

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 2022/23 Internal Audit Programme.

2. RECOMMENDATIONS

- 2.1 That Members note the progress made in the 2022/23 Internal Audit Plan.
- 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.
- 3.2 At the Audit and Governance meeting on 25 February 2022, Members adopted the Internal Audit Plan for 2022/23. The audits are carried out by Hartlepool Borough Council and cover over 100 days.

4. 2022/23 AUDIT SUMMARY

Progress to date includes;

- 14 Audits in the approved Audit Programme for 2022/23.
- 12 (86%) of audits have been completed and signed off.
- 2 Audits not part of agreed programme but supports core work and relate to HBC activities – both completed and signed off.
- 2 (14%) of audits underway
- No category 1 (the most serious) recommendation identified.
- 8 improvement actions identified, of which 5 have been completed, 3 in progress.
- No audit identified as Inadequate Assurance.

The following table provides a summary of progress and outcomes against each of the audits in the 2022/23 programme.

Audit	Status	Outcome	Improvement Actions
Asset Management Systems	Complete	Satisfactory Assurance	
Budget Holder Responsibilities and Support Arrangements	Complete	Satisfactory Assurance	
Cash/Bank Reconciliations	Complete	Satisfactory Assurance	
Creditors	Complete	Satisfactory Assurance	4 Actions
Data Quality – GDPR Compliance	In Progress		
Debtors	Complete	Satisfactory Assurance	
National Fraud Initiative	Complete	Satisfactory Assurance	
Officers Expenses	Complete	Satisfactory Assurance	
Payroll	Complete	Satisfactory Assurance	2 Actions
Pensions	Complete	Satisfactory Assurance	
Procurement Contract Procedure Rules Compliance	Complete	Satisfactory Assurance	2 Actions
Retained Firefighter Claims	Complete	Satisfactory Assurance	
Stores	In Progress		
Value Added Tax	Complete	Satisfactory Assurance	1 Action
Treasury Management	Complete	Satisfactory Assurance	
Main Accounting System	Complete	Satisfactory Assurance	

The following section provides a summary of the key findings from each of the completed audits.

Asset Management Systems	
Audit Status: Completed Satisfactory Assurance	No actions
<p>Opinion The overall opinion is that the risks identified are well controlled.</p> <ul style="list-style-type: none"> Formal asset management arrangements are in place. The Resources Plan 2022-26 describes the objectives and funding requirements for each asset area. Monitoring is via the Medium-Term Financial Strategy. There is evidence that progress of Service Plan priorities are presented to the Executive Committee. Capital assets are recorded on the Authority's Fixed Asset Register which is maintained by HBC Corporate Finance. Current asset recording arrangements are; <ul style="list-style-type: none"> Estates asset register is not maintained. An asset list compiled. An external contractor is maintained. Fleet assets are recorded on the Authority's Fleet Management System. Equipment & ICT assets are recorded on spreadsheets. ICT hardware assets are recorded on the Authority's Intranet FISH. At the time of the audit, a new IT system for asset recording was in trial. Assets are valued at current rate with surplus assets measured at fair value. Arrangements for valuation of assets are adequate. Appropriate arrangements are in place to maintain the security of CFA Assets. Insurance cover for property, equipment and fleet is in place. <p>Action Plan No Issues identified</p>	

Cash/Bank Reconciliations	
Audit Status: Completed Satisfactory Assurance	No actions
<p>Opinion The overall opinion is that the risks identified are well controlled.</p> <ul style="list-style-type: none"> Banking procedures and responsibilities are clearly set out in the Authority's Constitution. Weekly bank reconciliations are completed and electronic signatures noted for all stages of the reconciliation process. No returned payments were identified for the periods reviewed. <p>Action Plan No Issues identified</p>	

