

# CAMBRIDGESHIRE AND PETERBOROUGH FIRE AUTHORITY

## Key Financial Controls

Internal audit report 5.20/21

FINAL

17 December 2020

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

# 1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, remote working has meant that we have been able to complete our audit and provide you with the assurances you require. It is these exceptional circumstances which mean that 100 per cent of our audit has been conducted remotely. Based on the information provided by you, we have been able to undertake our sample testing.

## Why we completed this audit

An audit of Key Financial Controls was undertaken as part of the approved internal audit plan for 2020/21 to review the design and compliance with the control framework in place for key financial systems. The organisation utilises the Dream finance system and Real Asset Management systems to support the key financial control framework. The Finance team is comprised of the Head of Finance and Property, Financial Accountant, Assistant Financial Accountant, Senior Finance Officer and Finance Officer.

Our review focused on the key controls in the following areas:

- Ledger Access, Policies and Reporting
- Accounts Payable
- Cash and Treasury Management
- Asset Management

## Conclusion

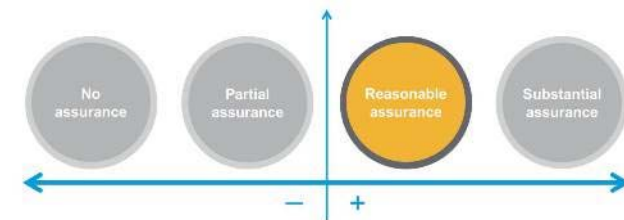
Our review confirmed that key financial controls were primarily well designed and complied with. We found that controls were well designed and had been functioning as intended and in line with the prescribed policies and procedures in relation to access to the Dream and Real Asset Management systems, financial reporting, supplier additions, payment runs, prompt payment targets, cash flow forecasts as well as capital asset purchases, disposals, tagging, depreciation and reconciliations.

We did, however, identify areas of weakness in relation to the ability to make an amendment to supplier bank or contact details on the Dream system without approval by, or a notification to a second member of staff and the clear recording of supplier amendment validity checks. We also found an issue with the recording of asset verification responses for all departments apart from the ICT department and the recording of investment approvals.

### Internal audit opinion:

Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed and consistently applied.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing this area.



## Key findings

### We identified the following weakness:



#### Accounts Payable: Supplier Amendments

We were informed by the Assistant Financial Accountant that a change could be made to supplier contact or bank details on the Dream system by any member of the Finance Team without approval and there were no other detective controls in place which would identify a change. Whilst we appreciate that only the Finance Team have access to making these changes, and is relatively small, there is a risk of fraudulent supplier amendments being made by a member of the Finance Team without detection. We have therefore agreed a medium priority action to undertake a review at month end of changes to supplier details to ensure they are supported by a genuine request. **(Medium)**



#### Asset Management: Asset Verification

We noted that, whilst there was a written record of an asset verification response for the ICT department, for the remaining departments' fleet and equipment, whilst equipment lists had been circulated, there was no clear record of the responses evidencing asset verification.

We were advised by the Assistant Financial Accountant that verification of the assets on the list had been received verbally via telephone. We were also advised that this was due to time pressure in completing the verification exercise as a result of prioritising other activities related to the COVID-19 pandemic, such as ordering personal protective equipment. There is a risk that assets which have been purchased during the year may not have been capitalised or that those disposed of in-year may not have been removed which could mean that the Service's total assets are not accurate. **(Medium)**



#### Cash and Treasury Management: Investment Approval

We confirmed through review of a sample of five investments entered into since April 2020 that backing documentation had been retained for each. We were informed by the Financial Accountant that they had approved each investment but no evidence to demonstrate approval was provided. We noted during review of the Treasury Management Policy that the Treasurer (Deputy Chief Executive) was required to approve investments and that this responsibility could be delegated to another member of staff. We were informed by the Deputy Chief Executive that this responsibility to approve investments had been delegated to the Financial Accountant but this decision had not been formally documented. There is a risk that the approval of investments is not in line with the Service's standards, which could mean that inappropriate investments are entered into. **(Medium)**

**We noted the following controls to be adequately designed and operating effectively:**

#### **Ledger Access, Policies and Reporting**

##### **Access to Finance System**



We confirmed through review of a sample of five Dream system users that the users were current employees. We were informed by the Head of Finance and Property that the access level given to each of our sample was appropriate to their job role. We noted during review of a sample of five leavers since April 2020 that their access to the Dream system had been withdrawn.

