

## NOTICE OF MEETING

<i>Meeting</i>	<b>HFRA Standards and Governance Committee</b>	<i>Clerk to the Hampshire Fire and Rescue Authority</i> <b>John Coughlan CBE</b>
<i>Date and Time</i>	<b>Monday 2nd March, 2020 10.00 am</b>	<i>The Castle, Winchester Hampshire SO23 8UJ</i>
<i>Place</i>	<b>Meeting Room X, Fire and Police HQ, Leigh Road, Eastleigh</b>	
<i>Enquiries to</i>	<b><u><a href="mailto:members.services@hants.gov.uk">members.services@hants.gov.uk</a></u></b>	

The Openness of Local Government Bodies Regulations are in force, giving a legal right to members of the public to record (film, photograph and audio-record) and report on proceedings at meetings of the Authority, and its committees and/or its sub-committees. The Authority has a protocol on filming, photographing and audio-recording, and reporting at public meetings of the Authority which is available on our website. At the start of the meeting the Chairman will make an announcement that the meeting may be recorded and reported. Anyone who remains at the meeting after the Chairman's announcement will be deemed to have consented to the broadcast of their image and anything they say.

## Agenda

### 1 **APOLOGIES FOR ABSENCE**

To receive any apologies for absence received.

### 2 **DECLARATIONS OF INTEREST**

To enable Members to disclose to the meeting any disclosable pecuniary interest they may have in any matter on the agenda for the meeting, where that interest is not already entered in the Authority's register of interests, and any other pecuniary or non-pecuniary interests in any such matter that Members may wish to disclose.

### 3 **MINUTES OF PREVIOUS MEETING** (Pages 5 - 8)

To confirm the minutes of the previous meeting.

### 4 **DEPUTATIONS**

Pursuant to Standing Order 19, to receive any deputations to this meeting

**5 CHAIRMAN'S ANNOUNCEMENTS**

To receive any announcements the Chairman may wish to make.

**6 EXTERNAL AUDIT PLANNING REPORT (Pages 9 - 70)**

To consider the External Audit Planning Report for the year ended 31 March 2020 and the Annual Audit Letter, which provides the Committee with a summary of the Audit findings for the year 2018/19.

**7 INTERNAL AUDIT PROGRESS REPORT 2019/20 (Pages 71 - 88)**

To receive a report of the Chief Internal Auditor updating the Committee on the progress of internal audit work for the period ending January 2020.

**8 INTERNAL AUDIT CHARTER AND INTERNAL AUDIT PLAN 2020/21 (Pages 89 - 116)**

To consider a report of the Chief Internal Auditor, which asks the Committee to approve the Internal Audit Charter and the 2020/21 Internal Audit Plan for Hampshire Fire and Rescue Authority.

**9 INTERNAL AUDIT MANAGEMENT ACTIONS PROGRESS REPORT (Pages 117 - 122)**

To receive a report of the Chief Fire Officer providing an overview of the work to oversee the implementation of internal audit recommendations.

**10 HMICFRS 2018/19 ACTION PLAN AND 2020 INSPECTION READINESS PROGRESS REPORT (Pages 123 - 134)**

To receive a report of the Chief Fire Officer providing an overview of the progress made in respect of the Action Plan and an overview of the progress made to prepare for the two upcoming inspections of both Hampshire and Isle of Wight Fire and Rescue Services in 2020.

**ABOUT THIS AGENDA:**

This agenda is available on the Hampshire Fire and Rescue Service website ([www.hantsfire.gov.uk](http://www.hantsfire.gov.uk)) and can be provided, on request, in alternative versions (such as large print, Braille or audio) and in alternative languages.

**ABOUT THIS MEETING**

The press and public are welcome to attend the public sessions of the meeting. If you have any particular requirements, for example if you require wheelchair access, please contact [members.services@hants.gov.uk](mailto:members.services@hants.gov.uk) for assistance.

# Agenda Item 3

AT A MEETING of the HFRA Standards and Governance Committee held at Fire and Police HQ, Eastleigh on Tuesday 22 October, 2019

Chairman:

\* Councillor Liz Fairhurst

Vice-Chairman:

\* Councillor Sharon Mintoff

\* Councillor Jonathan Glen

Councillor Geoffrey Hockley

\* Councillor Roger Price

\*Present

## 84. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Hockley.

## 85. DECLARATIONS OF INTEREST

Members were mindful of their duty to disclose at the meeting any Disclosable Pecuniary Interest they had in any matter on the agenda for the meeting, where that interest was not already in the Authority's register of interests, and their ability to disclose any other personal interests in any such matter that they might have wished to disclose.

No interests were declared.

## 86. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on the 23 July 2019 were reviewed and agreed.

## 87. DEPUTATIONS

There were no deputations on this occasion.

## 88. CHAIRMAN'S ANNOUNCEMENTS

The Chairman had no announcements to make on this occasion.

## 89. INTERNAL AUDIT PROGRESS REPORT 2019/20

The Committee considered a report of the Chief Internal Auditor providing an overview of the progress of internal audit work for the period ending August 2019 (Item 6 in the Minute Book). The report was introduced and Members were led through the appendix which summarised the activities of Internal Audit for the period. Section 4 of the appendix highlighted the outstanding and overdue actions, progress in relation to these would be detailed in a report following next on the agenda. The limited assurance opinion for sick pay was explained as set out at section 5, and it was heard that the current process could potentially lead to sick pay overpayment which did require management action to address. A query was raised in relation to whether this applied to the different conditions of service books, and officers would look into this. In relation to the rolling work programme at section 7, it was noted that all items should be completed by the end of the year.

RESOLVED:

That the progress in delivering the internal audit plan for 2019/20 and the outcomes to date were noted by the Standards and Governance Committee.

#### 90. **INTERNAL AUDIT MANAGEMENT ACTIONS PROGRESS REPORT**

The Committee received the internal audit management actions progress report (Item 7 in the Minute Book). The report was introduced and it was heard that the Service had been making good progress to oversee the implementation of internal audit recommendations. Attention was drawn to paragraph 10 of the report and it was noted that there were now 5 high priority management actions which were overdue against their original target date, and not 6 as reported. The high priority actions were related to safeguarding and business continuity, and it was reported that a Disclosure and Barring Service (DBS) policy would be taken to the internal Executive Group meeting for approval in the next few days, as well as wider progress in this area with an ongoing gap analysis based on the receipt of a full DBS compliance report from the HCC Insights Team.

The Chairman was content with the direction of travel and thanked officers for the report.

RESOLVED:

That the significant progress made towards the implementation of the internal audit management actions was noted by the Standards and Governance Committee.

#### 91. **COMPLAINTS REPORT 2018-2019**

The Committee received a report of the Chief Fire Officer detailing complaints received during 2018-2019 (Item 8 in the Minute Book). It was heard that the report was requested by the Committee as a result of considering the Information Compliance Report 2018-19 at their previous meeting.

Members were led through the report and it was explained that there had been a total of 65 complaints during the financial year 2018-2019, and of these, 45 were dismissed and 20 were upheld. Officers explained that the dismissed complaints were due to lack of evidence or contrary evidence. Of the 20 complaints upheld, 11 had related to conduct, and these had been addressed with the utmost priority through training or raising awareness with individuals. Other complaints which had been upheld related to out of date information on the HFRS website and lack of judgement when uploading posts to HFRS official Twitter accounts. It was noted that 3 complaints had been upheld in relation to unsafe driving, and not parking a fire appliance in an appropriate manner. Officers also highlighted that over this period, the Service had received hundreds of compliments.

Members raised questions in relation to the complaints upheld pertaining to conduct, and it was heard that the nature of these complaints were mostly due to the attitude of staff and how they had engaged in the course of their duties. It was also explained that firefighters received training before conducting safe and well visits to members of the public. Members queried about parking complaints, and it was heard that dismissed cases were in relation to fire appliances responding to an incident. In response to a Member query, it was noted that individual firefighters would receive recognition and possible commendations for compliments received.

In response to queries in relation to Service Identification (ID) cards, it was heard that the Service was currently looking to replace the current access control system and ID cards. Members discussed the possibility of introducing Braille to ID cards to assist partially sighted and blind people should Firefighters need to visit their home, and requested that officers explore the possibility of this further. Members agreed to endorse the Service's performance and commitment to complaints management rather than to note, and this would be reflected in the recommendation.

Members thanked officers for the well written report.

RESOLVED:

That the Service's performance demonstrated within the report and its commitment to complaints management was endorsed by the Standards and Governance Committee, and the Committee asked that the Service explore the provision of braille on ID badges.

## 92. **HMICFRS ACTION PLAN PROGRESS REPORT**

The Committee received the HMICFRS Action Plan Progress Report (Item 9 in the Minute Book). The report was introduced and the background to the Action Plan was explained which had resulted from the findings of the HMICFRS inspection report. Members heard that some diagnostics had been completed, and in relation to *"The Service should put in place an open and fair process to identify, develop and support high-potential staff and aspiring leaders"*, it was noted that this completion date had been extended to March 2020 so the new personal development plans could incorporate new Service values and behaviours, which were being developed following ongoing workshops with staff.

In relation to “*The Service does not do enough to be an inclusive employer*” which had been identified as a ‘cause for concern’ area by HMICFRS, it was highlighted that a wide range of work had been initiated to address this in six specific areas which were set out at paragraph 15 of the report. Attention was also drawn to paragraphs 17-18 which detailed other ways the Service was addressing the ‘cause for concern’ area and it was heard that good progress was being made.

In response to Member queries it was heard that the next HMICFRS inspection could take place as early as next April, but all the main actions would be completed by then, with some further actions ongoing. It was noted that Members would be kept updated with progress and it was highlighted that the Service would be undertaking a self-assessment as part of the planning process for the next inspection. Members agreed to endorse the positive progress rather than to note, and this would be reflected in the recommendation.

RESOLVED:

That the positive progress made towards the delivery of the HMICFRS Action Plan was endorsed by the Standards and Governance Committee.

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Chairman,



**HAMPSHIRE  
FIRE AND  
RESCUE  
AUTHORITY**

## **Standards and Governance Committee**

Purpose: Noted

Date: 2 March 2020

Title: **EXTERNAL AUDIT PLANNING REPORT**

Report of Treasurer

### SUMMARY

1. Attached to this report, in **Appendix 1**, is the External Audit Planning report for the year ended March 31, 2020. Its purpose is to provide the Standards and Governance Committee with a basis to review the proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that the audit is aligned to the Committee and Service's expectations.
2. The Plan sets out the proposed audit approach and scope of the work. It explains how key risks are assessed and outlines the planned audit strategy in response to those risks. It also reports the fee to be charged for this work.
3. The Annual Audit Letter in **Appendix 2** provides the Committee with a summary of the Audit findings for the year 2018/19. This has already been reported to the Committee, but this is the final formal letter issued by the External Auditors, who gave an unqualified opinion on the Authority's financial statements and concluded that it had put in place proper arrangements to secure value for money in the use of its resources.

### BACKGROUND

4. The Plan details the proposed work to be undertaken by Ernst & Young for the audit of the financial statements and the conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness. It details how the Plan is developed using a risk-based approach to audit planning. It sets out the method used to gain assurance on key controls, and how reliance is placed on the work of internal audit.

5. The Plan explains that a conclusion on the Authority's arrangements to secure economy, efficiency, and effectiveness will be produced, and details the criteria upon which this will be based.
6. Appendix 1 provides members with details of the communications that must be provided to those charged with the governance of the Authority.
7. The fee for the audit will be £27,893 as set out in Appendix 1. This is a scale fee and is the same as the original figure set for the 2018/19 audit. The final fee for 2018/19 is slightly higher due to extra work required by the auditors during the audit, but this has been disputed by the Authority and will need to be considered by PSAA before it can be agreed.
8. Appendix 2 provides a final formal version of the annual audit opinion for 2018/19. This has already been reported to Standards and Governance Committee in July last year, but this version is also being submitted for completeness.

#### SUPPORTING OUR SERVICE PLAN AND PRIORITIES

9. Good financial management is essential to enable the Service to achieve its plans and priorities. The audit results report provides external confirmation around the quality and content of the final accounts and the overall financial resilience of the Authority.

#### CONSULTATION

10. No consultation is required for this report as it is a purely factual document. However, as the report states, one of its purposes is to explain the communications required with the Standards and Governance Committee.

#### RESOURCE IMPLICATIONS

11. There are no direct resource implications contained within this report, but appropriate financial resources have been made available to fund the estimated cost of the 2018/19 audit fee of £27,893.

#### ENVIRONMENTAL AND SUSTAINABILITY IMPACT ASSESSMENT

12. There are no direct impacts on the environment because of this report.

#### LEGAL IMPLICATIONS

13. It is a legal requirement that the Statement of Accounts is approved by those charged with governance and is then independently signed off by external audit.