Budget Holders Responsibilities & Support	
Audit Status: Completed Satisfactory Assurance	No actions
<p>Opinion The overall opinion is that the risks identified are well controlled.</p> <ul style="list-style-type: none"> • The Constitution clearly defines the roles and responsibilities for the Treasurer, Chief Fire Officer and Assistant Chief Fire Officers. • The MTFS is clearly linked to the objectives of the Authority. • Capital Programme (AMP) is approved alongside the MTFS and is based on priorities and approved by Members. • The Full Authority approved the statutory budget (2022/23) on 11 February 2022. • The MTFS (approved by CFA on 11 February 2022) contains sufficient detail regarding the reserves held and how they are to be used. • Formal arrangements established to set and monitor budgets. Budget holders are supported by Finance Officers. • The 2022/23 budget was loaded to the financial ledger and reconciled by the deadline. • Budgets are assigned to budget holders who have responsibility for and involvement in budget setting and monitoring. • Regular budget reports are provided to budget holders and there is an agreed, risk assessed, schedule of meetings with finance officers to ensure budget variances and outturns are discussed. • Regular budget progress/monitoring reports (revenue and capital) are presented to both ELT and Elected Members. • No virements were actioned in the 2022/23 financial year. • Regular training is provided to budget holders. <p>Action Plan No Issues identified</p>	

National Fraud Initiative	
Audit Status: Completed Satisfactory Assurance	No actions
<p>Opinion The overall opinion is that the risks identified are well controlled.</p> <ul style="list-style-type: none"> • Payroll: No cases of fraud or error identified. • Creditor Payments: One duplicate supplier account identified & subsequently amended. • Creditor payments: No duplicate payments identified. • Procurement: One case identified, this was also raised in the previous audit and arrangements made for a declaration to be made. <p>Action Plan No Issues identified</p>	

Creditors		
Audit Status: Completed Satisfactory Assurance		4 x Actions Identified of which; 3 x Complete 1 x In Progress
Opinion The overall opinion is that the risks identified are well controlled. <ul style="list-style-type: none"> • Effective arrangements are in place to ensure that employees are aware of and comply with CFA Financial Procedures when ordering and paying for goods and services. • 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 periodically. • Payment of invoices are only processed when confirmation is obtained that goods and services have been fully received. • Reviews of unprocessed invoices are undertaken to determine reasons for delays. • Checks are made to ensure that payments are valid and appropriately authorised. • Payment run checks ensure that expected output agrees with payments made. • Reports of invoices over £10,000 not certified are checked for reasonableness. • No payments made by cheque. • Monthly invoice statistics are produced and reported to Members. • The CFA publishes data in accordance with the Public Contracts Regulations Act 2015 and each individual item of expenditure that exceeds £250 in line with LGA guidance. • Procedures that are fully compliant with current Data Protection and GDPR guidance. • Effective arrangements are in place to ensure that access to the creditor payment system is restricted to authorised staff. 		
Action Plan		
Issue	Action / Progress	Status
Supplier documentation emailed to HBC Payments for entry onto Integra is retained on the 'sent emails' folder on Outlook and not saved on the CFA network.	With immediate effect, supplier documentation emailed to HBC Payments for entry onto Integra, will be saved by the Finance & Procurement to a folder on OneDrive.	Complete
Periodic reviews of unprocessed invoices are undertaken to determine reasons for delays, however, due to other commitments, this is not undertaken on a regular (weekly) basis.	Reviews are undertaken, although not always as frequently as desired. Our risk assessment indicates minimal risk as reviews are undertaken at least monthly and more often when possible.	Complete
Monthly invoice statistics are produced from Integra detailing the number and percentage of valid invoices paid within	(A) With immediate effect, expenses payments will be excluded from the calculation.	Complete

<p>terms and the value of interest paid for late payments and reported to Members.</p> <p>(A) These include employee expenses payments that should be excluded;</p> <p>(B) 101 invoices marked as queried in the report and excluded from the calculation - no evidence to indicate their legitimacy for exclusion from the calculation.</p>	<p>(B) Invoices marked as in query should have commentary associated with the query, this was new functionality recently applied to the Integra system</p>	<p>In Progress</p>
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Debtors	
<p>Audit Status: Completed Satisfactory Assurance</p>	<p>No actions</p>
<p>Opinion The overall opinion is that the risks identified are well controlled.</p> <ul style="list-style-type: none"> Financial Procedure Rules (FPRs) are set out in the Authority's Constitution which is available to staff via the organisation's website. Departmental procedure notes which detail debtor processes are in place and available to all relevant staff. Procedures are in place regarding the creation of new debtor accounts and for account amendments. Processes are in place to ensure debts are raised accurately and promptly. Fees and charges are reviewed and approved annually. Processes are in place to ensure debts that are cancelled are accurately and promptly processed. Processes are in place to ensure payments are correctly accounted for and accurately and promptly posted to the correct account. Processes in place to ensure appropriate recovery action is taken at the relevant recovery stage of the debt. Information Governance arrangements in place appear to comply with Data Protection requirements. <p>Action Plan No Issues identified</p>	