Whilst we were unable to obtain a report of any amendments to user limits from the Dream system, we noted that any changes to user approval limits in the Dream system require the budget holder to sign a new copy of the physical budget holder approval limit sheets, documenting the approval limits for all relevant individuals. We confirmed for a sample of five budget holders' sheets that each had been appropriately signed.

##### **Financial Reporting**



The Financial Accountant prepares a detailed budget monitoring report which is shared with the Deputy Chief Executive on a monthly basis. This includes commentary on any significant variances from the expenditure in the previous year. We confirmed that the detailed budget report had been prepared for the months of June, July and August 2020, providing commentary on any variances from the prior year's YTD expenditure. We selected a sample of three reported values within the budget monitoring report and were able to reconcile them back to source data.

#### **Accounts Payable**

##### **Supplier Additions**



To create new vendors or suppliers onto the Dream system, the Request for Supplier/Contractor Account workflow is completed. We confirmed through review of a sample of five that in four cases a supplier set up form had been completed and approved by the budget holder. However, for the remaining one, a form had not been maintained.

We were informed by the Assistant Financial Accountant that another member of staff had mistakenly used the debtors process to add the supplier and that the Assistant Financial Accountant had manually moved the debtors to suppliers on the Dream system. As this was identified by the Assistant Financial Accountant to be due to human error and we found that the contact and bank details uploaded to the system matched those provided by the supplier, and we have not raised an action in relation to this finding.

For our sample of four supplier additions where a set up form had been maintained, we confirmed that a second member of staff had checked the details input to Dream and the details input were consistent with the original request from the supplier.



##### **Payment Runs**

We confirmed through review of a sample of five payment runs from the current financial year that there was a segregation of duties in all cases between the member of staff producing the run and the Assistant Financial Accountant who had approved each run.



### **Prompt Payment Monitoring**

We noted that Prompt Payment Monitoring reports had been prepared for July, August and September 2020. We observed the performance levels within the reports to be 91, 87 and 80 per cent, respectively. We were informed by the Assistant Financial Accountant that whilst there was no formally documented target in place, performance would be investigated if it falls below 80 per cent.

## **Cash and Treasury Management**

### **Cash Flow Forecasts**

We confirmed through review of a sample of five daily cash flow forecasts that they had been completed on a daily basis. We found during testing that in four cases, no action was required and that in the remaining instance, it was noted that £50,000 would need to be moved to meet a financial commitment.



We noted during review of the sample that in two cases, on 18 and 19 August 2020, that the forecasts had been independently reviewed and that this included the date that action was required. However, we noted during testing that the remaining three had not been independently reviewed and that this was because there was only one officer on site. We were informed by the Assistant Financial Accountant that this was due to annual leave and the Finance team being relatively small. If daily cashflow forecasts are not independently review, there is risk that the Service will not identify when additional funds are required to meet financial commitments which could mean that the Service's minimum balance is breached.

We were informed by the Assistant Financial Accountant that action was not required often to ensure that financial commitments would be met. This was consistent with our finding above that only one out of our sample of five dates required action to be taken to meet the Service's financial commitments. Whilst the risk remains, the organisation has accepted the risk as being relatively low for the reasons stated above, we have therefore not agreed an action in relation to this finding.

## **Asset Management**

### **Access to the Asset Register**



The Service uses the Real Asset Management System. Access to the system is limited, and through review of a screenshot of users with access to the Real Asset Management System we were informed by the Assistant Financial Accountant that access given to the users was relevant to their job role.



### **Capital Purchases**

At year end, capital purchases are reviewed and added to the asset register where they meet the capitalisation threshold. Through review of a sample of five purchases in 2019/20 that met the capitalisation threshold, we found that they had all been added to the Service's asset management system.

**Capital Disposals**

Disposals are identified through the annual asset verification exercise or as communicated by departments in-year. We selected a sample of five disposals in 2019/20 and confirmed that they had been removed from the Real Asset Management System.

**Asset Tagging**

We confirmed through review of the asset register that unique asset IDs had been assigned to a sample of 25 assets.

**Asset Depreciation**

Depreciation is calculated and recorded within the asset register based on the asset life and value. During review of a sample of five assets on the Real Asset Management System, we confirmed that depreciation had been calculated in accordance with the Service's chosen treatment and the useful life of the assets.

