

Cambridgeshire and Peterborough Fire Authority

Internal Audit Progress Report

21 April 2022

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1 Key messages

This report below provides a summary update on progress against each plan and summarises the results of our work to date. The reports finalised since the last Committee are highlighted in **bold** below.

Progress against the internal audit plan 2021/22

Assignment	Status / Opinion issued	Actions agreed			Opinion Issued
		L	M	H	
Asset and Fleet Management System	Final Report	2	4	0	Partial Assurance
Sickness Absence Management	Final Report	1	4	0	Partial Assurance
Human Resources - Wellbeing Strategy	Final Report	1	0	0	Substantial Assurance
Key Financial Controls	Final Report	2	0	0	Substantial Assurance
Capital Projects - Training Centre	Draft Report – Issued 30 March 2022				
Follow Up	In Progress				
Training Centre Resourcing	In Progress				
CFMIS - Collection and Update of Risk Information	Planned 11 April 2022				
ICCS and Mobs Implementation	To be carried forward to 2022/23 Internal Audit Plan				

Appendix A – Other matters

Annual Opinion 2021/22

The Overview and Scrutiny Committee should note that the assurances given in our audit assignments are included within our Annual Assurance report. The Committee should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified or negative annual opinion. We have finalised two negative opinions to date in relation to Asset and Fleet Management System and Sickness Absence Management. The outcomes of these reviews and actions taken to implement these actions, will be considered as part of our year end opinion.

Changes to the audit plan

Since the last Overview and Scrutiny Committee, we were requested to postpone the CFMIS - Collection and Update of Risk Information due to workload pressures. This is now due to commence on 11 April 2022.

Information and briefings

We have issued the following client briefings since the last Audit & Standards Committee:

- RSM's Conformance with the IIA Standards and Codes of Practice
- Strengthening resilience: lessons learnt from the impacts of the pandemic

Quality assurance and continual improvement

To ensure that RSM remains compliant with the IIA standards and the financial services recommendations for Internal Audit we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews being used to inform the training needs of our audit teams.

The Quality Assurance Team is made up of; the Head of the Quality Assurance Department (FCA qualified) and an Associate Director (FCCA qualified), with support from other team members across the department. This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

Appendix B – Executive summaries and action plans (High and Medium only) from finalised reports

EXECUTIVE SUMMARY – KEY FINANCIAL CONTROLS

Why we completed this audit

A key financial controls audit was undertaken at Cambridgeshire and Peterborough Fire Authority as part of the approved internal audit periodic plan for 2021/22.

This review was undertaken to assess the robustness of the financial controls in place in respect of payroll, accounts receivable and accounts payable. Testing was undertaken to assess whether the finance system is appropriately managed to ensure that financial transactions are accurately recorded, and appropriate payments are made, focusing on payroll, accounts payable and accounts receivable. This included ensuring compliance with the Authority's Financial Regulations and Financial Control Standards, that appropriate authorisation was granted for transactions where required, and that appropriate supporting documentation was retained on file. The organisation utilises the Dream finance system to support the key financial control framework.

In addition, we have undertaken data analytics as part of our review of accounts payable, the findings of which are detailed in Appendix A.

Conclusion

Our review confirmed that key financial controls were primarily well designed and complied with. We found there to be adequate controls in place with respect to payroll, accounts receivable and accounts payable and confirmed that the Authority are executing their responsibilities in relation to the management of these areas and that management have full oversight of the processes in place.

However, we identified two control weaknesses with respect accounts receivable and as a result have agreed two low priority actions with management. Details of these can be found in Section 2 below.

Internal audit opinion:

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



Key findings

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

Payroll



The Financial Regulations and Financial Control Standards in place at Cambridgeshire and Peterborough Fire Authority clearly detail the requirements for the maintenance and management of the payroll system. The Financial Regulations and Financial Control Standards are maintained up to date and available to all staff via a shared staff drive.