Officers Expenses	
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">• Procedure notes are available to staff for the input and authorisation of Employee Expense claims.• Testing found that payment of claim-based pay reimbursements were accurate, authorised and had supporting documentation.• All claims tested have been in accordance with the agreed schemes.• Payroll checks are complete prior to reimbursement.• All claims were promptly paid and recorded on the employees payslip.	
Action Plan No Issues identified	

Pensions	
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">• Effective arrangements are in place to ensure the service is aware of and reacts to changes in legislation and communicates such changes to members of the Pension Scheme.• HR staff have access to a detailed checklist to aid the calculation of retirements.• Arrangements in place to ensure contribution rates are accurately recorded in the payroll system.• Robust arrangements for employees who wish to opt out.• All active members have been transferred into the 2015 scheme.• Retirement payments found that all calculations appear correct, tax deductions were correct and each calculation checked by a second officer for accuracy.• There is a Local Pension Board in place who meet quarterly. Terms of Reference are reviewed annually.• Board membership appears to be in accordance with Terms of Reference	
Action Plan No Issues identified	

Payroll

Audit Status: Completed
Satisfactory Assurance

2 x Actions Identified of which;
1 x Complete
1 x In Progress

Opinion

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

- Procedures and staff training are operating as intended.
- An authorised signatory list is maintained by the Finance Department.
- Amendments to master data had supporting valid evidence which had been input correctly and independently verified.
- Emails are accepted from employees as authorisation (security around emails not part of the audit).
- Employees can update their own bank details (process and security around software not part of the audit).
- Valid posts set up in Resource Link with appropriate documentation and authorisation.
- All employees tested received their first payment correctly and in a timely manner.
- Timely leaver forms were completed and accurately input into Resourcelink.
- Secondary checks are not completed at the time of input but checked for accuracy when the leaver exception report is produced.
- Timesheets had been correctly completed, signed, authorised and input.
- Deductions had valid supporting evidence and authorisation.
- BACs payment reconciled and Payroll costings accurately imported into Integra.
- Retention of electronic information reviewed (part of CFA Information/Data audit).
- Information Governance arrangements in place and comply with Data Protection requirements.

Action Plan

Issue	Action / Progress	Status
The authorised signatory list was previously reviewed on an annual basis. Since 2020 only new signatories have been added.	Payroll Assistant to update leavers monthly.	Complete
During the audit it was identified a leaver was still on the signatory list and there are no procedures in place to remove leavers.	Finance & Procurement Officer – assigned the review of the payroll processes under the Digital Transformation Project and linked to PDR Objective for 23/24	In Progress

Procurement Contract Procedure Rules Compliance

Audit Status: Completed
Satisfactory Assurance

2 x Actions Identified of which;
1 x Complete
1 x In Progress

Opinion

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

- Contract Procedure Rules are communicated to all relevant employees.
- Arrangements in place ensure procurement activities comply with Contract Procedures.
- Arrangements are in place to keep up to date with changes in legislation / best practice.
- Roles and responsibilities with respect to Procurement are clearly defined.
- Effective arrangements are in place to ensure that all relevant procurement exercises involve the Procurement Team.
- All contracts are reported to and approved by the Executive Leadership Team.
- All tender submissions are evaluated in a consistent manner in accordance with criteria.
- All contracts are authorised in accordance with Contract Procedure Rules.
- An opportunity was not published on Contracts Finder on one occasion and publication of awards not published on two occasions in line with Transparency requirements.
- Analysis of spend by the Procurement Service identifies procurement opportunities arising from large value transactions without formal contracts and thus ensure compliance with Contract Procedure Rules.
- Contract terms and conditions are clearly defined and communicated to suppliers.
- Ongoing development of Contract Management arrangements.
- All contracts have been reviewed and classified (strategic, leverage, bottleneck and routine).
- To ensure that contractors fulfil obligations, a timetable should be established to ensure that all Strategic Contracts are assigned appropriate contract management arrangements in a prompt manner.
- Contracts are only extended when formal approval is obtained.