**Asset Reconciliation**

The asset register is reconciled against the general ledger as part of the year end annual accounts. We confirmed through review of the reconciliation of the asset register to the general ledger for 2019/20 that it had been undertaken.

We also agreed three low priority management actions which are detailed in section 2 below.

## Progress made with previous audit findings – Key Financial Controls 5.19.20

| Date of previous audit: September 2018         | Low | Medium | High |
|--|-----|--------|------|
| Number of actions agreed during previous audit | 4   | 1      | -    |
| Number of actions implemented/ superseded      | 1   | -      | -    |
| Actions not yet fully implemented:             | 3   | 1      | -    |

We confirmed that one action from the previous Key Financial Controls audit (19/20) had been superseded. The one outstanding 'medium' priority action related to having not documented who authority to improve investments had been delegated. The three outstanding 'low' actions related to updating the financial policy documentation to include next review dates and undertake these reviews, recording the telephone number used to verify amendments to supplier details and not storing a central record of the annual asset verification exercise. We have agreed management actions relating these below.

## 2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

### 1. Ledger access, Policies and Reporting: Financial Regulations

|                                |   |  |   |
|--------------------------------|---|--|---|
| <b>Control</b>                 | <p>The Authority's Financial Regulations and Financial Control Standards provide a framework for the management of financial accounting through appropriate systems. These policies are supported by the Statement of Financial Principles and the Statement of Delegated Responsibilities.</p> <p>They were last reviewed in September 2018 but do not state a next review date and the regulations are available to staff via the Service's intranet.</p>   | <b>Assessment:</b>   |   |
|                                |   | <b>Design</b>  | x   |
|                                |   | <b>Compliance</b>  | N/A   |
| <b>Findings / Implications</b> | <p>As part of the 2019/20 Key Financial Controls audit, we reviewed the Financial Regulations, Financial Control Standards, the Statement of Financial Principles and the Statement of Delegated Responsibilities and we found the following:</p> <ul style="list-style-type: none"> <li>the Financial Regulations had been last reviewed in September 2018 and were due for review annually however had not been updated at the time of the audit in October 2020; and</li> <li>the Financial Control Standards, the Statement of Financial Principles and the Statement of Delegated Responsibilities had been last reviewed in September 2018 and did not state the next review date.</li> </ul> <p>We confirmed through a review of the documents that a review had not taken place since September 2018.</p> <p>We were informed by the Assistant Financial Accountant that this was due to be undertaken during 2020, however due the COVID-19 pandemic work to update the regulations was paused.</p> <p>There is a risk of key documentation becoming outdated if dates for next review are not clearly documented.</p> |  |   |
| <b>Management Action 1</b>     | <p>The Head of Finance and Property will ensure that the key financial policy documentation including the organisation's Financial Regulations, Financial Control Standards, the Statement of Financial Principles and the Statement of Delegated Responsibilities will record the date of next required review and reviews will take place in line with the documented frequency.</p>  | <p><b>Responsible Owner:</b></p> <p><b>Amy Jackson, Head of Finance and Property</b></p> | <p><b>Date:</b> 31 March 2021</p> <p><b>Priority:</b> Low</p> |