Access to the payroll system is limited to authorised individuals. All employees with access to the payroll system only have access in line with their job role. Our testing of access to the payroll system confirmed that all three staff members with access work within the payroll department and have the appropriate level of access in line with their job role.



An authorised signatories list is in place at Cambridgeshire & Peterborough Fire Authority. The signatories list details the staff authorised to sign off payroll related documents.



For each new starter there is an authorised starter form in place detailing salary and working hours. This is input electronically into the Resourcelink system and supported by relevant documentation. A sample of 10 new starters since April 2021 were selected and testing confirmed that in two instances, our selected new starters were not actually new starters but had change roles with the Service. For all new starters, once confirmation has been given by the hiring manager to recruit a potential candidate, all ID checks are undertaken by HR, and Payroll is notified to add the employee onto Resourcelink. This is carried out on or before the employees start date. Testing the eight remaining new starters confirmed in all instances that all new starter checks had been carried out and Payroll notified to add the starter to Resourcelink. In all instances, testing confirmed that this was on or before the employees start date.



A leavers form is completed for all leavers which is signed by their line manager which clearly details the last date of service. A sample of 10 leavers since April 2021 were selected and testing confirmed in all instances a leavers form had been completed and reviewed by the employee's line manager and HR before being submitted to payroll for processing. The form clearly documented the employees leave date and in all instances the leaver was removed from payroll in a timely manner following their official leave date. We also confirmed that all salary and holiday calculations had been correctly calculated and documented.



Where there are amendments to standing data such as salary, contracted hours, bank accounts and address details, these are authorised by Payroll and updated on the system. A sample of 10 instances of changes to standing data were selected and testing confirmed that a Bank Accountant Credit Transfer Form had been completed by the employee detailing the changes to standing data to be made. This had been checked and input accurately into the system by payroll in a timely manner, with a segregation of duties present throughout.



Employees may wish to opt in for voluntary salary deductions. All voluntary deductions are authorised by Payroll and are input alongside supported documentation. A sample of 10 voluntary deductions were selected and testing confirmed in all instances there was supporting documentation confirming the deduction reason and the amount, this had been signed by the employee and checked by payroll. In all instances, the deduction was authorised by payroll and correctly input, the deduction was accurately reflected on the employee payslip, and a segregation of duties was present throughout.



For all additional payments such as such as overtime, acting up payments, honorariums and bonus payments, authorisation must be granted prior to payment being made. A sample of 10 additional payments made to employees was selected and testing confirmed that in all instances, the additional payment was correct and had been appropriately authorised for processing by payroll. The additional payment was accurately reflected on the employee's payslip and a segregation of duties was present throughout the payment process.



Payroll exception reports are run on a monthly basis. Any variances identified are investigated and documented by the Payroll Services Manager. Our review confirmed that on a monthly basis, payroll exception reports are run for support and uniform staff and review of the payroll exception reports for support and uniform staff for September, October and November 2021 confirmed that the reports had been run a timely basis each month with all variances identified and supporting documentation on file confirming that they had been investigated thoroughly.



Payroll for support staff and uniformed staff is processed separately at Cambridgeshire and Peterborough Fire Authority, with a separate pay run summary analysis reports being ran for each on a monthly basis.

The monthly pay run summary analysis (PSA) reports for both support and uniform staff for September, October and November 2021 were reviewed and it was confirmed that the PSA had been produced in a timely manner and appropriately reviewed by the Payroll Services Manager prior to payment being made.

Accounts Receivable



As part of treasury management and monthly processing, Finance is responsible for identifying all income due and raising invoices accordingly. Testing on a sample of five invoices raised confirmed in all instances there was supporting documentation on file confirming the amount to be raised, all invoices raised were accurate, matching source documentation and were raised in a timely manner.



In instances where sales credit notes are required to be raised, these are raised and approved by finance and supported with the relevant documentation. Our review confirmed that the two sales credit notes raised year to date had been appropriately approved within the system and were supported by the relevant documentation.