Action Plan

Issue	Action / Progress	Status
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.	Remind procurement officers of the importance of complying with approved procedures as detailed in procedure notes. A reminder process is built into procurement processes	Complete
Contract Management arrangements have yet to be developed to all contracts in accordance with their classification.	Ensure Contract Management arrangements are developed to all contracts in accordance with their classification.	In Progress

Retained Firefighter Claims

Audit Status: Completed
Satisfactory Assurance

No Actions

Opinion

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

- Effective arrangements are in place to ensure that payments for retained duty work activity are valid and in accordance with current agreed rates.
- Effective arrangements are in place to ensure that payments for retained duty work are appropriately checked for accuracy and authorised appropriately.

Action Plan

No Issues identified

Value Added Tax

Audit Status: Completed
Satisfactory Assurance

1 x Action Identified of which;
1 x Complete

Opinion

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

- HBC administer VAT on behalf of Cleveland Fire Brigade as part of the SLA.
- Amendments to default VAT codes for both invoices raised and purchased orders were all valid.
- Debtors invoices were not raised within 30 days as per guidance from HMRC.
- All documents are held securely.
- The Brigade has a retention policy (reviewed as part of the CFA Information/Data audit).
- VAT returns are accurately recorded with appropriate separation of duties between input, check and authorising officers.
- Returns are submitted promptly.
- End of year reconciliations are undertaken.
- VAT adjustments are recorded and included in the VAT returns.

Action Plan

Issue	Action / Progress	Status
Debtors invoices were not raised within 30 days as per guidance from HMRC,	Review process to raise invoices and remove delays - Invoices are raised at the soonest opportunity once all information is available.	Complete

Treasury Management	
Audit Status: Completed Satisfactory Assurance	No actions
<p>Opinion</p> <p>The overall opinion is that the risks identified are well controlled</p> <ul style="list-style-type: none"> • Effective arrangements are in place to keep up to date with legislation and regulations. • Treasury Management risks are effectively managed within the Authority's risk appetite and in line with the CIPFA Treasury Management Code of Practice. • Performance monitoring reports are presented to Elected Members in accordance with the CIPFA Treasury Management Code of Practice. • Full records of CFA Treasury Management decisions, processes and practices applied in reaching those decisions are maintained. • The Authority undertakes only those Treasury Management activities detailed in the CIPFA guidance and within approved limits and parameters approved by Members. • Treasury Management activities are structured and managed with clearly defined responsibilities in place. • The Authority effectively accounts for its Treasury Management activities and clearly defines accounting practices and standards in the annual statement of accounts. • Effective arrangements for managing cash balances to ensure that sufficient funds to deliver business / service objectives whilst ensuring that it is not exposed to unnecessary financial exposure. • All staff involved in the Treasury Management function are fully equipped to undertake the duties and responsibilities allocated. • Formal arrangements in place to ensure that all Treasury Management transactions are properly authorised, controlled and recorded. • Appropriate levels of fidelity insurance are maintained by HBC Insurance Services. <p>Action Plan</p> <p>No Issues identified</p>	

Main Accounting System	
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 are in place to ensure that any changes to legislation, regulation and accounting standards are identified and brought into the processes and procedures for completing the statutory accounts.• Procedures are in place to ensure the Constitution and Financial Procedure Rules (FPR) are updated where necessary.• Both the Constitution and FPR are available to all staff.• Closure of account memos are issued prior to the year-end and clearly set out the deadlines for completion of tasks to ensure accounts are ready on time.• Appropriate processes are in place to set up new codes, amend and delete codes and to process journals.• The Statement of Accounts 2021/22 had not been fully signed off at the time of the audit as the External Auditor was awaiting assurance on the pension fund. In previous years there has been no issues identified that may represent control weaknesses. Action Plan No Issues identified	

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