

INTERNAL AUDIT OUTTURN REPORT 2023/24
REPORT OF THE TREASURER



For Information

1. PURPOSE OF REPORT

- 1.1 To inform Members of the outcomes of audit work covering the period April 2023 to March 2024.
- 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 2023/24 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 2023/24 internal audit plan are summarised below:

System / Establishment	Overall assessment of controls
Budgetary Control	Satisfactory
Cash/Bank Reconciliations	Satisfactory
Creditors	Satisfactory
Debtors	Satisfactory
Insurances	Satisfactory
Main Accounting Systems	Satisfactory
National Fraud Initiative	Satisfactory
Officers Expenses	Satisfactory
Payroll	Satisfactory
Pensions	Satisfactory
Procurement	Satisfactory
Retained Firefighter Claims	Satisfactory
Treasury Management	Satisfactory
Value Added Tax	Satisfactory

- 3.2 At the time this report was completed the draft Pensions report had been issued and sufficient reliance could be placed on testing completed for the purposes of the 2023/24 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.
- 3.3 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.

**CHRIS LITTLE
TREASURER**

APPENDIX A

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

System Reviewed	Synopsis of Agreed Action
Budgetary Control	No recommendations made.
Cash/Bank Reconciliations	- Manager to ensure bank reconciliations checked and sign off actioned.
Creditors	-Shredding of remaining cheque stationery will begin on 1st September. This will be phased over the coming weeks to ensure all documents destroyed by the end of October. An order will be placed with the bank to request some manual chequebooks for Business Continuity purposes.
Debtors	-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. This should only relate to insignificant values or instances where the debt is redirected (cancelled but raised against another debtor). Systems Support will be asked 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.
Insurances	No recommendations made.
Main Accounting System	No recommendations made.
National Fraud Initiative	No recommendations made.
Officers Expenses	No recommendations made.
Payroll	No recommendations made.
Pensions	No recommendations made.
Procurement	No recommendations made.
Retained Firefighter Claims	No recommendations made.
Treasury Management	No recommendations made.
VAT	-There is currently a review of HMRC VAT Notice 700-64 (Motoring expenses) underway. Finance staff (and Senior Head of Assets) are attending training webinars specifically covering this topic. The Senior Head of Assets is currently reviewing the Transport Procedure (anticipated completion end July 2024). The Procedure will be considered for compliance by PS Tax, the Brigade's Tax and VAT consultants. Current financial procedures will then be reviewed and aligned to the correct procedure to ensure future compliance, and new guidance documents created. -Amend Make Tax Digital rule for box to include purchase card transactions. -The Partial Exemption calculation will be completed.

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.

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

APPENDIX B

Noel Adamson
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Contact Officer/Email: Noel.Adamson@Hartlepool.gov.uk
Our Ref: NA/CFA/23/24
Your Ref:

Date: 21/06/24

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

Dear Sir,

Internal Audit Outcomes for 2023/24

From the work undertaken during the year 2023/24, 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 2023/24.

Yours Faithfully,

N Adamson CPFA
Head of Audit and Governance