## 2. Accounts Payable: Supplier Amendments

|                                |  |  |
|--------------------------------|--|--|
| <b>Control</b>                 | <p>Amendments to the supplier list are undertaken by Finance, upon receipt of a formal request from suppliers. Backing documentation is signed by one person as actioned and another person as checked. Changes to supplier details are verified by telephone, and checks are recorded, including a note of the telephone number which was called for verification.</p> <p>Changes can be undertaken by any member of the Finance Team without an approval required or notification sent from the system.</p>  | <p><b>Assessment:</b></p> <p><b>Design</b> ×</p> <p><b>Compliance</b> N/A</p>  |
| <b>Findings / Implications</b> | <p>We were informed by the Assistant Financial Accountant that a change to supplier details could be performed by a member of the Finance team and did not require a second check on the Dream system. We noted that there were no other detective controls in place which would identify changes to supplier bank details.</p> <p>Whilst we appreciate that the number of individuals within the Finance team with the ability to make these changes is relatively small, there is a risk of fraudulent supplier amendments if supplier bank details can be changed by a member of the Finance Team without any further checks being in place.</p>  |  |
| <b>Management Action 2</b>     | <p>The Head of Finance and Property will review a report of amendments to supplier details as part of the month-end process. This review will include comparing each amendment in the month to the request from the supplier to ensure the amendments that have been made within the system are supported by documented requests and verification checks are evidenced.</p>  | <p><b>Responsible Owner:</b></p> <p><b>Amy Jackson, Head of Finance and Property</b></p> <p><b>Date:</b> 30 November 2020</p> <p><b>Priority:</b> Medium</p> |
| <b>Findings / Implications</b> | <p>We noted during review of our sample of five amendments that the documentation received from the supplier had been signed as input and signed by a second member of staff as checked. We were advised by the Assistant Financial Accountant that the signing of the document by the inputter was confirmation of the change being updated in the system and also that verification of the change with the supplier using an existing number had taken place, although it was not clearly documented that this was the case on the document itself. We were advised that the form being signed as checked was confirmation the details input to the system were consistent with the documentation provided by the supplier. We found that one of the five documents stated that they had confirmed the change by telephone and website but did not document the number called. For the remaining four, there was no clear reference to the validation checks undertaken.</p> <p>Whilst we were advised by the Assistant Financial Accountant that the checks had taken place in each instance, there is insufficient audit trail available to confirm that the correct checks have been undertaken using existing contact details prior to making amendments on the finance system. We appreciate that this appears to be an issue with the recording of the performance of the checks and we have therefore agreed a 'low' priority management action in this area.</p> |  |



## 2. Accounts Payable: Supplier Amendments

|                            |  |   |   |                         |
|----------------------------|--|---|---|-------------------------|
| <b>Management Action 3</b> | The Assistant Financial Accountant will ensure that supplier amendments clearly record that the supplier has been contacted using an existing telephone number and that the telephone number used is recorded. | <b>Responsible Owner:</b><br><b>Josh Muir, Assistant Financial Accountant</b> | <b>Date:</b><br><b>30 November 2020</b> | <b>Priority:</b><br>Low |
|----------------------------|--|---|---|-------------------------|

## 3. Accounts Payable: Purchase Orders

|                         |  |   |
|-------------------------|--|---|
| Control                 | Purchase order requisitions are raised and approved electronically within the Dream system. Dream uses a workflow system which sends a purchase order requisition to the budget holder, selected by the user, for approval in line with the agreed Schedule of Authorised Signatories.   | Assessment:<br><br>Design ✓<br><br>Compliance × |
|                         | Invoices received are matched against approved purchase orders and goods received notes and processed for payment.   |   |
|                         | The receipt of goods and services is actioned on the Dream financial system.   |   |
|                         | Where an invoice cannot be matched to a receipted item, but a purchase order exists, it is forwarded onto the budget holder requesting them to take appropriate action.  |   |
|                         | Where orders are made without a purchase order, or an invoice cannot be matched to a goods received note, the invoice is forwarded to the appropriate budget holder for approval, prior to payment being processed.  |   |
| Findings / Implications | We obtained a report of all paid invoices since April 2020 and selected a sample of 20.  |   |
|                         | We confirmed through review of our sample that in ten cases the invoice could be linked to a purchase order. For the remaining ten, we noted during testing that a purchase order had not been used.   |   |
|                         | During review of the 10 invoices with a purchase order, we found the following:  |   |
|                         | <ul style="list-style-type: none"><li>• each had been approved in line with delegated authorities;</li><li>• there was a segregation of duties between the member of staff raising the purchase order and approving it;</li><li>• the goods had been recorded on the Dream system as received;</li><li>• there was a segregation of duties between the member of staff approving the purchase order and recording the order as received;</li><li>• there were no discounts offered for early payment of the invoice and therefore we did not test whether discounts were taken;</li><li>• the invoice had been accurately input to the system;</li><li>• the invoice was consistent with the purchase order; and</li></ul> |   |

### 3. Accounts Payable: Purchase Orders

- the invoice had been paid after the goods had been recorded as received.

Through review of the 10 invoices without a purchase order, we found the following:

- the suppliers that the purchases had been made from were not on the contract register which indicated that an agreement or other contract was not in place;
- each had been approved in line with delegated authorities; and
- each invoice had been accurately input to the Dream system and paid following approval of the invoice.

We confirmed during review of the 10 purchases in our sample that did not have a purchase order that in two cases the invoices were for utility bills and in three cases the suppliers were on the Service's Supplier Purchase Order Exemption list and as such did not require a purchase order.

