

**INTERNAL AUDIT OUTTURN REPORT 2017/18****REPORT OF THE TREASURER**

<b>For Information</b>
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**1. PURPOSE OF REPORT**

- 1.1 To inform Members of the outcomes of audit work covering the period April 2017 to March 2018.
- 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 2017/18 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 2017/18 internal audit plan are summarised below:

<b>System / Establishment</b>	<b>Overall assessment of controls</b>
Budgetary Control	Satisfactory
Cash/Bank Reconciliation	Satisfactory
Creditors	Satisfactory
Debtors	Satisfactory
Ethics	Satisfactory
Fleet Management	Satisfactory
Fraud Awareness	Satisfactory
National Fraud Initiative	Satisfactory
Payroll	Satisfactory
Pensions	Satisfactory
Retained Firefighter Claims	Satisfactory
Training School	Satisfactory
VAT	Satisfactory

At the time this report was completed end of year work was being finalised on Procurement, however, sufficient reliance could be placed on testing completed for the purposes of the 2017/18 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.

**CHRIS LITTLE  
TREASURER**

## APPENDIX A

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

<b>System Reviewed</b>	<b>Synopsis of Agreed Action</b>
Budgetary Control	No recommendations made.
Cash/Bank Reconciliations	No recommendations made.
Creditors	- Orders should be used for all goods and services with a few limited exceptions. These orders should be committed on the Brigades financial system to prevent overspending.
Debtors	No recommendations made.
Ethics	No recommendations made.
Fleet Management	-Labour hours and parts costing should be input accurately into TRANMAN. - All external works carried out should be coded accurately to ensure a report can be ran from Tranman to identify jobs and raise the corresponding invoices. A reconciliation should be completed between Tranman and FMS to ensure costs for all external works are recovered as per SLA's. Job cards should indicate where an additional 10% charge is required for Finance to raise an accurate invoice.
Fraud Awareness	No recommendations made.
National Fraud Initiative	No recommendations made.
Payroll System	No recommendations made.
Pensions	No recommendations made.
Retained Firefighter Claims	No recommendations made.
Training School - Learning and Development	- Arrangements should be established which ensure that Control Staff attend maintenance planning modules, including validation of competence exercises. - Arrangements should be developed which ensure that Team / Watch training is undertaken in a manner consistent with Procedure Note 4 'Watch Development Plan'.
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 **National Fraud Initiative**

The National Fraud Initiative involves the matching of specific computer data between Local Authorities, Police and Fire Authorities, the Civil Service and NHS pension schemes and other agencies. The data submitted in respect of Cleveland Fire Authority comprises specific payroll data in respect of all uniformed and non-uniformed staff, together with specific data in respect of payments to Fire Authority pensioners. The outputs from the matching process are cases where there is an inconsistency between the information held on different databases and which requires subsequent investigation.

## 2.2 **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.

2.3 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.

## 2.4 **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.

2.5 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.

## 2.6 **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**  
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Our Ref: NA/CFA/17/18  
Your Ref:

Date: 22/06/18

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

Dear Sir,

### **Internal Audit Outcomes for 2017/18**

From the work undertaken during the year 2017/18, 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 2017/18.

Yours Faithfully,

N Adamson CPFA  
Head of Audit and Governance