## PEOPLE IMPACT ASSESSMENT

14. There are no direct impacts on people because of this report.

## OPTIONS

15. This report deals with the audit plan and results report from the external auditor, there are therefore no options for consideration in this report.

## RISK ANALYSIS

16. Areas of risk are identified by the auditor as part of the planning process and examination of these areas form part of the formal audit and the results are reported in Appendix 1.

17. Page 5 of the Plan highlights the risk areas that will be examined, most of which are the same as in previous years. There is however an extra risk this year associated with one new Accounting Standard in respect leases which is due to come into force as part of the 2020/21 audit process.

## CONCLUSION

18. This paper provides the external audit plan and results report from the external auditor for consideration by members.

## RECOMMENDATIONS

That the Standards and Governance Committee:

19. Receives and considers the External Audit Plan for 2019/20 and considers any recommendations for the Full Authority.

20. Notes the final Annual Audit Letter for 2018/19.

## APPENDICES ATTACHED

21. Appendix 1 – Hampshire Fire and Rescue Authority Audit Planning Report 2019/20

22. Appendix 2 - Hampshire Fire and Rescue Authority Annual Audit Letter for the year ended 31 March 2019

Contact: Rob Carr, Chief Finance Officer, [Rob.Carr@hants.gov.uk](mailto:Rob.Carr@hants.gov.uk) 01962 847508

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A photograph of a meeting table with several white papers spread across it. Several hands are visible, pointing at different parts of the documents. A person in a yellow shirt is at the top of the frame, and another person in a white shirt is at the bottom. A smartphone is lying on the table near the bottom left. The background is a bright, out-of-focus office environment.

# Hampshire Fire and Rescue Authority Audit planning report

Year ended 31 March 2020

January 2020



Standards and Governance  
Committee  
Hampshire Fire & Rescue  
Authority  
Headquarters  
Leigh Road  
Eastleigh  
SO50 9SJ

7 January 2020

Dear Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Standards and Governance Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Authority and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Standards and Governance Committee, Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 2 March 2020 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kevin Suter

Associate Partner

For and on behalf of Ernst & Young LLP

# Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Standards and Governance Committee and management of Hampshire Fire & Rescue Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Standards and Governance Committee and management of Hampshire Fire & Rescue Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Standards and Governance Committee and management of Hampshire Fire & Rescue Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

# Overview of our 2019/20 audit strategy



# Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Standards and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

## Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk of focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Valuation of Land and Buildings	Inherent risk	No change in risk or focus.	The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
Pension Liability Valuation	Inherent Risk	No change in risk of focus	The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the County Council. The Authority's pension fund asset is a material estimated balance and the Code requires that this asset be disclosed on the Authority's balance sheet. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
New Accounting Standard	Inherent risk	New risk identified this year	IFRS 16 (leases) applies from 1 April 2020. The Authority needs to put in place arrangements to implement the new standard for the 2020/21 financial year, and to make necessary disclosures for forthcoming changes in accounting standards in its 2019/20 statement of accounts.

# Overview of our 2019/20 audit strategy

## Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- our audit opinion on whether the financial statements of Hampshire Fire and Rescue Authority give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and
- our conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness;

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Authority's Whole of Government Accounts return. Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards. When planning the audit we take into account several key inputs:

- strategic, operational and financial risks relevant to the financial statements;
  - developments in financial reporting and auditing standards;
  - the quality of systems and processes;
  - changes in the business and regulatory environment; and,
- management's views on all of the above.

By considering these inputs, our audit focuses on the areas that matter and our feedback is more likely to be relevant to the Authority.

We will provide an update to the Standards and Governance Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in July 2020.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 16 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these are relevant in the context of Hampshire Fire & Rescue Authority's audit, we will discuss these with management as to the impact on the scale fee

# Overview of our 2019/20 audit strategy

## Materiality

Planning  
materiality  
**£2.01m**

Planning Materiality has been set at £2.01m which represents 2% of 2018/19 gross expenditure

Audit  
differences  
**£0.1m**

We will report all uncorrected misstatements relating to primary statements greater than £100.633. Other misstatements identified will be communicated to the extent that they merit the attention of the Standards and Governance Committee.

Performance  
materiality  
**£1.51m**

Performance materiality has been set at £1.51m which represents 75% of Planning Materiality.



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# 02 Audit risks



## Our response to significant risks (continued)

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

<p><b>Misstatements due to fraud or error</b></p>	<p><b>What is the risk?</b></p>	<p><b>What will we do?</b></p>
<p><b>Financial statement impact</b></p> <p>Misstatements that occur in relation to the risk of fraud due to management override could affect a number of areas of the financial statements.</p>	<p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<ul style="list-style-type: none"> <li>▶ Inquiry of management about risks of fraud and the controls put in place to address those risks.</li> <li>▶ Understanding the oversight given by those charged with governance of management’s processes over fraud.</li> <li>▶ Consideration of the effectiveness of management’s controls designed to address the risk of fraud.</li> </ul> <p>Performing mandatory procedures regardless of specifically identified fraud risks, including:</p> <ul style="list-style-type: none"> <li>▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</li> <li>▶ Assessing accounting estimates for evidence of management bias, and</li> <li>▶ Evaluating the business rationale for significant unusual transactions.</li> </ul> <p>Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that no such procedures are required.</p>

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

### What is the risk/area of focus?

### What will we do?

#### Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Authority's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet..

We will:

- ▶ Consider the work performed by the Authority's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample testing key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2019-20 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test that accounting entries have been correctly processed in the financial statements.

#### Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require HFRA to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme (LGPS) administered by Hampshire County Council. The Authority must also do similar in respect of the Firefighters Pension Fund. The Firefighters pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the respective balance sheet. At 31 March 2019 this totalled £794 million.

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council and also the Firefighters Pension Fund. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

We will:

- ▶ Liaise with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Hampshire Fire & Rescue LGPS members;
- ▶ Assess the work of the Pension Fund actuary (Aon Hewitt) and the Firefighters pension actuary (also Aon Hewitt) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Review and test the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

## Audit risks

### Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

#### What is the risk/area of focus?

##### IFRS 16 Leases

This new accounting standard is applicable for local authority accounts from the 2020/21 financial year and will change:

- ▶ How operating leases are recognised (as lessee); and
- ▶ The disclosure requirements for operating leases (as lessee)

The 2020/21 Cipfa Code of practice on local authority accounting has not yet been issued. However, the Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new accounting standard, but one which has not yet been implemented.

#### What will we do?

We will:

- ▶ Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2020/21; and
- ▶ Review additional disclosure requirements.



03

Value for Money Risks





## Background

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019-20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

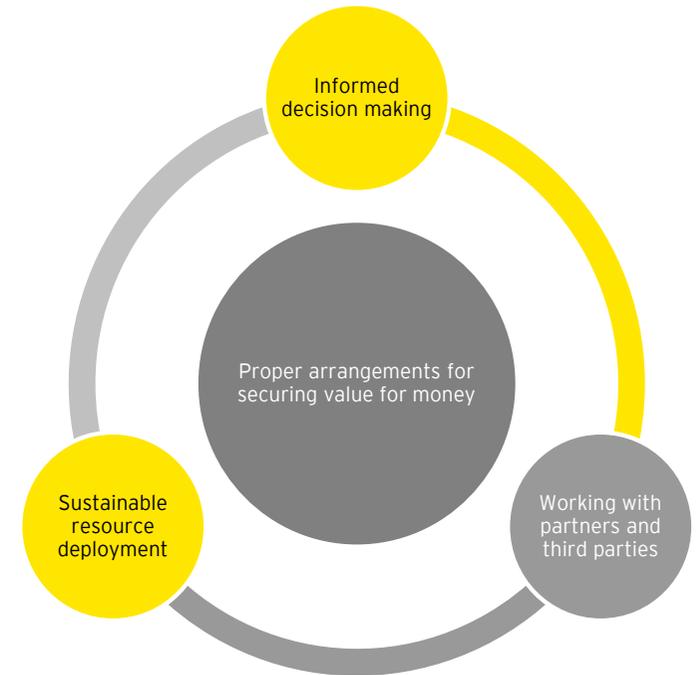
When considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of no significant risks which we view as relevant to our value for money conclusion. We will continue to update our risk assessment throughout the course of our audit.





04

Audit materiality



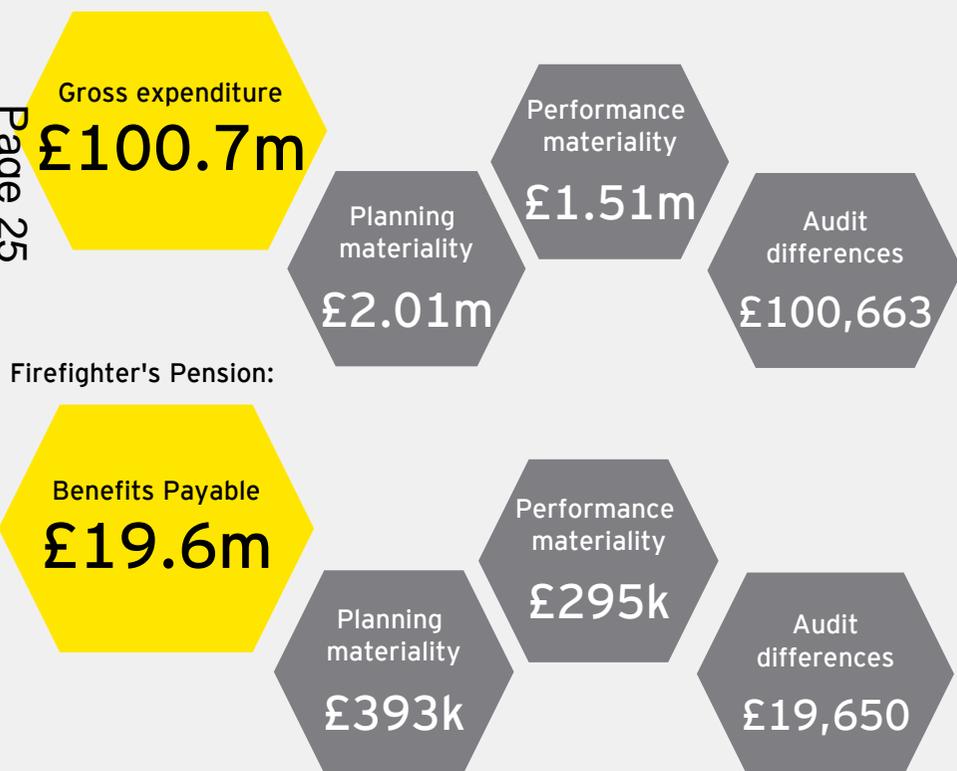
## Materiality

### Materiality

For planning purposes, materiality for 2019-20 has been set at £2.01m and £393k for the pension fund. This represents 2% of the Authority's gross expenditure, excluding the one off impact of Mc Cloud in 2018/10, and benefits payable respectively. It will be reassessed throughout the audit process and once the draft 2019-20 statements have been prepared. This is based on the rationale that's public sector organisation do not have a focus on earnings profits. We consider industry factors, and using gross revenue expenditure is the industry norm.

#### Main Statements:

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We request that the Standards and Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

### Key definitions

**Planning materiality** - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.51m for the primary statements and £295k for the Firefighters pension which represents 75% of planning materiality. We apply 75% when it is not an initial audit and we have a sound understanding of the entity and past experience with the engagement indicates that a higher risk of misstatement is unlikely.

**Audit difference threshold** - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and firefighters' pension fund financial statements that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statements or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Standards and Governance Committee, or are important from a qualitative perspective.

**Specific materiality** - We have set a materiality of £1k for officers and senior employees' remuneration and audit fees disclosures. This reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to these.



05

Scope of our audit



## Our Audit Process and Strategy

### Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Authority's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

#### 1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

#### Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

#### Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

#### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

## Our Audit Process and Strategy (continued)

### Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

Our initial assessment of the key processes across the Authority has identified the following key processes where we will seek to rely on controls, both manual and IT:

- ▶ Accounts receivable;
- ▶ Accounts payable;
- ▶ Payroll;
- ▶ Cash and Bank.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Standards and Governance Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan where they raise issues that could have an impact on the financial statements.



06

Audit team



# Audit team

## Audit team structure:

Kevin Suter\*  
Associate Partner

Sarah Croft  
Manager

Jack Dunkley  
Assistant Manager

Property  
Valuation Team

Pension  
Specialist

EY Real Estate  
Specialists as  
required

EY Actuaries

## Working together with the Authority

We are working together with officers to identify continuing improvements in communication and processes for the 2019/20 audit.

