

INTERNAL AUDIT OUTTURN REPORT 2024/25



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 2024 to March 2025.
- 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 2024/25 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 2024/25 internal audit plan are summarised below:

System / Establishment	Overall assessment of controls
Budgetary Control	Satisfactory
Cash/Bank Reconciliations	Satisfactory
Creditors	Satisfactory
Debtors	Satisfactory
Fleet Management	Satisfactory
Health and Safety	Satisfactory
Insurances	Satisfactory
Loans and Investments	Satisfactory
Main Accounting System	Satisfactory
National Fraud Initiative	Satisfactory
Officers Expenses	Satisfactory
Payroll	Satisfactory
Pensions	Satisfactory
Retained Firefighter Claims	Satisfactory
Stores	Limited
Value Added Tax	Satisfactory

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.

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	No recommendations made.
Creditors	-Head of Finance & Procurement and the Procurement Manager (PM) have revisited the guidance and workflow documents. There are areas where further guidance can be incorporated to support staff. PM will update workflow documents by 31st August 2024. These will be circulated to staff undertaking the processes.
Debtors	No recommendations made.
Fleet Management	No recommendations made.
Health and Safety	-Whilst some of the documents were still in date at the time of the review, it is acknowledged some fell outside of the stated review date. The review process will be redeveloped which will ensure reviews are automatically generated, with all review dates being standardised dependent upon type of risk assessment. -Risk assessments form one part of Health and Safety Management, with control measures identified to help reduce, likelihood, consequence or both. However, all staff are monitored when carrying out activities to ensure adherence to safe systems of work, such as wearing full PPE with regular drills, testing and exercising also in place. Nonadherence to a risk assessment is a serious misconduct issue that would be dealt with under the discipline policy. An improvement can be that carrying fireground observations and assurance visits risk assessments are considered for a themed audit to provide evidence. -We have an extremely ambitious compliance audit program which is managed by the health and safety compliance manager, with actions allocated from the findings to the appropriate manager to action, this will then be documented in the audit report. Due to a staffing change some of the compliance audit recommendations have not been checked. Once the new health and safety compliance manager is in place this will not be an issue. -All outcomes of investigations are reported in several ways, including a monthly report that is produced for the brigade monthly directorate report. An investigation cannot be closed until remedial actions have been implemented;

	however, we will strive to improve communication of this.
Insurances	No recommendations made.
Loans and Investments	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.
Retained Firefighter Claims	No recommendations made.
Stores	<p>-Due to the small size of the Stores team, and the need to provide cover, some staff require the ability to perform multiple duties. Therefore, monitoring of transactions to enforce segregation of duties through Integra alerting and reporting is to be implemented. This will be setup and configured on the Integra system by HBC Integra Support Team.</p> <p>-Formal review of re-order levels to be undertaken by Fleet & Equipment Manager, then approved by Senior Head of Assets.</p> <p>Testing of re-order levels to take place with HBC from late October, then implemented on live Integra system, using a phased approach.</p> <p>-HBC Integra Support Team to seek clarification from Capita on Integra calculation used on average stock price.</p> <p>Process to be reviewed with HBC:</p> <p>Create guidance document for staff</p> <p>Set catalogue prices for contracted items</p> <p>Identify prices prior to placing orders (amend prices if necessary)</p> <p>Correct prices after receipt of invoice (if necessary)</p> <p>Quarterly automated reports to be generated for review of price and quantity variations.</p> <p>-Digital requisitioning portal to be developed by CFB for use by all staff. Trials to commence December 2024 with full rollout by March 2025. This will include "over the counter" goods issued. Digital requisitions generated by new system during trials will in the first instance be added to Integra by the CFB Admin team. The upload process will become fully automated upon implementation of new version of Integra by HBC in early 2025.</p> <p>Review of terminology used within Integra for goods issued and returned to ensure CFB staff understanding.</p> <p>-CFB to undertake exercise to cleanse and update average stock pricing against RSS stock price.</p>

	<p>HBC Integra Support Team to seek clarification from Capita on Integra calculation used on average stock price.</p> <p>Quarterly automated reports to be generated for review of price and quantity variations.</p> <p>-CFB processes to be reviewed. Write-off procedure is to be undertaken as part of monthly stock checks.</p> <p>Automated cycle counts are to be introduced.</p> <p>Testing of cycle counts to be undertaken by HBC as part of Integra upgrade, with implementation in early 2025.</p> <p>Full stock check to be undertaken at financial year end 2024/25.</p> <p>-Some slow/none moving items are required to be held in stock for emergency operational issue at short notice. Some other slow/none moving items are remaining Covid stock.</p> <p>Review of all such items, to determine whether still required or obsolete, is to be undertaken by the Fleet & Equipment Manager, then approved by the Senior Head of Assets.</p> <p>-Monthly variance reports to be reviewed by Storekeeper or Equipment Officer and verified by the Fleet & Equipment Manager or Senior Head of Assets. (This will be a manual stock count until automated cycle counts go live within new version of Integra in early 2025).</p> <p>Monthly reporting from Integra to the Senior Head of Assets is to be established, with all discrepancies investigated and documented.</p> <p>Monthly write-off certificates to be produced if required (rather than annually). These will follow the established CFB Financial Procedures and be reported to the ACFO Strategic Planning & Resources.</p> <p>-Review of arrangements for disposal and write-off of assets to be undertaken.</p> <p>Write-off certificate to be produced covering 23/24 year-end discrepancies determining:</p> <p>Actual write-offs (obsolete, redundant, worn-out, or surplus assets)</p> <p>Stock movements</p> <p>Stock corrections</p>
Value Added Tax	<p>-There is currently a review underway in this area.</p> <ul style="list-style-type: none"> Finance staff (and Senior Head of Assets) have attended training webinars specifically covering this topic. They also met with PS Tax Consultants and gained assurance that practices are correct for the treatment of Tax and VAT due to the removal of Personal Mileage and the Brigade livery of the fleet.

	<ul style="list-style-type: none"> The Senior Head of Assets is currently reviewing the Transport Procedure (anticipated completion end May 2025). 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.
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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

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Contact Officer/Email: Noel.Adamson@Hartlepool.gov.uk
Our Ref: NA/CFA/24/25
Your Ref:

Date: 20/06/25

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

Dear Sir,

Internal Audit Outcomes for 2024/25

From the work undertaken during the year 2024/25, 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 2024/25.

Yours Faithfully,



N Adamson CPFA
Head of Audit and Governance