The Service reviews debtor levels on a monthly basis and issues debt chaser letters in accordance with those reports. Testing on a sample of five outstanding debts as of 1 November 2021, confirmed in all instances that debtor levels had been reviewed at month end and debt chaser letters, including initial, second, and final reminders had been sent accordingly.



Aged Debtor reports are produced on a monthly basis outlining all bad debts, reviewed and issued to Senior Management for further scrutiny where required. The aged debtor reports for August, September and October 2021 were obtained and reviewed which confirmed that all reports were reviewed by management in a timely manner following month end. It was noted that debtor levels at the Authority remained low through the months sampled for testing.



It was confirmed with the Financial Accountant and Assistant Financial Accountant that no write offs had been undertaken in 2021/22 and therefore no testing was undertaken. However, a review of the Financial Regulations and Financial Control Standards confirmed there are documented procedures in place for the writing off of debts.

In addition, we identified two low priority management actions which can be found in section 2 of the report.

Accounts Payable



The Financial Regulations and Financial Control Standards outline all control standards regarding the accounts payable function and are made accessible to all staff via a shared drive. Our review confirmed they are maintained up to date and available to all staff.



Purchase orders are raised for the purchasing of goods by the purchaser against the relevant budget codes before being authorised by an authorised signatory. Once goods are received, a note is recorded on the finance system against the relevant purchase order confirming that the correct goods have been received prior to payment being made.

A sample of 10 paid invoices were selected and testing confirmed that in all instances, a corresponding purchase order had been raised prior to receiving the goods and payment of the invoice. Our testing also confirmed that the purchase order had been approved by an authorised signatory in line with their delegated limits. It was also confirmed that goods had been appropriately receipted and recorded and matched on the system and that goods were receipted after the purchase order was raised and approved, and prior to payment of the invoice. Our testing confirmed that all invoices were paid in a timely manner and segregation of duties was present throughout the purchasing process.



In instances where the value of a purchase cannot be known prior to purchase, a non-purchase order must be raised and approved appropriately. Testing of a sample of five non-purchase order confirmed in all instances that the non-po was approved in line with delegated authority limits and authorised prior to payment being made.



All requests to amend supplier details are reviewed and subject to due diligence checks to validate the change, authorised appropriately and updated on the system in a timely manner. For all amendments to supplier details, the change must be verified with the supplier and supporting documentation on file before the change is updated on Dream. A sample of 10 supplier amendments were selected and testing confirmed in all instances that the change had been verified with an attaching note on file confirming how the change was verified with the supplier. In three instances, our testing identified the supplier was a new supplier and in all three cases all supplier details were provided by a new supplier form. In all 10 instances the change was updated on Dream in a timely manner after confirming the details with the supplier.



Payment runs are undertaken on a weekly basis and are authorised maintaining a segregation of duties, in line with delegated authority. The Assistant Financial Accountant uploads all payments ready for processing, with the amount and payments to be made checked and approved by the Financial Accountant prior to payment being made. The last three payment runs made were obtained and reviewed and it was confirmed that the amount and payments to be made had been checked and approved by the Financial Accountant prior to payment being made.



At month end, aged creditor reports are run and analysed by Finance. These reports outline old invoices sat in the invoice register. All reports are independently checked and reviewed on a monthly basis. The aged creditor reports for October, November and December 2021 were reviewed and it was confirmed that detailed analysis had been added to all reports tested outlining what measures were being taken to clear old invoices. Our review confirmed that the reports had been run in a timely manner following month end and independently checked by the Finance Manager.



Our review confirmed that at the start of the pandemic, staff were sent to work from home which naturally came with an adjustment period before processing resumed as normal. Besides working from home, the Service implemented two main changes, these were that no signatories would need to be provided for approval of payments, instead, authorisation was provided solely by email. Secondly, the Service decided to pay suppliers immediately upon receipt of invoice in order to give them a more accurate picture of their cashflow position. The Financial Accountant and Assistant Financial Accountant confirmed that the Service managed to operate business as usual whilst working from home and staff have now returned to the office.

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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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