We will continue to keep our audit approach under review to streamline it where possible.

\* Key Audit Partner

## Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Pension valuation	Management Specialist - AoN Hewitt. EY Specialist - EY actuaries
PPE valuation	Management Specialist - Management's in-house valuation experts. EY Specialist - EY real estates will be used if our risk assessment of the PPE procedures deem this appropriate.

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Authority's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



**07** Audit timeline 



# Audit timeline

## Timetable of communication and deliverables

### Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019/20.

From time to time matters may arise that require immediate communication with the Standards and Governance Committee and we will discuss them with the Standards and Governance Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	November		
Walkthrough of key systems and processes	November - December		Audit Planning Report
Testing of routine processes and controls	December		
Testing of routine processes and controls	February		
Interim audit testing	February - March	Standards and Governance Committee	
Year end audit Audit Completion procedures	June/July	Standards and Governance Committee	Audit Results Report Audit opinions and completion certificates
Year end audit Audit Completion procedures	July - August	Standards and Governance Committee	Annual Audit Letter

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08

Independence



## Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

### Required communications

Planning stage	Final stage
<p>▶ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</p> <p>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</p> <p>The overall assessment of threats and safeguards;</p> <p>Information about the general policies and process within EY to maintain objectivity and independence.</p> <p>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard</p>	<p>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</p> <p>▶ Details of non-audit services provided and the fees charged in relation thereto;</p> <p>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</p> <p>▶ Written confirmation that all covered persons are independent;</p> <p>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</p> <p>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</p> <p>▶ An opportunity to discuss auditor independence issues.</p>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed

## Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

### Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Kevin Suter (AP), your audit engagement partner and the audit engagement team have not been compromised.

### Self interest threats

A self interest threat arises when EY has financial or other interests in the Authority. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non-audit fees to audit fees is not permitted to exceed 70%.

At the time of writing, there are no non-audit fees associated with Hampshire Fire & Rescue Authority. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

### Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

### Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Authority. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

## Relationships, services and related threats and safeguards

### Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

## Other communications

### EY Transparency Report 2019

EY & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2019 and can be found here:

[https://www.ey.com/en\\_uk/who-we-are/transparency-report-2019](https://www.ey.com/en_uk/who-we-are/transparency-report-2019)



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Appendices



## Appendix A

# Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2019-20 accounts of opted-in principal local government and police bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2019/20	Scale Fee 2019/20	Final Fee 2018/19
	£	£	£
Total Fee	TBC*	27,893	28,692**
Total audit	TBC*	27,893	28,692**

All fees exclude VAT

\* For 19/20 the scale fee may be impacted by a range of factors (see page 6), which we will update the committee on, as the audit progresses

\*\* the variation to 18/19 scale fee needs to be agreed with officers and subsequently approved by PSAA

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Authority; and
- ▶ The authority has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Authority in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

## Appendix B

### Required communications with the Standards and Governance committee

We have detailed in the table below the communications that we must provide to the Standards and Governance Committee.

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Standards and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report

## Appendix B

### Required communications with the Standards and Governance committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit results report	
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Corrected misstatements that are significant</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit results report	
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Standards and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	Audit results report	
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit results report	

# Required communications with the Standards and Governance committee(continued)

Required communications	 What is reported?	 When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in FRC's Ethical Standard 2016 (revised):</p> <ul style="list-style-type: none"> <li>▶ Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> <li>▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>▶ Details of any contingent fee arrangements for non-audit services</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The Standards and Governance Committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	<p>Audit planning report</p> <p>and</p> <p>Audit results report</p>

## Appendix B

### Required communications with the Standards and Governance committee(continued)

			 Our Reporting to you
Required communications	 What is reported?	  When and where	
External confirmations	<ul style="list-style-type: none"> <li>▶ Management’s refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit results report	
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Standards and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Standards and governance committee may be aware of</li> </ul>	Audit results report	
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit results report	
Representations	Written representations we are requesting from management and/or those charged with governance	Assurance Letter	
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report	
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor’s report</li> </ul>	Audit results report	

## Additional audit information

### Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

#### Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal controls.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Authority to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Standards and Governance Committee reporting appropriately addresses matters communicated by us to the Standards and Governance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

## Additional audit information (continued)

### Purpose and evaluation of materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit, we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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# Hampshire Fire and Rescue Authority

Annual Audit Letter for the year  
ended 31 March 2019

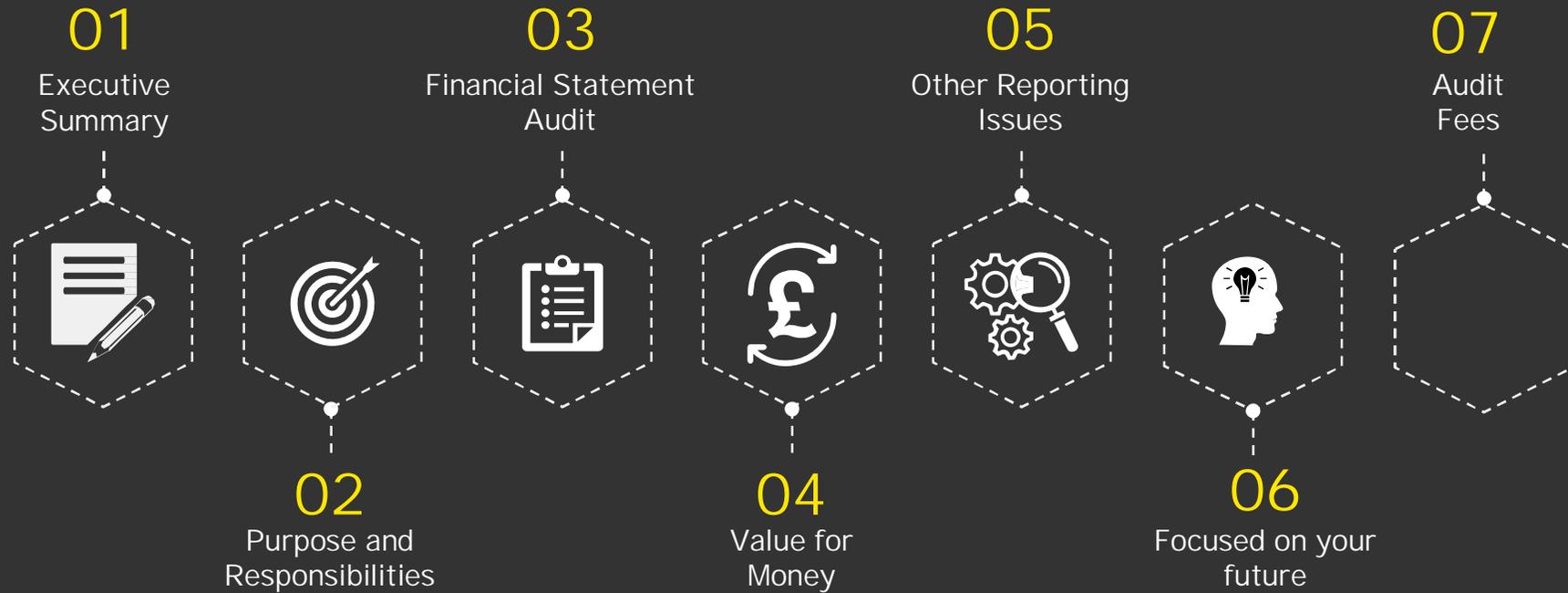
August 2019

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y'.

Building a better  
working world

# Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

# Executive Summary



# Executive Summary

We are required to issue an annual audit letter to Hampshire Fire and Rescue Authority (the Authority) following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Authority's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
Concluding on the Authority's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

Area of Work	Conclusion
Reports by exception:	
Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Authority.
Public interest report	We had no matters to report in the public interest.
Written recommendations to the Authority, which should be copied to the Secretary of State	We had no matters to report.
Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Authority's Whole of Government Accounts return (WGA).	The Authority is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the consolidation pack.

Area of Work	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 12 July 2019.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	We have issued our audit completion certificate on 21 August 2019.

We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work.

Maria Grindley  
Associate Partner  
For and on behalf of Ernst & Young LLP



## 02 Purpose and Responsibilities

# Purpose and Responsibilities

## The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Authority.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the 23 July 2019 Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Authority.

## Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we issued 4 January 2019 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

▶ Expressing an opinion:

- ▶ On the 2018/19 financial statements, including the pension fund; and
- ▶ On the consistency of other information published with the financial statements.

▶ Forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources.

▶ Reporting by exception:

- ▶ If the annual governance statement is misleading or not consistent with our understanding of the Authority;
- ▶ Any significant matters that are in the public interest;
- ▶ Any written recommendations to the Authority, which should be copied to the Secretary of State; and
- ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return.

## Responsibilities of the Authority

The Authority is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Authority reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

Financial Statement Audit

## Key Issues

The Authority's Statement of Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Authority and Pension Fund's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an [un]qualified audit report on 25 July 2019.

Our detailed findings were reported to the 23 July 2019 Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Misstatements due to fraud or error</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>The risk of management override at the Authority is mainly through the possibility that management could override controls and manipulate in-year financial transactions that have an impact on the General Fund's medium to longer-term projected financial position.</p> <p>The risk is focused in non-routine transactions as they are not protected by system controls and the robust segregation of duties in routine transactions. These non-routine and estimation transactions are also more subjective and therefore more susceptible to management override. We are specific that at the Authority, this risk only manifests itself in any estimates and judgements that impact the General Fund.</p>	<p>We enquired of management about risks of fraud and the controls put in place to address those risks.</p> <p>We gained an understanding of the oversight given by those charged with governance of management's processes over fraud.</p> <p>We performed mandatory procedures, including:</p> <ul style="list-style-type: none"> <li>• Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</li> <li>• Assessing accounting estimates for evidence of management bias; and</li> <li>• Evaluating the business rationale for significant unusual transactions.</li> </ul> <p>We utilised our data analytics capabilities to assist with our work, including carrying out testing on the Income and Expenditure accounts, and journal entry testing. We assessed journal entries for evidence of management bias and evaluate for business rationale.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside of the Authority's normal course of business</p>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Risks	Conclusion
<p>Implementation of IFRS 9 IFRS 9 financial instruments This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"><li>• How financial assets are classified and measured;</li><li>• How the impairment of financial assets are calculated; and</li><li>• The disclosure requirements for financial assets.</li></ul> <p>There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.</p>	<p>There were a number of conversations with management over the option to irrevocably elect to account for equity instruments at fair value through other comprehensive income (FVOCI) and specifically that the strategic pooled funds that HFRA hold meet the definition of an equity instrument. The client accepted EY's position and subsequently processed an adjustment to show these assets as FV through Profit &amp; Loss.</p>
<p>Implementation of IFRS 15 IFRS 15 Revenue from contracts with customers This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. The 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised. The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.</p>	<p>We completed our review of the IFRS 15 assessment and agreed with the conclusions reached by the Authority.</p>

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# Financial Statement Audit (cont'd)

Other Risks	Conclusion
<p>Valuation of land and buildings</p> <p>The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>The Council's PPE is valued by the internal Valuers.</p> <p>We reviewed the instructions and data provided to the valuer by the Authority. We identified no issues.</p> <p>We reviewed the classification and valuation methods used and identified no issues.</p> <p>Our review of accounting entries at period end and those journals made in processing valuation adjustments did not reveal any instances of management intention to misreport the financial position.</p> <p>Our testing of assets not revalued in the year resulted in an adjustment that was processed by management.</p>
<p>Pension Liability Valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council.</p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2019 this totalled £780 million.</p> <p>The information disclosed is based on the IAS 19 report issued to the Authority by the Actuary to the County Council and the Firefighter Pension Fund.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We assessed and are satisfied with the competency and objectivity of the Pension Fund's actuaries: Aon Hewitt.</p> <p>EY pensions team and PwC (Consulting Actuary to the NAO) have reviewed the work of the actuaries. We challenged the actuarial valuation and found no indication of management bias in this estimate.</p> <p>Our review of accounting entries at period end and those journals made in processing valuation adjustments did not reveal any instances of management intention to misreport the financial position.</p>

### Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £2m (2017/18: £2m), which is 2% of gross revenue expenditure reported in the accounts We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £100k (2017/18: £100k).

