the Treasurer on the controls operating within Cleveland Fire Authority. In the opinion of the Head of Audit and Governance, key systems are operating soundly with corrective action taken where recommendations have been made, there is no fundamental breakdown in controls resulting in material discrepancy.

4. CONCLUSION

4.1 Overall, the systems reviewed annually by Internal Audit have provided consistently high assurance that they are fundamentally operating as intended. Where weaknesses have been identified corrective action has been taken without delay.

NOEL ADAMSON
HEAD OF AUDIT AND GOVERNANCE

APPENDIX A

1 IMPROVEMENTS TO SYSTEMS OR OPERATING ARRANGEMENTS AS AGREED ACTION PLAN.

System Reviewed	Synopsis of Agreed Action
Attendance Management	- Access to the personnel system should be reviewed regularly to confirm access is reasonable. - Relevant documentation is completed and obtained to support all elements of employee absence.
Budgetary Control	No recommendations made.
Creditors	No recommendations made.
Debtors	No recommendations made.
Fleet Management	No recommendations made.
Information Data Management	- It is advisable for additional guidance to be sought from the ICO to ensure the DPO roles and responsibilities comply with GDPR and Data Protection legislation. - Procedures for monitoring compliance with information and data protection policies are adopted in line with GDPR and Data Protection legislation and ICO guidance. - An information risk management process linked to DPIAs for new developments and an action plan where appropriate is to be documented and implemented. - The Data Quality Policy review will take account of GDPR and Data Protection requirements to ensure that all areas are covered across CFA Policies including regular quality checks and learning from any issues identified. - Contracts are all reviewed and actions taken to ensure compliance with GDPR and Data Protection legislation and ICO Guidance.
Insurances	- Arrangements should be established which ensure that formal authorisation is provided by the appropriate Authority Officer to make relevant payments from the Self Insurance Fund. - Sufficient information should be required to enable meaningful monitoring of claims by the Authority. This should include: • An annual report on the performance of the self-insurance fund; • Written notification of the completion of all

	liability claims, including the costs involved, within one month of settlement.
Payroll	No recommendations made.
Pensions	No recommendations made.
Retained Firefighter Claims	No recommendations made.
Stores	- Refresher training in areas such as manual handling and forklift training are undertaken on a regular basis. - Regular stock reconciliations are undertaken and accurate stock records maintained. - As a minimum, the following controls would be expected to be in place to help mitigate any associated risks with annual stock taking procedures: • An independent stocktake (i.e. undertaken by a non-stores employee) should be undertaken of all stores including sub-stores, imprests held on vans and any items delivered direct and held on site. A record should be maintained by the employee concerned showing when items were checked. • A stocktake of all items should be undertaken at least annually either at the year-end or on a perpetual (i.e. continuous) basis. A record should be maintained by the employee concerned showing when items were checked. • A stocktake of high turnover and valuable/desirable items should be undertaken on a more frequent basis. • Stock levels should be compared with those of previous years/periods; any significant variations should be independently investigated. • Records of discrepancies in stock levels should be maintained and monitored over time to identify any patterns. Any major errors should be promptly investigated by an employee independent of the stores procedure.
VAT	No recommendations made.

2. PROBITY

In addition to systems control testing, audit activity also included a range of probity tests. The areas reviewed are detailed in the following paragraphs.

2.1 Payroll Probity

To ensure the integrity of payroll payments made to Fire Brigade employees, a series of tests were undertaken to ensure that:-

- Starters were correctly added to payroll records and leavers deleted,
- Changes to standing payroll data were properly authorised,
- Payments were made in accordance with terms of contract and correct salary scales,
- Time sheets and claim driven payments were properly authorised and paid,
- Deductions from salaries are supported by appropriately authorised documentation,
- Output reports are produced, regularly examined and evidenced as such,
- There is adequate budgetary control over payroll payments,
- Control or suspense accounts relating to payroll operations are regularly reconciled and cleared.

2.2 Testing identified that the arrangements in place to administer payroll within Cleveland Fire Brigade have remained consistently well controlled through the period that Hartlepool Borough Council Internal Audit have been responsible for the audits.

2.3 **Creditors Probity**

To ensure the integrity of creditor payments made by the Fire Brigade, a series of tests were undertaken to ensure that:

- An up to date approved list of authorised signatories is held,
- Written procedures for the processing of creditor payments exist,
- Adequate procedures are in place for raising and authorising requisitions/ demand notes,
- The system in place for raising and approving orders is satisfactory,
- The delivery of goods/ services is recorded and verified,
- Adequate procedures are in place for processing invoices/ payment documents, ensuring that arrangements are in place to minimise duplicate payments,
- The procedures in place for raising and payment of cheque requisitions are satisfactory,
- There is an adequate system in place for the payment of petty cash,
- Adequate procedures are in place for the payment and recording of periodic payments,
- There are procedures in place to control and record cheques returned to the Fire Brigade for distribution,
- There is adequate budgetary control.

2.4 Testing identified that the arrangements in place to administer creditor payments within Cleveland Fire Brigade have remained consistently well controlled through the period that Hartlepool Borough Council Internal Audit have been responsible for the audits.

2.5 **Pensions Probity**

To evaluate the integrity of payments made for voluntary, compulsory or ill health retirements to ensure that:

- Retirement calculations are accurate and in accordance with relevant legislation,
- New pensioner lump sum and pension payments are valid.

APPENDIX B

Noel Adamson
Head of Audit and Governance
Civic Centre
Victoria Road
Hartlepool
TS28 8AY

Tel: 01429 523173
www.hartlepool.gov.uk
Contact Officer/Email: Noel.Adamson@Hartlepool.gov.uk
Our Ref: NA/CFA/18/19
Your Ref:

Date: 21/06/19

The Treasurer.
Cleveland Fire Authority,
Fire Brigade Headquarters,
Endeavour House,
Stockton Road,
Hartlepool.

Dear Sir,

Internal Audit Outcomes for 2018/19

From the work undertaken during the year 2018/19, Internal Audit has reached the opinion that key systems are operating soundly and that there is no fundamental breakdown in controls resulting in material discrepancy. Satisfactory arrangements were implemented to ensure the effective, efficient and economic operation of Cleveland Fire Authority's financial affairs.

No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance; this statement is intended to provide reasonable assurance.

These risks are reflected in the audit plan and are the subject of separate reports issued during the course of 2018/19.

Yours Faithfully,

N Adamson CPFA
Head of Audit and Governance