However, for the remaining five we were unable to determine through review of the samples or discussion with the Financial Accountant why a purchase order was not required, and these orders did not relate to utility bills or feature on the Supplier Purchase Order Exemption list.

We noted during review of the Financial Regulations documents, that a list of circumstances in which a purchase order would not be required had not been defined. We were advised by the Assistant Financial Accountant that a list of this nature had not been formally documented.

In the absence of this list we were unable to confirm whether a purchase order was required for those purchases that did not have one. As such, there is a risk that purchases can be made without the relevant approval where a purchase order is required but is not used.

|                            |  |  |                      |                  |
|----------------------------|--|--|----------------------|------------------|
| <b>Management Action 4</b> | The Head of Finance and Property will update the Financial Regulations documents to include a list of circumstances where a purchase order is not required, for example utility bills. | <b>Responsible Owner:</b>                        | <b>Date:</b>         | <b>Priority:</b> |
|                            | Invoices will not be processed without a purchase order unless they are in line with the permitted exception list or on the Service's Supplier Purchase Order Exemption list.          | <b>Amy Jackson, Head of Finance and Property</b> | <b>31 March 2021</b> | Low              |

#### 4. Cash and Treasury Management: Loans and Investments

|                                |   |   |
|--------------------------------|---|---|
| <b>Control</b>                 | <p>Loans and investments are made in accordance with the Authority Treasury Management Policy and are properly authorised and supported by adequate documentation.</p> <p>A spreadsheet is maintained with details of all investments made by the Authority.</p> <p>All investments are supported by backing documentation. The Treasury Management policy does not clearly state who is able to approve investments.</p>   | <p><b>Assessment:</b></p> <p><b>Design</b> ×</p> <p><b>Compliance</b> N/A</p>   |
| <b>Findings / Implications</b> | <p>We were informed by the Assistant Financial Accountant that no loans had been taken out since April 2020.</p> <p>We confirmed through review of a sample of five investments entered into since April 2020 that backing documentation had been retained for each. We were informed by the Financial Accountant that they had approved each investment but no evidence to demonstrate approval was provided.</p> <p>We noted during review of the Treasury Management Policy that the Treasurer (Deputy Chief Executive) was required to approve investments, however this could be delegated to another member of staff. We were informed by the Deputy Chief Executive that this responsibility had been delegated to the Financial Accountant, however this needed to be formally documented.</p> <p>There is a risk that the approval of investments is not in line with the Service's standards where the delegation has not been formally documented, which could mean that inappropriate investments are entered into.</p> |   |
| <b>Management Action 5</b>     | <p>The Financial Accountant will update the Treasury Management Policy to state who authority has been delegated to by the Treasurer, to approve investments. Evidence of approval of each investment will be documented. The updated Treasury Management Policy will be signed off by the Deputy Chief Executive.</p>  | <p><b>Responsible Owner:</b></p> <p><b>Lisa Killner, Financial Accountant</b></p> <p><b>Matthew Warren, Deputy Chief Executive</b></p> <p><b>Date:</b> 31 March 2021</p> <p><b>Priority:</b> Medium</p> |

## 5. Asset Management: Asset Verification

|                         |  |   |             |           |
|-------------------------|--|---|-------------|-----------|
| Control                 | There are verification processes in place to ensure the accuracy of the asset register. These verification processes take place on an annual basis. Departments are provided a list of assets and are required to return the list, identifying assets that are still in use.   | Assessment:                               |             |           |
|                         |  | Design                                    |             | ✓         |
|                         |  | Compliance                                |             | ×         |
| Findings / Implications | <p>We confirmed through review of an email from the Head of ICT to the Assistant Financial Accountant that the ICT department asset verification had been completed. This response provided details of assets that required disposal and the reason for disposal.</p> <p>We noted, however, that whilst equipment lists had been circulated to other departments, there was no clear record of the responses evidencing asset verification. We were advised by the Assistant Financial Accountant that verification of the assets on the list had been received verbally via telephone. We were also advised that this was due to time pressure in completing the verification exercise as a result of prioritising other activities related to the COVID-19 pandemic, such as ordering personal protective equipment.</p> <p>There is a risk that assets which have been purchased during the year may not have been capitalised or that those disposed of in-year may not have been removed which could mean that the Service's total assets are not accurate.</p> |   |             |           |
| Management Action 6     | The Assistant Financial Accountant will maintain a centrally held complete record of the annual asset verification for each department. This will include the exercise request, asset list and written confirmation of changes to the asset list (additions and disposals).  | Responsible Owner:                        | Date:       | Priority: |
|                         |  | Josh Muir, Assistant Financial Accountant | 31 May 2021 | Medium    |