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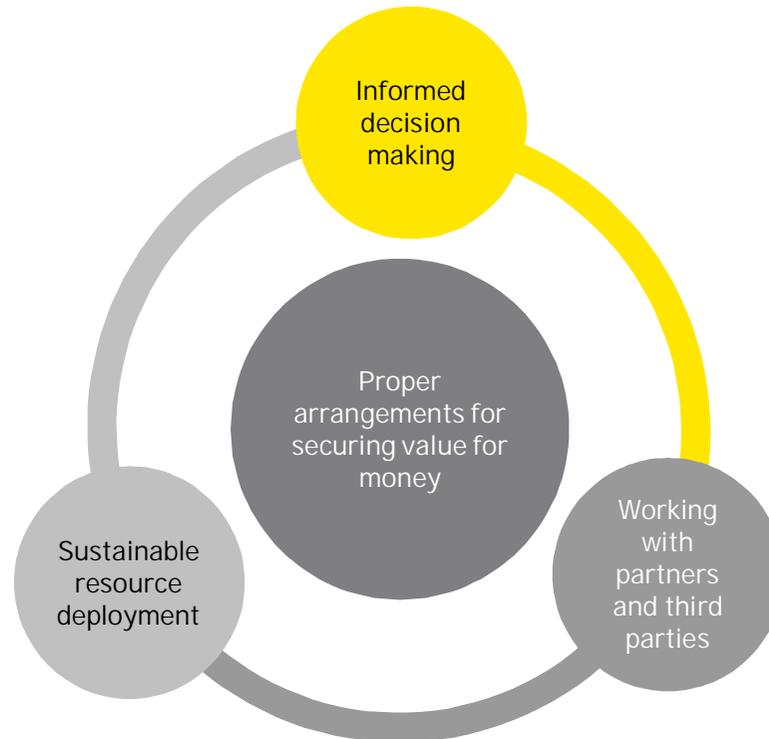


# 04 Value for Money

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.



We did not identify any significant risks in relation to these criteria.

We have performed the procedures outlined in our audit plan to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We did not identify any significant weaknesses in the Authority's arrangements.

We therefore issued an unqualified value for money conclusion on 25 July 2019.



05

## Other Reporting Issues



## Other Reporting Issues

### Whole of Government Accounts

The Authority is below the specified audit threshold of £500m. Therefore, we did not perform any audit procedures on the consolidation pack.

### Annual Governance Statement

We are required to consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

### Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Authority or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.



## Other Reporting Issues (cont'd)

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### Objections Received

We did not receive any objections to the 2018/19 financial statements from members of the public.

### Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

### Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 23 July 2019. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

### Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit. Our audit did not identify any controls issues to bring to the attention of the Audit Committee.



## 06 Focused on your future



## Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Authority will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Authority must therefore ensure that all lease arrangements are fully documented.</p>
IASB Conceptual Framework	<p>The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>This introduces;</p> <ul style="list-style-type: none"> <li>- new definitions of assets, liabilities, income and expenses</li> <li>- updates for the inclusion of the recognition process and criteria and new provisions on derecognition</li> <li>- enhanced guidance on accounting measurement bases</li> <li>- enhanced objectives for financial reporting and the qualitative aspects of financial information.</li> </ul> <p>The conceptual frameworks is not in itself an accounting standard and as such it cannot be used to override or disapply the requirements of any applicable accounting standards.</p> <p>However, an understanding of concepts and principles can be helpful to preparers of local authority financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.</p>	<p>It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements.</p> <p>However, Authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.</p>



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# 07 Audit Fees

## Audit Fees

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Our fee for 2018/19 is in line with the scale fee set by the PSAA and reported in our 04 January 2019 Audit Plan.

	Final Fee 2018-19	Planned Fee 2018-19	Final Fee 2017/18	Planned Fee 2017/18
	£	£	£	£
Total Audit Fee – Code work	TBC*	27,893	36,225	36,225

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All fees exclude VAT

\*The final fee for the audit has yet to be concluded. Once we have concluded, we will discuss any additional fees with key contacts and also these will be subject to review by PSAA Ltd.

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**HAMPSHIRE  
FIRE AND  
RESCUE  
AUTHORITY**

Standards and Governance Committee

Purpose: Noted

Date: 2 March 2020

Title: **INTERNAL AUDIT PROGRESS REPORT 2019/20**

Report of Chief Internal Auditor

## SUMMARY

1. The purpose of this paper is to provide the Standards and Governance Committee with:
  - an overview of internal audit work completed in accordance with the approved audit plan;
  - an overview of the status of 'live' reports.

## BACKGROUND

2. The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:  
*'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.*
3. In accordance with proper internal audit practices and the Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to the Standards and Governance Committee, summarising:
  - the status of 'live' internal audit reports;
  - an update on progress against the annual audit plan;
  - a summary of internal audit performance, planning and resourcing issues; and
  - a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.
4. The attached report summarises the activities of internal audit for the period ending January 2020.

## SUPPORTING OUR SERVICE PLAN AND PRIORITIES

5. The Internal Audit Plan is designed to validate the assurance and control framework which exists in the Authority and across the Service. Secure management processes including risk and performance management are important in ensuring that the Authority's plans are achieved.

## RESOURCE IMPLICATIONS

6. The 2019/20 plan was prepared on the basis of audit need and agreed with senior managers and endorsed by Hampshire Fire and Rescue Authority, following comprehensive risk assessment. The cost is reflected in the Authority's budget.
7. The audit plan will remain fluid to enable us to react to the changing needs of Hampshire Fire and Rescue Authority.

## ENVIRONMENTAL AND SUSTAINABILITY IMPACT ASSESSMENT

8. Proposals have no environmental or sustainability impacts.

## LEGAL IMPLICATIONS

9. There are no legal implications arising from this report.

## EQUALITY IMPACT ASSESSMENT

10. The proposals in this report are considered compatible with the provisions of the equality and human rights legislation.

## RISK ANALYSIS

11. The risk based approach to internal audit planning and reviews aims to ensure that internal audit resource focuses on key business risks and as such the Authority's risk register has been used to inform the planning process and ensure that key risks are reflected in planned work.

## CONCLUSION

12. **Appendix A** outlines the progress made in delivering the internal audit plan for 2019/20 and the issues arising to date. The plan remains on schedule for completion to enable the annual internal audit opinion to be provided to support the Annual Governance Statement.

RECOMMENDATION

13. That the progress in delivering the internal audit plan for 2019/20 and the outcomes to date be noted by Hampshire Fire and Rescue Authority Standards and Governance Committee.

APPENDICES ATTACHED

14. Appendix A: Internal audit progress report 2019/20

Contact:

Karen Shaw, Chief Internal Auditor, 01962 846194, Karen.Shaw@hants.gov.uk

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## Internal Audit Progress Report

March 2020

Hampshire Fire and Rescue Authority:  
Standards and Governance Committee



# Southern Internal Audit Partnership

Assurance through excellence  
and innovation

**Contents:**

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## 1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

***‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’***

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards, updated in 2017, [the Standards].

The role of internal audit is best summarised through its definition within the Standards, as an:

***‘Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.***

Hampshire Fire and Rescue Authority is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising Hampshire Fire and Rescue Authority that these arrangements are in place and operating effectively.

Hampshire Fire and Rescue Authority’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

## 2. Purpose of report

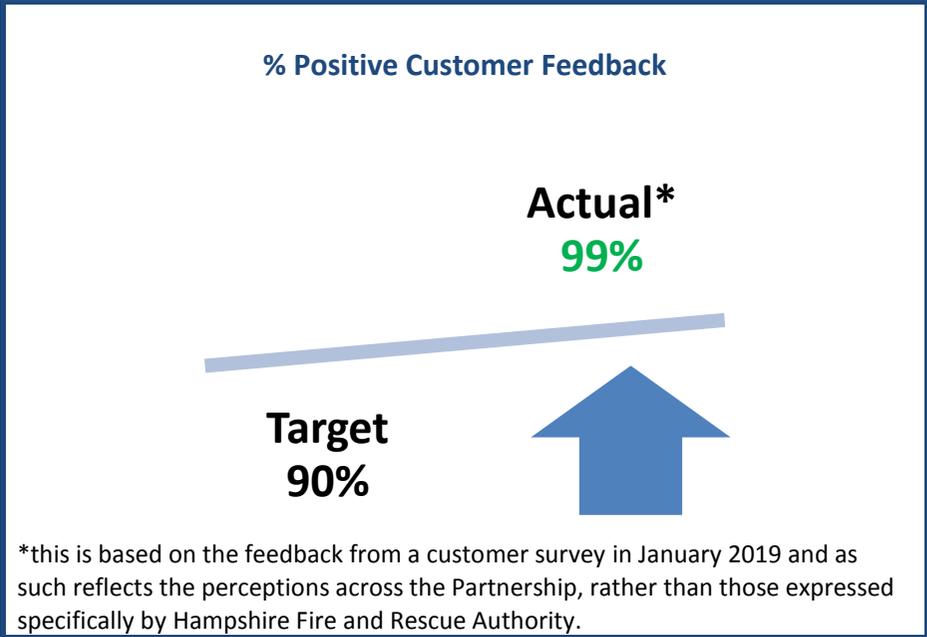
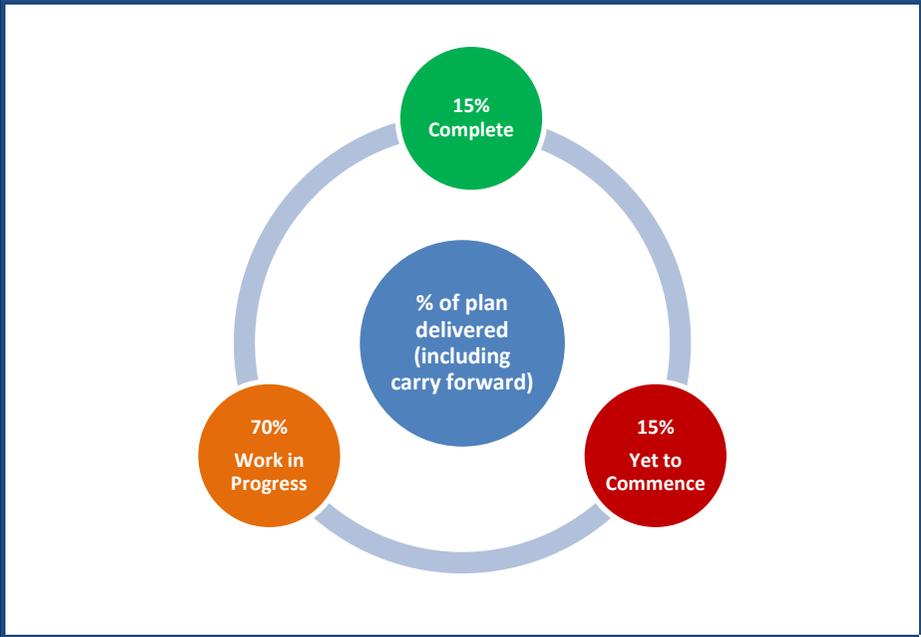
In accordance with proper internal audit practices (Public Sector Internal Audit Standards) and the Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to Senior Management and the Board, summarising:

- The status of live internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

<b>Substantial</b>	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified.
<b>Adequate</b>	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
<b>Limited</b>	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
<b>No</b>	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives.

3. Performance dashboard



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Compliance with Public Sector Internal Audit Standards / Local Government Application Note	
	<p>An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:</p>

*'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to **all** of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).*

#### 4. Status of 'Live' Reports and reports closed since our last progress report

Audit Review	Report Date	Audit Owner	Exec Sponsor	Assurance Opinion	Management Actions ('High Priority')				
					Reported	Not Accepted	Pending	Cleared	Overdue
<b>2015/16</b>									
Business Continuity	7.6.16	H of P&P	DCFO	Limited	12 (3)	0 (0)	0 (0)	7 (3)	5 (0)
<b>2017/18</b>									
Safeguarding	15.06.18	A D of O	D of O	Limited	17 (11)	0 (0)	0 (0)	15 (9)	2 (2)
CIPFA Counter Fraud Assessment	02.04.19	FBP	CFO	N/A	4 (2)	0 (0)	0 (0)	4 (2)	0 (0)
<b>2018/19</b>									
Contract Management	10.01.19	SRM	D of CS	Limited	9 (3)	0 (0)	0 (0)	9 (3)	0 (0)
Business Continuity (IT)	21.01.19	H of ICT	D of CS	Limited	10 (8)	0 (0)	0 (0)	10 (8)	0 (0)
Resource Management	16.05.19	H of P&OD	CFO	Limited	13 (8)	0 (0)	1(0)	11 (8)	1 (0)
Pay Claims	16.05.19	H of F	CFO	Limited	17 (0)	0 (0)	0 (0)	4 (0)	13 (0)

Audit Review	Report Date	Audit Owner	Exec Sponsor	Assurance Opinion	Management Actions ('High Priority')				
					Reported	Not Accepted	Pending	Cleared	Overdue
Cyber Security	23.05.19	H of ICT	D of CS	Limited	9 (8)	0 (0)	0 (0)	9 (8)	0 (0)
IT Strategy	23.05.19	H of ICT	D of CS	Limited	7 (4)	0 (0)	0 (0)	7 (4)	0 (0)
Data Quality – IT Asset Management Data	28.05.19	H of ICT	D of CS	Limited	10 (0)	0 (0)	0(0)	10 (0)	0 (0)
GDPR	14.06.19	G & CM	D of CS	Limited	5 (3)	0 (0)	0 (0)	5 (3)	0 (0)
Health and Safety	30.08.19	H&S Mgr	D of P&P	Adequate	2 (0)	0 (0)	0 (0)	2 (0)	0 (0)

**5. Executive Summaries of new reports published concluding a Limited or No assurance opinion**

No reports with a limited opinion have been issued since our last progress report.

