

INTERNAL AUDIT OUTTURN REPORT 2025/26**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 2025 to March 2026.
- 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 2025/26 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 2025/26 internal audit plan are summarised below:

System / Establishment	Overall assessment of controls
Budgetary Control	Satisfactory
Cash/Bank Reconciliations	Satisfactory
Creditors	Satisfactory
Debtors	Satisfactory
Employee Register of Gifts and Hospitalities	Satisfactory
Loans and Investments	Satisfactory
Main Accounting System	Satisfactory
National Fraud Initiative	Satisfactory
Officers Expenses	Satisfactory
On Call Firefighter Claims	Satisfactory
Payroll	Satisfactory
Secondary Employment/Working Time Regulations	No Assurance
Stores	Satisfactory
Value Added Tax	Satisfactory

3.2 Members will have noted that Secondary Employment/Working Time Regulations, was assessed as a no assurance audit. This was because audit testing identified that there were significant controls gaps and/or control failures in the following areas:

- the secondary employment register may not be accurate
- there is no monitoring of secondary employment or employees who may be exceeding maximum working time directives
- the secondary employment register of all applications and determinations is not reported to ELT annually as per Secondary Employment /WTD policy

I am satisfied that the issues identified in relation to Secondary Employment /Working Time Regulations have been addressed and risk in this area is now adequately mitigated. 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 In terms of general governance arrangements, these are described in detail in the Fire Authorities Annual Governance Statement. As part of Internal Audit annual coverage, I am mindful of these arrangements when forming my opinion.

3.4 The Authority has approved and adopted a 'Local Code of Corporate Governance' which encompasses the guidance and best practice as outlined in the Delivering Good Governance in Local Government Framework (2016) that is published by CIPFA and SOLACE.

3.5 The Fire Authority has robust systems for identifying, evaluating, and managing all significant risks. A Risk Management Framework consisting of a risk management policy, procedure and systems are in place and embedded across the organisation and communicated to all staff.

3.6 A robust Performance Management Framework and Improvement plans are produced on a risk basis to address areas of partial or full noncompliance and any issues identified by Internal Audit and other external inspections.

3.7 The Treasurer of the Fire Authority has the responsibility for conducting, at least annually, a review of the internal control governance framework. The review of the effectiveness of internal control is informed by the work of Internal Audit and Senior Managers who have responsibility for the development and maintenance of the internal control environment.

3.8 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. This assurance supports the conclusions detailed in the Governance Review report considered by the Audit and Governance Committee on 21st November 2025. Together these reports provide Members with assurance regarding the Authority's Governance and Financial control environment. It should be noted that where weaknesses have been identified corrective action has been taken without delay.
- 4.2 The conclusion later in the year of the external audit, by Forvis Mazars, will also provide the Authority with further assurance, including an opinion of the 2025/26 Financial Accounts and Value for Money Arrangements. These details will be reported in due course.

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
Budgetary Control	-The Brigade has recently appointed an Assistant Director Governance & Assurance; part of their remit is to define and embed robust processes across the Brigade. ACFO SPPR, ADG&A and Head of Finance & Procurement have agreed the parameters for capturing efficiency and productivity forecasts and actuals. An effective method of capturing the data into one central process, linking decision making activities, project expectations and deliverables, and budget setting and outturn position, will be developed with implementation for the new financial year (April 2026).
Cash/Bank Reconciliations	No recommendations made.
Creditors	-Where invoices are received up to 5 days late from companies, finance staff will continue to process without a query log as there should be sufficient time to complete. However, beyond 5 days these will be marked into query, processed then released from query at payment. Existing tools will be utilised more fully: running the unprocessed invoice list to chase invoices currently in the system but not yet paid. Better narrative is required on the returns to enable appropriate follow-up, communication with the finance staff required. Invoices in query report, will be checked and relevant releases requested from HBC before the payment run to ensure payments are picked up asap. All finance staff will be reminded of these processes.
Debtors	No recommendations made.
Employee Register of Gifts and Hospitalities	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.
On Call Firefighter Claims	No recommendations made.
Payroll	No recommendations made.
Secondary Employment/Working Time Regulations	-Review the timeframes for processing secondary employment requests as part of the policy review

	and reinforce these requirements within HR processes. -Review the ELT reporting processes for the secondary employment policy as part of the policy review. Incorporate relevant management information on secondary employment requests into quarterly ELT People & Culture meetings. Provide a link to the full list and include an update on new requests. - Although the policy is not scheduled for review until 2027, we will bring the review forward to ensure alignment with the elements of this action plan, particularly strengthening the section on the Working Time Directive. Once the policy review is complete, we will launch an internal communications campaign to advise all staff that any secondary employment must be formally requested. An amnesty period will be provided for these initial submissions. Although the policy is not scheduled for review until 2027, we will bring the review forward to ensure alignment with the elements of this action plan, particularly strengthening the section on the Working Time Directive. Once the policy review is complete, we will launch an internal communications campaign to advise all staff that any secondary employment must be formally requested. An amnesty period will be provided for these initial submissions. Additionally, we will develop a HR process to issue annual reminders and communications regarding this requirement. HR will also receive details of employees identified through the NFI review, enabling cross referencing against submitted requests. -Implement refinements to Fire Service Rota and Softworks to enable reporting on hours worked and flagging instances that exceed the Working Time Directive. Review onboarding processes to ensure Working Time Directive requirements are clearly communicated, including a mechanism for employees to opt out where applicable. Develop HR processes to issue annual reminders and communications regarding Working Time Directive compliance and opt out and back in options. -Work with other fire services via the NFCC working group to develop a HR process for monitoring dual and secondary external contracts.
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	Explore Power BI capabilities to enhance reporting and data presentation.
Stores	No recommendations made.
Value Added Tax	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.

Noel Adamson

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Our Ref: NA/CFA/25/26

Your Ref:

Date: 19/06/26

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

Dear Sir,

Internal Audit Outcomes for 2025/26

From the work undertaken during the year 2025/26, 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 2025/26.

Yours Faithfully,



N Adamson CPFA
Head of Audit and Governance