## APPENDIX A: CATEGORISATION OF FINDINGS

### Categorisation of internal audit findings

| Priority | Definition   |
|----------|--|
| Low      | There is scope for enhancing control or improving efficiency and quality.  |
| Medium   | Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.  |
| High     | Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines. |

The following table highlights the number and categories of management actions made as a result of this audit.

| Area                                  | Control design not effective* |     | Non Compliance with controls* |     | Agreed actions |          |          |
|---------------------------------------|-------------------------------|-----|-------------------------------|-----|----------------|----------|----------|
|                                       |                               |     |                               |     | Low            | Medium   | High     |
| Ledger Access, Policies and Reporting | 1                             | (3) | 0                             | (3) | 1              | 0        | 0        |
| Accounts Payable                      | 2                             | (5) | 1                             | (5) | 2              | 1        | 0        |
| Cash and Treasury Management          | 1                             | (2) | 0                             | (2) | 0              | 1        | 0        |
| Asset Management                      | 0                             | (7) | 1                             | (7) | 0              | 1        | 0        |
| <b>Total</b>                          |                               |     |                               |     | <b>3</b>       | <b>3</b> | <b>0</b> |

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

## APPENDIX B: SCOPE

The scope below is a copy of the original document issued.

### Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following risks:

#### Objective of the area under review

Annual coverage of key financial controls systems to ensure systems are adequately designed and are being complied with.

#### When planning the audit the following areas for consideration and limitations were agreed:

- There are clear financial regulations, policies and procedures are in place for all key financial areas;
- Access to the finance system is adequately controlled; this includes amendments to approval limits; and
- Accurate financial reporting is made to all levels of the organisation (strategic and operational information).
- Where controls have been revised due to COVID-19, we will review the design and operational effectiveness of revised internal controls.

#### Payments and Creditors (Accounts Payable, AP)

- New suppliers are subject to due diligence checks and authorisation before being set up on the finance system;
- Amendments to supplier details (including bank details) are subject to independent due diligence checks;
- Purchase orders are used for all purchases and are authorised in line with the delegated authorities;
- Goods are received on the finance system when received by the organisation;
- Invoices received are matched to purchase orders and goods received notes;
- Non-purchase order purchases are subject to review and challenge;
- Payment runs are prepared for all invoiced and received goods;
- The payment run is subject to authorisation in line with the delegated authorities;
- There is adequate segregation of duties in the ordering, goods receipting and approving of invoices process; and
- The payment of invoices in accordance with prompt payment targets is monitored.

#### Cash and Treasury Management

- Cash flow forecasts are prepared on a regular basis using information from AP and AR;

- Cash flow forecasts are subject to regular review by management and actions taken to ensure adequate cash flow;
- Cash flow forecast accuracy is monitored to improve the reliability of the information provided;
- Investments are only made in line with the organisations treasury management rules following approval in line with the delegated authorities;
- Loans are only made in line with the organisations treasury management rules following approval in line with the delegated authorities; and
- Loan covenants are monitored on a regular basis with risks identified and actioned in a timely manner.

### **Asset Management**

- Access to the asset register is restricted to only those staff that require access;
- Processes are in place to identify and accurately record all capital purchases made during the financial year;
- Processes are in place to identify and accurately record all disposals made during the financial year;
- Material and high-risk assets are appropriately controlled and tagged;
- Asset verification processes are undertaken to ensure the accuracy of the asset register;
- Depreciation is accurately calculated in line with the agreed methodology and reflected on the asset ledger and general ledger; and
- The asset register is reconciled with the general ledger on a regular basis.

### **Limitations to the scope of the audit assignment:**

- We will not confirm that the finance system workflows are enforcing approval limits;
- We will not confirm the validity or appropriateness of new suppliers or amendments to supplier details;
- We will not confirm that goods and services paid for have been received by the organisation;
- We will not confirm the amount paid for goods and services reflect value for money;
- The results of our work are reliant on the quality and completeness of the information provided to us;
- We will only cover those areas identified within the audit scope;
- All testing will be compliance-based sample testing only; and
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

**Debrief held** 15 October 2020  
**Draft report issued** 30 October 2020  
**Responses received** 17 December 2020

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**Final report issued** 17 December 2020

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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