**6. Planning & Resourcing**

The internal audit plan for 2019/20 was approved by the Hampshire Fire and Rescue Service Executive Group and the Standards and Governance Committee in June 2019.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of Hampshire Fire and Rescue Authority. Progress against the plan is detailed within section 7.

There has been one variation to the plan with the addition of a review of Academy Quality Assurance Processes.

## 7. Rolling Work Programme

Audit Review	Audit Owner	Exec Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ↻ Delay)	Comment
<b>Shared Services audit plan 2018/19</b>										
ICT – User Access Management										This review has been superseded by assurances acquired through the ISAE 3402.
Sick Pay			✓	✓	✓	✓	25.06.19	HRFS - Limited		
Commercial Waste Contract Management			✓	✓	✓	✓	31.10.19	Limited		

Audit Review	Audit Owner	Exec Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule R Delay)	Comment
<b>Fire Audit Plan 2019/20</b>										
Local Management of Shared Service Processes	SRM	D of CS	✓							Q4
Risk Management	H of P&P	D of P&P	✓	✓						Testing March 2020
Disaster Recovery and Business Continuity	H of P&P	D of P&P	✓	✓	✓	✓	16.01.20	Position Statement		
Health and Safety	H&S Mgr	D of P&P	✓	✓	✓	✓	30.08.19	Adequate		
Procurement Processes	SRM/FBP	H of F	✓	✓	✓	✓				Draft issued 20.01.20
Academy Training	H Of A & OD	H of P&OD	✓	✓	✓	✓				Draft issued 13.02.20
Proactive Fraud	H of P&OD	H of F	✓							Briefing sessions being

Audit Review	Audit Owner	Exec Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⌚ Delay)	Comment
										arranged for March / April 2020
Special Investigation	H of P&OD	H of F	✓	✓	✓	✓	5.12.19			
National Fraud Initiative	N/a	H of F	N/A	N/A	✓					
IT Disaster Recovery and Business Continuity	H of ICT	D of CS	✓							
IT Follow Up	H of ICT	D of CS								Q4
Follow up - general										Q4
<b>Shared Services Audit Plan 2019/20</b>										
Governance Arrangements			✓							
IR35			✓							
Disclosure and Barring Service			✓	✓	✓					

Audit Review	Audit Owner	Exec Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⌚ Delay)	Comment
Success Factors			✓	✓	✓					
Treasury Management			✓	✓	✓	✓	12.02.20	Substantial		
Master Data Team			✓	✓						
Payroll-pensions admin			✓	✓						
Procurement			✓	✓						
Building term contract management			✓	✓	✓					

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Key to abbreviations:	
CFO	Chief Fire Officer
DCFO	Deputy Chief Fire Officer

H of F	Head of Finance
D of CS	Director of Corporate Services
D of P&P	Director of Policy and Planning
H of P&OD	Head of People and Organisational Development
D of P&A	Director of Performance and Assurance
D of O	Director of Operations
A D of O	Assistant Director of Operations - Prevention, Protection, Response, Blue light collaboration
H of P	Head of Performance
FBP	Finance Business Partner
G&CM	Governance and Compliance Manager
H of ICT	Head of ICT
H&S Mgr	Health and Safety Manager
H of P&P	Head of Policy & Planning
SRM	Strategic Relationship Manager
H Of A & OD	Head of Academy and Organisational Development
N/A	Not applicable

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**HAMPSHIRE  
FIRE AND  
RESCUE  
AUTHORITY**

Standards and Governance Committee

Purpose: Approval

Date: 2 March 2020

Title: **INTERNAL AUDIT CHARTER AND INTERNAL AUDIT PLAN 2020/21**

Report of Chief Internal Auditor

## SUMMARY

1. The purpose of this paper is to provide the Standards and Governance Committee with a copy of the Internal Audit Charter and the proposed 2020/21 internal audit plan for Hampshire Fire and Rescue Authority. These are attached as appendices.

## INTERNAL AUDIT CHARTER

2. An Internal Audit Charter, meeting the requirements of the Public Sector Internal Audit Standards has been in place since 2014 and has since been reviewed and approved annually by the Standards and Governance Committee.
3. The Internal Audit Charter for 2020/21 is attached as **Appendix A** for consideration. There have been no changes since the Standards and Governance Committee last reviewed the Charter in 2019.

## INTERNAL AUDIT PLAN

4. The internal audit plan for 2020/21, which has been prepared in accordance with the Internal Audit Charter and discussed at liaison meetings with Hampshire Fire and Rescue Service officers, is attached at **Appendix B** for consideration.
5. The plan will remain flexible during the year to ensure that planned reviews continue to reflect the risk profile and to enable coverage of emerging risks as required.
6. The approach to providing assurance over shared services with Hampshire County Council, Hampshire Constabulary and the Police and Crime Commissioner for Hampshire changed with effect from 1 April 2019 and details are outlined in Appendix B. Shared Services - International Standard on Assurance Engagements ISAE 3402 has been developed to provide an international assurance standard for allowing public bodies to issue a report for use by user organisations and their auditors (user

auditors) on the controls at a service organisation that are likely to impact or be a part of the user organisation's system of internal control over financial reporting. This Standard provide assurance over many of the areas previously included in the internal audit plan. Assurance against the international standard is provided by Ernst & Young.

7. The Southern Internal Audit Partnership will continue to provide assurance to the Hampshire Fire and Rescue Authority and partner organisations for those systems and process outside of the scope of the ISAE 3402 through the shared internal audit plan. All partner organisations contribute audit days to this plan which is also reported in Appendix B for information. An internal audit protocol for this work has been agreed with partner and shared services management.

#### EXTERNAL AUDIT LIAISON

8. In the past we have had liaison meetings with the external auditors to discuss national and local audit issues, ensure that duplication is minimised and that reporting to committee is co-ordinated as far as possible. We propose that this arrangement continues in 2020/21 and beyond.

#### SUPPORTING OUR SERVICE PLAN AND PRIORITIES

9. The Internal Audit Plan is designed to validate the assurance and control framework which exists in the Authority and across the Service. Secure management processes including risk and performance management are important in ensuring that the Authority's plans are achieved.

#### RESOURCE IMPLICATIONS

10. The cost of internal audit services is reflected in the Authority's budget.
11. The audit plan will remain fluid to enable us to react to the changing needs of Hampshire Fire and Rescue Authority.

#### ENVIRONMENTAL AND SUSTAINABILITY IMPACT ASSESSMENT

12. Proposals have no environmental or sustainability impacts.

#### LEGAL IMPLICATIONS

13. Proposals have no legal implications.

#### EQUALITY IMPACT ASSESSMENT

14. The proposals in this report are considered compatible with the provisions of the equality and human rights legislation.

#### OPTIONS

15. To approve or not approve the Internal Audit Charter and the 2020/21 internal audit plan for Hampshire Fire and Rescue Authority.

16. Approving the Charter and internal audit plan will ensure that HFRA receives assurance on the Service's key business risks and will enable the Authority to provide scrutiny through audit review findings (and progress against associated management actions) and the annual assurance opinion.

#### RISK ANALYSIS

17. The risk based approach to internal audit planning and reviews aims to ensure that internal audit resource focuses on key business risks and as such feedback from risk management discussions have been used to inform the planning process and ensure that key risks are reflected in planned work.

#### CONCLUSION

18. The risk based approach to internal audit planning and reviews is a crucial assurance mechanism for both the Authority and the Service. The proposed audit plan has been developed in collaboration and consultation with HFRS management and covers a range of thematic areas of the Service's directorates.

#### RECOMMENDATION

19. That the Standards and Governance Committee approves the Internal Audit Charter and the 2020/21 internal audit plan for Hampshire Fire and Rescue Authority.

#### APPENDICES ATTACHED

20. Appendix A – Internal Audit Charter
21. Appendix B – Internal Audit Plan 2020/21

Contact:

Karen Shaw, Chief Internal Auditor, 01962 846194, Karen.Shaw@hants.gov.uk

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## Hampshire Fire and Rescue Authority

### Internal Audit Charter

#### Introduction

The Public Sector Internal Audit Standards, which took effect from the 1 April 2013, provide a consolidated approach to audit standards across the whole of the public sector providing continuity, sound corporate governance, and transparency.

The 'Standards' form part of the wider mandatory elements of the International Professional Practices Framework (IPPF) which also includes the mission; core principles; definition of internal audit; and Code of Ethics.

The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'. The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority, and responsibility.

Hampshire Fire and Rescue Authority assume a Key Stakeholder role within the Southern Internal Audit Partnership (SIAP). The SIAP currently provides internal audit services to a wide portfolio of public sector clients (Annex 1) through a variety of partnership and sold service delivery models.

#### Mission and Core Principles

The IPPF 'Mission' aims *'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'*

The 'Core Principles' underpin delivery of the IPPF mission, requiring that the internal audit function:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.

- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

### **Authority**

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

*‘undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’*

The standards for ‘proper practices’ in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2013 which were updated in 2017 [the Standards].

### **Purpose**

Hampshire Fire and Rescue Authority is responsible for establishing and maintaining appropriate arrangements for:

- risk and performance management;
- assurance and control frameworks including anti-fraud and whistleblowing;
- financial management;
- achieving effectiveness and securing value for money; and
- governance.

The purpose of internal audit is to provide reasonable assurance to Hampshire Fire and Rescue Authority that necessary arrangements are in place and operating effectively, and to identify risk exposures and areas where improvements can be made.

Internal Audit activity should support Hampshire Fire and Rescue Authority in maintaining and improving the overall control / assurance framework, to assist with the achievement of the organisation’s vision, service plan, and intention to be the best.

It will do this through:

- Assurance work - which involves assessing how well the systems and processes are designed and working.
- Consulting activities - available to help to improve those systems and processes where necessary.
- Adding value - by sharing learning opportunities and improvements based on knowledge of best practice across the public sector.

The role of Internal Audit is best summarised through its definition within the Standards, as an:

*‘independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its*

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*objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes’.*

## **Definitions**

In this charter the following definitions apply:

*The Board* – the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment, and the integrity of financial reporting. For Hampshire Fire and Rescue Authority this is the Standards and Governance Committee.

*Senior Management* – those responsible for the leadership and direction of Hampshire Fire and Rescue Service. This is the Executive Group.

## **Responsibility**

The responsibility for maintaining an adequate and effective system of internal audit within Hampshire Fire and Rescue Authority lies with the Authority’s Finance Director (S151 Officer).

The Authority and its Members must also be satisfied about the adequacy of the advice and support it receives.

For Hampshire Fire and Rescue Authority, internal audit is provided by the Southern Internal Audit Partnership.

The Chief Internal Auditor (Deputy Head of Southern Internal Audit Partnership) is responsible for effectively managing the internal audit activity in accordance with the ‘Mission’, ‘Core Principles’, ‘Definition of Internal Auditing’, the ‘Code of Ethics’ and ‘the Standards’.

Senior management is responsible for ensuring that internal control, risk management and governance arrangements are sufficient to address the risks facing the delivery of the vision and service plan objectives agreed for Hampshire Fire and Rescue Authority.

Accountability for responding to internal audit’s advice lies with senior management, who either accept and implement the advice, or formally reject it. Audit advice is without prejudice to the right of internal audit to review the policies, procedures, and operations at a later date.

The Chief Internal Auditor must be satisfied that senior management accept accountability for, and provide an adequate response to, issues raised through internal audit’s work. When the Chief Internal Auditor is not satisfied, the matter will be escalated to the audit sponsor, the Finance Director, the Director of Performance and Assurance, Chief Officer or Standards and Governance Committee as appropriate.

## **Position in the organisation**

The Chief Internal Auditor reports functionally to the Board, and organisationally to the Finance Director who has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal

financial control and proper financial administration of Hampshire Fire and Rescue Authority's affairs.

The Chief Internal Auditor has direct access to the Chief Officer who carries the responsibility for the proper management of Hampshire Fire and Rescue Service and for ensuring that the principles of good governance are reflected in sound management arrangements.

