

INTERNAL AUDIT OUTTURN REPORT 2022/23

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 2022 to March 2023.
- 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 2022/23 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 2022/23 internal audit plan are summarised below:

System / Establishment	Overall assessment of controls
Asset Management Systems	Satisfactory
Budget Holder Responsibilities and Support Arrangements	Satisfactory
Cash/Bank Reconciliations	Satisfactory
Creditors	Satisfactory
Data Quality – GDPR Compliance	Satisfactory
Debtors	Satisfactory
Main Accounting System	Satisfactory
National Fraud Initiative	Satisfactory
Officers Expenses	Satisfactory
Payroll	Satisfactory
Pensions	Satisfactory
Procurement Contract Procedure Rules Compliance	Satisfactory
Retained Firefighter Claims	Satisfactory
Stores*	Satisfactory
Treasury Management	Satisfactory
Value Added Tax	Satisfactory

*At the time of writing the report the Stores Audit was ongoing and further work planned to be completed in 2023/24. However sufficient assurance has been obtained in work to date to indicate satisfactory assurance within this area.

- 3.2 At the time this report was completed the draft Data Quality– GDPR Compliance report had been issued and the Stores project was ongoing, however, sufficient reliance could be placed on testing completed for the purposes of the 2022/23 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
Asset Management Systems	No recommendations made.
Budgetary Holder Responsibilities and Support Arrangements	No recommendations made.
Cash/Bank Reconciliations	No recommendations made.
Creditors	<p>-With immediate effect, supplier documentation emailed to HBC Payments for entry onto Integra, will be saved by the Finance & Procurement Officer to a folder on OneDrive. This will ensure that the data is stored in-line with documentation retention requirements.</p> <p>-Reviews are undertaken, although not always as frequently as desired due to other workload prioritisation and project work. The Head of Finance & Procurement is satisfied that there is minimal risk as reviews are undertaken at least monthly and more often when workloads allow. Consideration has been given to altering the frequency of reviews to monthly, however, it has been decided to continue to aim for weekly which will achieve more frequent reviews than monthly when workloads permit. In addition, future changes to workflow should also reduce the numbers of unprocessed invoices in the system at any one time.</p> <p>-With immediate effect, expenses payments will be excluded from the calculation. Invoices marked as in query should have commentary associated with the query, this was new functionality recently applied to the Integra system. Enquiries have been made with HBC Systems staff to follow up this element and resolve the position by June 2023.</p>
Data Quality– GDPR Compliance	Draft report issued.
Debtors	No recommendations made.
Main Accounting System	No recommendations made.
National Fraud Initiative	No recommendations made.
Officers Expenses	No recommendations made.

Payroll	-The signatory list is held and managed by the Finance & Procurement Officer. It is used as a reference point for all authorised signatories, creditors as well as payroll and is updated annually. The current format and process are under review as part of the Digital Transformation Project. In the main payroll receive emails from senior managers to confirm the addition to the authorised signatory list, and payroll officers can check within Resource link as to who can authorise claims i.e., the line manager. This reference will be included in future years planning documents. Until the above review is complete, the signatory list will be updated, removing leavers using information provided by HR for the payroll process. The payroll assistant will ensure that the list is maintained by striking through authorised signatories and stating the leave date.
Pensions	No recommendations made.
Procurement Contract Procedure Rules Compliance	-The opportunity not published, was due to the cost projection pre quotation being below the threshold for publication, when quotations were returned the final cost was over the publication threshold of £25k. The importance of general housekeeping will be discussed in the procurement team meeting on 11/05/2023. Process maps and suitable guidance notes are in place and have been for some time re: the mandatory requirement to publish on the contract's finder portal. A contracts finder reminder will also be built into our procurement work plan ensuring a prompt before a project is completely closed off. - Contract management arrangements are in place for high risk, high value contracts with work currently ongoing to ensure consistency re: KPI performance and engagement. Remaining contracts are low value and low risk; however, these will be assessed in line with our contract classifications (strategic, leverage, bottleneck and routine) during 2023/2024.
Retained Firefighter Claims	No recommendations made.
Stores	At the time of writing the report the Stores Audit was ongoing and further work planned to be completed in 2023/24. However sufficient assurance has been obtained in work to date to indicate satisfactory assurance within this area.
Treasury Management	No recommendations made.

VAT	-The local authorities have been contacted in relation to receipt of purchase numbers with a view to highlighting the concern and trying to minimise any delays. Invoices are raised at the soonest opportunity once all information is available.
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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

Noel Adamson

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Contact Officer/Email: Noel.Adamson@Hartlepool.gov.uk

Our Ref: NA/CFA/22/23

Your Ref:

Date: 17/08/23

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

Dear Sir,

Internal Audit Outcomes for 2022/23

From the work undertaken during the year 2022/23, 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 2022/23.

Yours Faithfully,

N Adamson CPFA
Head of Audit and Governance