The Chief Internal Auditor has direct access to Hampshire Fire and Rescue Authority's Monitoring Officer where matters arise relating to the Chief Officer's responsibility, legality, and standards.

Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of Hampshire Fire and Rescue Authority and in particular those who serve on committees charged with governance (i.e. the Standards and Governance Committee).

The Chief Internal Auditor will meet regularly with the external auditors to consult on audit plans, discuss matters of mutual interest and to seek opportunities for cooperation in the conduct of audit work. The external auditors will have the opportunity to take account of the work of internal audit where appropriate.

Quarterly liaison meetings are held with the Finance Director, Director of Performance and Assurance and Head of Performance to facilitate discussion of key risks to ensure that internal audit plans continue to meet the needs of Hampshire Fire and Rescue Authority and to review the delivery of the plan and any issues arising from the reviews.

### **Internal audit resources**

The Chief Internal Auditor will be professionally qualified (CMIIA, CCAB, or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with Members, senior management and other professionals.

The Finance Director will provide the Chief Internal Auditor with the resources necessary to fulfil Hampshire Fire and Rescue Authority's requirements and expectations as to the robustness and scope of the internal audit opinion.

The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications, and experience required to deliver the audit strategy and operational audit plan.

The annual operational plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources.

Senior Management and the Board will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

The annual operational plan will be submitted to senior management and the Board, for approval. The Chief Internal Auditor will be responsible for delivery of the plan.

The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of Hampshire Fire and Rescue Authority.

Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed, and reported to senior management and the Board.

If the Chief Internal Auditor, the Board, or Senior Management considers that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the Finance Director, accordingly.

### **Independence and objectivity**

Internal auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased, and effective professional judgements and advice.

Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others.

To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- retains no executive or operational responsibilities;
- operates in a framework that allows unrestricted access to senior management and the Board;
- reports functionally to the Board;
- reports in their own name;
- rotates responsibilities for audit assignments within the internal audit team;
- completes individual declarations confirming compliance with rules on independence, conflicts of interest and acceptance of inducements; and
- ensures the planning process recognises and addresses potential conflicts of interest through internal audit staff not undertaking an audit for at least two years in an area where they have had previous operational roles.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to Senior Management and the Board. The nature of the disclosure will depend upon the impairment.

### **Due professional care**

Internal auditors will perform work with due professional care, competence, and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge, and judgement based on appropriate training, ability, integrity, objectivity, and respect.

Internal auditors will apprise themselves of the *'Mission'*, *'Core Principles'*, *'Definition of Internal Auditing'*, the *'Code of Ethics'* and the *'Standards'* and will work in accordance with them in the conduct of their duties.

Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption, or improper conduct are promptly reported to the Chief Internal Auditor in accordance with laid down procedures.

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained in the course of internal audit work will not be used to affect personal gain.

### **Access to relevant personnel and records**

In carrying out their duties, internal audit (on production of identification) shall have unrestricted right of access to all records, assets, personnel and premises, belonging to Hampshire Fire and Rescue Authority or its key delivery partner organisations, where appropriate authority has been provided in the relevant agreements.

Internal audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand and not subject to prior notice.

### **Scope of Internal Audit activities**

The Chief Internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by Hampshire Fire and Rescue Authority to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management, and control.

A range of internal audit services are provided (Annex 2) to form the annual opinion. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisation's success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

In accordance with the annual audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls. Additionally, proactive fraud reviews will be incorporated within the plan to deter and detect fraud, covering known areas of high risk.

Managers are required to report all suspicions of theft, fraud and irregularity to the Chief Internal Auditor so that they can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. Internal audit will not carry out investigations unless commissioned to do so and where this is the case, the Chief Internal Auditor will ensure that investigators are fully trained in carrying out their responsibilities.

Internal audit also facilitate Hampshire Fire and Rescue Authority's participation in the National Fraud Initiative (NFI) in which data from Hampshire Fire and Rescue Authority's main systems are matched with data supplied from other Local Authorities and external agencies to detect potential fraudulent activity.

Where appropriate Internal audit will also use their experience of working with other public sector clients to identify areas of best practice and learning opportunities that may assist Hampshire Fire and Rescue Authority review and improve the efficiency of their own processes and control framework.

## **Reporting**

### ***Chief Internal Auditor's Annual Report and Opinion***

The Chief Internal Auditor shall deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit report and opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management, and control.

The annual report will incorporate as a minimum:

- The opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

### ***Senior Management***

As those responsible for the leadership and direction of Hampshire Fire and Rescue Service it is imperative that the Executive Group is engaged in:

- approving the internal audit charter (minimum annually);
- approving the risk based internal audit plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations; and
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance.

### ***The Standards and Governance Committee (The Board)***

Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to the Board. Such reporting will include:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- approving the internal audit budget and resource plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters, including the annual report and opinion;

- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations;
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance; and
- approval of significant consulting services not already included in the audit plan, prior to acceptance of the engagement.

### **Quality assurance and performance monitoring**

The internal audit team will work to the Public Sector Internal Audit Standards to maintain consistency in service provision. This requirement will be enforced through appropriate supervision and supervisory/management review of all audit working papers, action plans and audit reports.

An annual satisfaction survey will be conducted with key stakeholders to assess the value of the service and to seek suggestions for improvement.

In addition, in line with the Standards:

- an annual self assessment will be completed by internal audit against the Standards;
- an external assessment of internal audit will also be conducted at least once every five years by an external, qualified, independent assessor or assessment team; and
- to enable senior management and the Standards and Governance Committee to formally monitor the performance of the internal audit service, a set of key performance indicators will be agreed. Details of actual delivery against these targets will be reported to senior management and the Standards and Governance Committee.

### **Ownership of documentation**

Internal audit files and working papers, which address compliance with the Standards, are the property of Hampshire Fire and Rescue Authority.

Internal audit's data retention policy on the archiving and secure destruction of audit files requires that all audit files are retained for a period of four years (three plus the current) except for those papers used in the course of a fraud investigation which will be retained for a period of six years after legal proceedings have been completed. An annual programme is in place for the secure destruction of files once these time frames have elapsed.

### **Indemnity and Insurance**

Internal Audit's professional indemnity cover is provided through a third party insurer and is sufficient to meet all eventualities in respect of external contract arrangements up to the sum of £5 million. Southern Internal Audit Partnership will indemnify Hampshire Fire and Rescue Authority against claims and costs arising from its negligence or wilful breach of any obligation under this agreement provided that its maximum liability shall not exceed £5 million.

## **Fees**

The fees for internal audit work will be agreed in advance of each financial year to reflect the number and mix of days required and movements in cost base.

If specific assignments are requested in addition to the annual plan, fees will be agreed in advance based on the staff mix required.

## **Review of the internal audit charter**

This charter will be reviewed annually (minimum) by the Chief Internal Auditor and presented to Senior Management and the Board for approval.

## Annex 1

### Southern Internal Audit Partnership – Client Portfolio

<b>Strategic Partners:</b>	Hampshire County Council
<b>Key Stakeholder Partners:</b>	West Sussex County Council Havant Borough Council East Hampshire District Council Winchester City Council New Forest District Council Mole Valley District Council Epsom & Ewell Borough Council Reigate & Banstead Borough Council Tandridge District Council Hampshire Fire & Rescue Authority Office of the Hampshire Police & Crime Commissioner / Hampshire Constabulary Office of the Sussex Police & Crime Commissioner / Sussex Police Force Office of the Surrey Police & Crime Commissioner / Surrey Police Force
<b>External clients:</b>	Waverley Borough Council Hampshire Pension Fund West Sussex Pension Fund New Forest National Park Authority
	<b>Further Education Institutions</b> Eastleigh College Highbury College Isle of Wight College Portsmouth College
	<b>Third Sector</b> VTCT

## Annex 2

### Assurance Services

- **Risk based audit:** in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.

Where appropriate, internal audit will also use their experience of working with other public sector clients to identify areas of best practice and learning opportunities that may assist HFRA review and improve the efficiency of their own processes and control framework.

- **Developing systems audit:** in which:
  - the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and
  - programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.
- **Compliance audit:** in which a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.
- **Quality assurance review:** in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.
- **Fraud and irregularity investigations:** Internal audit may also provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. Internal audit's role in this respect is outlined in Hampshire Fire and Rescue Authority's Anti Fraud and Anti Corruption Strategy.
- **Advisory / Consultancy services:** in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management, and governance. It should be noted that it would not be appropriate for an auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.
- **Third party assurance:** the availability of objective assurance from other assurance providers will be considered in determining audit needs. Where internal audit needs to work with the internal auditors of other organisations, a practice which is expanding with the development of more organisational strategic partnerships, the roles and responsibilities of each party, as well as billing arrangements, will be clearly defined, agreed and documented prior to the commencement of work. Internal audit will also ensure awareness of and seek to place reliance on the work of other review bodies such as HMICFRS and HMRC etc.

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Internal Audit Strategy and Plan

2020-21

Hampshire Fire and Rescue Authority



HAMPSHIRE  
FIRE AND  
RESCUE  
SERVICE

**Southern Internal  
Audit Partnership**

Assurance through excellence  
and innovation

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## Introduction

The role of internal audit is that of an:

*'Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.*

Hampshire Fire and Rescue Authority is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising Hampshire Fire and Rescue Authority that these arrangements are in place and operating effectively.

Hampshire Fire and Rescue Authority's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business, activities, systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of the organisation's objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant Directors and Audit Sponsors, to ensure it continues to reflect the needs of the Organisation. Amendments to the plan will be identified through the Southern Internal Audit Partnership's continued contact and liaison with those responsible for the governance of Hampshire Fire and Rescue Authority and reported to the Standards and Governance Committee through regular progress reports.

## Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The team will be led by Karen Shaw, Deputy Head of Southern Internal Audit Partnership, supported by Beverly Davies, Audit Manager.

## Conformance with internal auditing standards

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2015 the Institute of Internal Auditors were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.

In considering all sources of evidence the external assessment team concluded:

*'It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to all of these principles. This performance is within the top decile of EQA reviews we have performed. This is a notable achievement given the breadth of these Standards and the operational environment faced by SIAP.'*

*'There are no instances across these standards where we determined a standard below "generally conforms", and 4 instances where the standard is assessed as "not applicable" due to the nature of SIAP's remit.'*

## Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

## Organisation Risk

Hampshire Fire and Rescue Authority have recently reviewed their framework and approach to risk management and are updating the risk register. The strategic risks assessed by the organisation are a key focus of our planning for the year to ensure the internal audit plan meets the organisation's assurance needs and contributes to the achievement of their objectives. We will review the updated risk register as soon as it is available and will monitor the Service's Organisational Risk Register developments closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

## Developing the internal audit plan 2020/21

We have used various sources of information and discussed priorities for internal audit with the following people:

- Rob Carr, Finance Director
- ACO Shantha Dickinson, Director of Performance and Assurance
- ACO Stew Adamson – Director of Operations
- Matt Robertson – Director of Corporate Services
- Tony Oliver – Head of ICT
- Molly Rowland – Head of People and Organisational Development
- Dave Turner – Head of Academy and Organisation Development
- Alex Quick, Head of Performance (who has also engaged more widely across the Service, including with DCFO Steve Apter and Head of Policy and Planning, Kevin Evenett, to feed into these discussions)

Based on these conversations with key stakeholders, review of key corporate documents and our understanding of the organisation the Southern Internal Audit Partnership have developed an annual audit plan for the coming year.

Hampshire Fire and Rescue Authority are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.



### Shared Services

Services provided under the shared service arrangements with Hampshire County Council, Hampshire Constabulary and the Police and Crime Commissioner for Hampshire continue to be reviewed via a joint internal audit plan that provides assurance to all parties to avoid duplication of effort, however changes to this approach took effect from 2019/20 for some areas as outlined below. All three organisations contribute audit days to this plan. An internal audit protocol for this work has been agreed with partner and shared services management.

### Shared Services - International Standard on Assurance Engagements No. 3402

ISAE 3402 has been developed to provide an international assurance standard for allowing public bodies to issue a report for use by user organisations and their auditors (user auditors) on the controls at a service organisation that are likely to impact or be a part of the user organisation's system of internal control over financial reporting.

The Integrated Business Centre (IBC) is a shared service function hosted by Hampshire County Council, delivering transactional processing and business support services to a growing number of public sector bodies. Such services include general ledger; Order to Cash; Purchase and Payables; Cash & Bank; Payroll; and Information Systems.

Due to the significance of the business processes provided on behalf of partner organisations it is appropriate for Hampshire County Council to provide assurance on its service through compliance with such international standard requirements.

Historically the Southern Internal Audit Partnership have provided assurance to partnering organisations through their audit coverage and subsequent year end assurance on the framework of governance, risk and control. Assurance against the international standard is now provided by Ernst & Young.

The SIAP will continue to provide assurance to the Hampshire Fire and Rescue Authority and partner organisations for those systems and process outside of the scope of the ISAE 3402 through the shared internal audit plan outlined below and subsequent annual report and opinion.

### Internal Audit Plan 2020-21

Audit	Audit sponsor	Scope	Link to Strategic Risk Register	Proposed Timing
<b>HFRS audit plan</b>				
Health and Safety	Director of Policy and Planning	This audit will focus on the response to the forthcoming Health & Safety peer review (scheduled for late 2020), and the extent to which plans have been developed and actions have been taken in response to issues and learning identified in the peer review.	See page 5.	Q4
Working Time Regulations	Head of People and Organisational Development	This audit will review compliance with legislation, policies and procedures on Working Time Regulations. This will follow on from the work and paper that went to the Executive Group in October 2019, where various actions (including in relation to requirements for employees and managers,	As above.	Q4

Audit	Audit sponsor	Scope	Link to Strategic Risk Register	Proposed Timing
		and rest periods) were agreed in relation to Working Time Regulations.		
Budgetary Control	Finance Director	This audit will review budget monitoring policy, procedures, guidance, processes, and reporting to ensure that budgets are controlled in accordance with Financial Regulations and aligned with the financial guidance outlined in the Fire and Rescue National Framework for England.	See page 5.	Q2
Disaster recovery and business continuity	Director of Policy and Planning	This audit will be a follow-up to the light-touch position statement audit that was carried out in 2019/20. It will review the robustness of the updated arrangements and processes in place for disaster recovery / business continuity.	As above.	Q3
Assurance of the competence of operational response capability	Director of Operations	This audit will focus on the robustness of internal processes and control mechanisms for assuring that those mobilised in a response capacity are competent in the role they have been mobilised to undertake.	As above.	Q1

Audit	Audit sponsor	Scope	Link to Strategic Risk Register	Proposed Timing
Proactive fraud work	Director of Performance and Assurance	Annual – 2020/21 scope to be determined	See page 5.	Q3
NFI	Director of Performance and Assurance	Statutory requirement for data matching	As above.	Q3
ICT Policy & Procedures	Director of Corporate Services	This audit will focus on the adequacy and sufficiency of HFRS ICT policies and procedures, to provide independent assurance following the wider HFRS review of the policy, procedure and guidance framework.	As above.	Q1
ICT contract management	Director of Corporate Services	This audit will review governance arrangements, supplier relationship management and contractual performance monitoring for HFRS ICT contracts and ensure they are aligned with good practice in these areas.	As above.	Q2
ICT strategy follow-up	Director of Corporate Services	This will be a follow-up to the 2018/19 ICT strategy audit. It will focus on the robustness of HFRS's ICT strategy, in supporting the Service's Safety Plan and mitigating potential corporate risks, and in preparation for the Combined Fire Authority.	As above.	Q3

Audit	Audit sponsor	Scope	Link to Strategic Risk Register	Proposed Timing
Follow up	Various	To assess progress in implementing management actions for reviews carried out during 2019/20	See page 5.	Q4
Other audit activities		This includes preparation of the audit plan, annual internal audit report, advice and attending management and committee meetings.	See page 5.	Q1-4

**185**

**TOTAL DAYS**

Note – this includes a contribution of 20 days to the Shared Services plan below.

## Shared Services Internal Audit Plan 2020-21

Audit	Risk	Scope	Proposed Timing
<b>Governance &amp; IT</b>			
Governance arrangements	Governance arrangements do not remain fit for purpose as the business evolves and new partners are introduced.	Review of changes / continued effectiveness of governance arrangements. Focus on roles, responsibilities and effectiveness of the Shared Services Board.	Q2
<b>HR</b>			
Casual Staff	Insufficient oversight and approval of casual staff pay claims.	Review of new processes in place from February 2020 to ensure pre-employment checks are completed and workflows are set up correctly to facilitate the claims payment process.	Q3
Recruitment (Success Factors)	Recruitment processes are not sufficiently robust and timely to meet needs of the recruiting organisation.	A full review is being carried out during 2019/20. This review will be scoped according to the outcomes of that review with the aim of focussing on higher risk areas.	Q4
Pre-employment checks	Suitability of staff to undertake roles is not confirmed.	A review of DBS checking arrangements is being carried out during 2019/20 to ensure that the need for the checks is correctly identified, carried out and recorded. The 2020/21 review will aim to focus on other pre-employment checks such as right to work, professional registrations. To also focus on the new DBS app (implementation May 2020).	Q3

Audit	Risk	Scope	Proposed Timing
Good work plan	New national requirement from 1 April 2020 for all contracts of employment to be issued by start date are not met	To review revised processes in place to ensure that new legal requirements are met (this will exclude schools).	Q3
Occupational Health – information management	Personal and sensitive information is shared without obtaining the appropriate consent.	To review new processes in place to ensure that appropriate consent is received prior to sensitive information being shared.	Q2
<b>Procurement &amp; Contract Management</b>			
Procurement (General)	Non-compliance with EU Regulations and Contract Procedure Rules.	To review procurement processes and compliance with EU Regulations and agreed policies. (£100k +).	Q1
<b>Other</b>			
Contingency		As required following the change of approach in 2019/20 (ISAE 3402).	
Management		Planning, liaison, reporting, action tracking, external audit liaison, advice.	
<b>Total Days</b>			<b>185</b>



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RESCUE  
AUTHORITY**

## **Standards and Governance Committee**

Purpose: Noted

Date: 2 March 2020

Title: **INTERNAL AUDIT MANAGEMENT ACTIONS PROGRESS REPORT**

Report of Chief Fire Officer

### SUMMARY

1. This report provides the Standards and Governance Committee with an overview of the work we do to oversee the implementation of internal audit recommendations and how we are responding through various management actions.
2. It provides an update on those actions that have not been completed within their target date and their status. The Standards and Governance Committee has a key scrutiny role in monitoring the implementation of internal actions.
3. This report also provides some commentary on the internal audit business continuity position statement, which recently concluded that: once fully embedded across HFRS, the business continuity framework will provide a robust control framework and address the risks identified in the previous audit review.
4. Hampshire Fire and Rescue Service (HFRS) and Southern Internal Audit Partnership (SIAP) agreed a Memorandum of Understanding (MoU) in August 2019, which outlines internal audit roles, responsibilities and processes. We have also introduced additional liaison meetings, including additional discussions around the risk-based focus of the internal audit plan, to strengthen our relationship with internal audit.

### BACKGROUND

5. The internal audit service is provided to the Authority by SIAP at Hampshire County Council. There is an Internal Audit Charter that has been in place since 2014. This and the Internal Audit Plan are reviewed and updated to reflect changing organisational priorities and needs.
6. The internal audit follow-up process is an important element in our overall approach to risk management, assurance and governance. When an action is agreed by managers to address a control weakness, or to make an improvement to the way we work, it is important that the action is then implemented as planned.

7. The HFRS Organisational Assurance team maintains a record of audits against the current Internal Audit Plan, noting whether they are in progress or have been completed. The respective managers are responsible for the delivery of actions that fall within their areas of responsibility.
8. Once a final audit report has been issued, the agreed management actions are recorded along with:
  - a) the priority of the recommendation;
  - b) the target date for implementation; and
  - c) the person responsible for the action.
9. The Organisational Assurance team will ask for confirmation and evidence that an action has been implemented, or if not, when it is expected to be. Any recommendations that continue to remain outstanding are referred to the relevant Director. Our internal Integrated Performance and Assurance Board (IPAB) also provides an overview of outstanding recommendations, and they are also monitored regularly by the Director of Performance and Assurance and Head of Performance.
10. Continuing the trend of our last management actions progress report, the implementation of audit recommendations has again improved, with two high priority management actions being overdue against their original target date; and for those actions, good progress is being made. Furthermore, we continue to make further improvements in the speed with which we progress certain management actions.
11. The table below lists those recommendations that are currently outstanding beyond their agreed target date and of medium (M) or high (H) priority. There is a brief commentary against each to explain the status and any mitigating factors.

<b>Internal Audit Management Actions</b>			
<b>Safeguarding</b>			
Analyse and interrogate the data used to report on the dates and levels of check recorded against each officer to check for accuracy.	September 2019 revised to March 2020	H	The Disclosure and Barring Service (DBS) policy was published in December 2019.
Following analysis of the data used to report on the dates and level of check recorded against each officer, compile an action plan to ensure where there are any real instances of non-compliance with the HFRS DBS policy, that these are actioned.	September 2019 revised to March 2020	H	The data within the DBS compliance report continues to be analysed, and a wide range of discussions with managers and staff are ongoing, to identify the gaps in DBS data stored on SAP (e.g. HR system). There is a significant amount of data to work through, with a revised target date to complete this work by 31 March 2020.
<b>Business Continuity</b>			
Comprehensive review of Resilience Plan testing and exercising to be undertaken and an appropriate schedule	January 2019 revised to January 2021	M	The Business Continuity policy and procedure were signed off in December 2019. The procedure contains a Training and Exercising Programme.

commencing January 2017 put in place to meet organisational requirements.			Furthermore, as noted above, a recent internal audit position statement concluded that once fully embedded across HFRS, the business continuity framework will provide a robust control framework and address the risks identified in the previous audit.
A robust recording and evaluation process to be put in place for Service Resilience events to support current arrangements and to allow lessons learned to be identified and actioned.	January 2019 revised to January 2021	M	Work towards the completion of these actions has been slowed due to work involved in planning for the European Union (EU) exit with Local Resilience Forum (LRF) partners.  Furthermore, following the position statement in 2019/20, a more comprehensive internal audit in this area is planned for Q3 2020/21.
<b>Proactive Pay Claims</b>			
Allowances handbook is being updated for grey and green book staff. This will include the appropriate wage type to use for each type of payment and a clear definition of eligibility criteria.	September 2019 to April 2020	M	The Allowances handbook has now been completed pending the completion of the IBC piece of work (which will take between 3 to 6 months to be fully realised) to review, re-order and amend wage types and descriptions, as this may adjust wage types.
The intention is to remove the ability to submit paper claims in future. Initially the Resource Management Team (RMT) will handle the processing of all allowance changes.	June 2019 to April 2020	M	
The policy regarding "Acting up" is being revised. In future any period of "acting up" longer than 3 months will be treated as a Temporary Promotion and managed accordingly.	September 2019 to April 2020	M	
Responsibility for processing and changing allowances (start/stop etc.) is being moved to a newly formed Resource Management Team (RMT). Individual line managers will no longer have responsibility for processing allowances and their IBC (e.g. computer system) access will be removed.	October 2019 to April 2020	M	
The RMT will manage the day to day control and operation of the allowances policy and organisational management (OM) moves and report to the RMG. Suitable Terms of Reference (TOR) and a resourcing plan is being prepared.	October 2019 to April 2020	M	The new RMT will not operate in its new form until both the Allowances Handbook has been completed at the HCC and until IBC has made adjustments to wage types and access to better facilitate control. It is now expected that this new process will be fully embedded from the start of the financial year 2020/21.

Intention is to either remove the "miscellaneous payment" wage type for HFRS personnel or, as a minimum, limit it substantially to prevent potential misuse.	October 2019 to April 2020	M	
It is intended that managers will be given guidance and instruction to regularly monitor and review allowances in payment for their teams. Managers will be expected to carry out regular checks and if payment errors are subsequently identified then both the individual affected and their line manager may be subject to disciplinary action.	September 2019 date revised to April 2020	M	We are targeting the embedding of new processes from 1/4/2020 with the intention of setting up a regular monitoring process thereafter.

#### MANAGEMENT COMMENTARY

12. We have made significant progress in reducing the number of open management actions (including those of high, medium and low priority), from 81 in July 2019 to 22 as at February 2020. This, combined with the reduction in outstanding actions (particularly those that are of high priority), demonstrates our clear improvement in responding to internal audit management actions.
13. More widely, to support the development of the 2020/21 internal audit plan, the Service coordinated various additional internal discussions, as well as discussion with SIAP, to develop the risk-based focus of this year's internal audit plan. We will continue to do this to support the development of internal audit plans in future years.
14. More specifically, on business continuity, SIAP recently completed an internal audit position statement, which concluded that: once fully embedded across HFRS, the business continuity framework will provide a robust control framework and address the risks identified in the previous audit review. Furthermore, following the position statement, a more comprehensive internal audit in this area is planned for Q3 2020/21, which will provide additional assurance in this area.

#### SUPPORTING OUR SERVICE PLAN AND PRIORITIES

15. By ensuring the implementation of internal audit recommendations, we assist the Authority in improving its planning and performance management processes, and in complying with its governance arrangements. This in turn, assists the Authority in achieving our Safer and Stronger priorities, and our vision to work smarter, be more efficient, and to make life safer for everyone in Hampshire.

#### COLLABORATION

16. The Southern Internal Audit Partnership provide internal audit on behalf of all partners within Shared Services and many other public service organisations.

17. The recently agreed MoU outlines how HFRS and SIAP will work together effectively.

#### RESOURCE IMPLICATIONS

18. When agreeing management actions in response to an audit report, the cost of addressing the risk should be considered against the risk materialising. Implementing audit recommendations helps to ensure that the Authority uses its resources efficiently, that key controls are in place and working, and opportunities to achieve value for money are taken.
19. The management of internal audit actions is within current resources.

#### ENVIRONMENTAL AND SUSTAINABILITY IMPACT ASSESSMENT

20. There are no anticipated positive or negative impacts to the environment or sustainability arising from this report.

#### LEGAL IMPLICATIONS

21. There are no legal implications arising from this report.

#### EQUALITY IMPACT ASSESSMENT

22. The contents of this report are considered compatible with the provisions of equality and human rights legislation.

#### RISK ANALYSIS

23. Failure to implement internal audit recommendations leaves the Authority vulnerable to the consequences of the identified risks and weaknesses in control. Internal management of audit recommendations is an important process within the Authority's risk management arrangements. The updates on progress ensure that Members are fully aware of any problems associated with addressing the issues raised and the priority given to driving down or eliminating specific risks.

#### CONCLUSION

24. Significant progress continues to be made to complete the management actions from previous audits. Management actions will be undertaken in respect of the specific audits themselves and more widely in respect of internal control issues and how they are managed across the Service.

#### RECOMMENDATION

25. That the Standards and Governance Committee notes the significant progress made towards the implementation of the internal audit management actions.

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**HAMPSHIRE  
FIRE AND  
RESCUE  
AUTHORITY**

Standards and Governance Committee

Purpose: Noted

Date: 2 March 2020

Title: **HMICFRS 2018/19 ACTION PLAN & 2020 INSPECTION  
READINESS PROGRESS REPORT**

Report of Chief Fire Officer

## SUMMARY

1. This report provides the Standards and Governance Committee with an overview of the progress that the Service has made in respect of the Action Plan resulting from the findings of Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) Inspection Report, which was published in December 2018.
2. The Action Plan submitted to HMICFRS is being progressed by accountable organisational leads through business as usual activities. The monitoring of progress is being managed through the Performance and Assurance Directorate and assured via the Integrated Performance and Assurance Board.
3. The report provides members with an update on closed actions, progress toward imminent completion dates, as well as actions that have had their dates revised. To date, we have closed 31 (76%) of the 41 HFRS actions and are making good progress towards closing the remaining 10 actions. It is, however, important to note that the closure of actions relates to the delivery of activity, which, in some cases, will take some time to be fully embedded culturally with staff.
4. This report also provides an overview of the progress made to prepare for the two upcoming inspections of both Hampshire and Isle of Wight Fire and Rescue Services in 2020.

## 2020/21 INSPECTION READINESS PROGRESS

5. Hampshire Fire and Rescue Service (HFRS) and the Isle of Wight Fire and Rescue Service (IWFRS) will be inspected independently, sharing the same Service Liaison Officer, Samuel Fairman (Organisational Assurance Manager); and the same Service Liaison Lead, Joy Smith (HMICFRS representative), with whom we have had initial discussions in late January.

Joy will also be carrying out a preliminary pre-inspection visit to both Services, albeit with a primary focus on the Isle of Wight Fire and Rescue Service between 17-20 March.

6. The dates for discovery visits and inspection weeks for both IWFRS and HFRS have now been confirmed. IWFRS discovery week will commence 30 March 2020, with the inspection week commencing 27 April 2020. HFRS discovery week will commence 31 August 2020, with the inspection week commencing 28 September 2020.
7. We have developed revised inspection readiness plans based on the confirmed inspection dates, for which the key milestones and progress against these are listed below.
8. We are currently undertaking an internal self-assessment to make an evidence-based assessment on where we are against HMICFRS' inspection criteria on the three pillars (Effectiveness, Efficiency and People).

#### SELF-ASSESSMENT

9. HMICFRS have revised the self-assessment process for the second cycle of inspections. The self-assessment return which, for the Isle of Wight Fire and Rescue Service, must be submitted by 9 March (we do not yet know the HFRS submission deadline, although we assume it will be required early August) now asks just four questions and a general request for additional information:
  - a) *What key changes have there been for your FRS since the last inspection, e.g. governance, funding, staffing?*
  - b) *What action has the FRS taken in response to any causes of concern or areas for improvement identified during the last inspection?*
  - c) *What are the FRS's priorities for the coming year?*
  - d) *What action is the FRS taking in response to the recommendations from the Grenfell Tower Inquiry Phase 1 report?*
  - e) *Please include any other information that you feel would be useful to the inspectors to provide context for the operation of the FRS and its current performance.*
10. We are, however, adopting a more holistic approach to our internal self-assessment activity, building upon significant activity already undertaken in this area. Significant work to carry out both internal self-assessments is taking place, with an emphasis on completing the IWFRS self-assessment first. In terms of the formal responses to the above questions, the Executive Group will sign them off prior to submission.

## OTHER INSPECTION ACTIVITY

11. The inspection process involves a range of other activities, including:
  - a) A strategic briefing (to occur on the first day of inspection week)
  - b) Regular data collections (the inspection also use other existing data sets including the Home Office – National Fire Statistics)
  - c) Document returns (55 initial requests)
  - d) HMICFRS staff survey (distribution date to be confirmed)
  - e) Public perception survey (no Service-specific results will be available in the next iteration of this survey)
  - f) Discovery visits (inspection team members to come and explore how we operate before the inspection week)
  - g) Inspection week (a mixture of focus groups, interviews and field work aiming to gather data to inform key findings of the inspection).
12. The HFRS Head of Performance sits on HMICFRS' Technical Advisory Group, which enables the Service to provide input into the HMICFRS' inspection methodology.
13. We will provide further briefing and information to members as our inspection planning advances.
14. More widely, we are delivering various communications to both HFRS and IWFRS staff on inspection activity and preparations, including visits to a number of stations, teams and forums to explain the inspection process.

## NATIONAL HMICFRS REPORT

15. Her Majesty's Chief Inspector of Fire and Rescue Services (Sir Tom Winsor) recently published his first Annual Assessment of Fire and Rescue Services in England. The report makes various recommendations, including to the Home Office, National Fire Chiefs Council and Local Government Association, with the overarching conclusions as follows:
  - a) Significant reform is needed to modernise the sector
  - b) Chief Fire Officers need operational independence
  - c) Operational response is strong, but many services need to improve their protection work. *This is linked to the Effectiveness pillar, against which we had several actions in the 2019 Action Plan.*
  - d) Staff need to be treated better. *This is linked to the People pillar, against which we had several actions in the 2019 Action Plan, including our response to a 'cause for concern'.*
  - e) Some services are financially strapped; others are inefficient. *This is linked to the Efficiency pillar, against which we had no actions in the 2019 Action Plan.*

16. We welcome the various positive findings that the sector has many strengths, for example in terms of operational response. There are, however, various areas for improvement identified across the sector. We are reflecting on the report in the context of both our ongoing improvement activity as part of the action plan from the last inspections, and in terms of the detailed internal self-assessments (of how both Services are performing in terms of their effectiveness, efficiency, and how they look after people) that are ongoing in advance of this year's inspections, alongside preparations for the formal self-assessment submissions to HMICFRS.

#### 2018/2019 HMICFRS ACTION PLAN

17. The HMICFRS Action Plan follow-up and monitoring process is an important part of our overall approach to continuous improvement within the Service, and evidences our performance in respect of efficiency, effectiveness and looking after our people. When an activity has been incorporated into the Action Plan to address an area for improvement identified by the Inspectorate, it is important that the activity is then implemented as planned.
18. HFRS has appointed Strategic Leads in respect of each of the diagnostic areas as accountable owners for progression of improvement work. These Strategic Leads (all Directors) have assigned Action Owners, typically at a department head level, to progress specific actions. A comprehensive system has been created to enable the accurate tracking of progress of each diagnostic and their actions. This also enables early escalation where progress towards a specific activity is at risk and provides the opportunity for Action Owners to submit updates on their progress.
19. A dashboard has been created to support reporting to the HFRS Integrated Performance and Assurance Board, the Standards and Governance Committee, and the Isle of Wight Council's Corporate Scrutiny Committee. Progress is also routinely discussed at Executive Group meetings.

#### OVERVIEW OF DIAGNOSTICS

20. Initially fourteen diagnostics (thirteen classified as 'Areas for Improvement' and one classified as a 'Cause for Concern') were assigned to HFRS. Of these fourteen, seven diagnostics have been completed, six remain on track to deliver by the original completion dates and one is in progress against a revised completion date.

#### CLOSED DIAGNOSTICS

21. To date, seven diagnostics ('Areas for Improvement') have been completed and closed, two of which have already been reported to previous Standards and Governance Committee meetings (***"The Service should assure itself that its commitment to the trading arm does not conflict with its main protection responsibilities or its public service duties"*** and ***"The Service should ensure it allocates enough resources to a prioritised***

**and risk-based inspection programme**". The remaining five closed diagnostics, which have been completed since, are detailed below.

22. ***"The Service should evaluate its prevention work, so it understands the benefits better" (due in September 2019, completed in September 2019).***
23. An evaluation that incorporated a case study of 80 Safe and Well forms, discussions with several members across the Service and consideration of other national and local reviews has been concluded. The initial findings were presented to the Integrated Performance and Assurance Board in October 2019, with ongoing liaison between our Operations and Performance and Assurance directorates in this thematic area.
24. ***"The Service should ensure it gathers and records relevant and up to date risk information" (due in November 2019, completed in November 2019).***
25. The Site-Specific Risk Information (SSRI) policy has been the subject of a comprehensive review. Within the revised procedure, which has been in effect since 9 December 2019, the responsibilities for the collation, management and quality assurance of risk information are clearly identified. This is supported through the provision of an on-line training provision (via MOODLE).
26. In addition, on-call support officers have risk information as one of their references and will decide the most appropriate way of completing the work.
27. Unnecessary information for low risk premises has been amended to alerts and this will continue as an ongoing process. The number of SSRIs out of date is also reducing and will continue to be monitored and reported on internally.
28. ***"The Service should ensure it has an effective system for staff to use learning and debriefs to improve operational response and incident command" (due in November 2019, completed in November 2019).***
29. Improvements have been made to the debriefing process, and the Operational Assurance procedure (including a poster identifying roles in organisational learning) has been revised and was launched on 9 December 2019. This is supported by a new 'Submit Learning' application for reporting operational learning, and performance management tools to support the 'hot debrief'.
30. ***"The Service should ensure its expected values and behaviours are understood and demonstrated at all levels of the organisation and that managers actively promote these standards" (due in December 2019, completed in December 2019).***

31. Following a series of workshops and a staff survey, a new set of statements in respect of values and behaviours has been developed and these were finalised by a staff-led Working Group and approved by the Executive Group. These were shared with the organisation during the Breakfast Briefing on 28 January 2020, and are as follows:

**Showing respect**

*Fairness, honesty and integrity in everything we say and do*

**Supporting others**

*Listening and acting with compassion and empathy*

**Everyone playing their part**

*Recognising the contribution we all make*

**Reaching further**

*Inspiring and challenging ourselves and others*

The implementation and embedding of the values and behaviours across the organisation is a longer-term commitment that will be progressed as a separate piece of work monitored through the People and Organisational Development (POD) Board.

32. ***“The Service should ensure its selection, development and promotion of staff is open, transparent and fair, including its position on the use and length of temporary positions” (due in March 2020, completed in December 2019).***
33. We have reviewed the revised promotion process and the resultant evaluation report has now been completed, with the latter discussed at two separate Integrated Performance and Assurance Board (IPAB) meetings. Following further discussions between our People and Organisational Development and Performance and Assurance directorates, supplementary analysis (collecting additional feedback from staff) has and continues to be collected to provide further assurance in this area.
34. More widely, temporary promotions have decreased from 95 as at 1 July 2018 to 59 as at 13 February 2020 – a reduction of 38%. Temporary promotions are forecast to reduce further upon completion of the Watch Manager process taking place during the second week in March 2020.

**IMMINENT DIAGNOSTICS**

35. All of the remaining diagnostics are due to be completed by the end of March 2020, with progress to date reported as below.
36. ***“The Service should understand why it completes proportionately fewer Home Fire Safety Checks than other services.”***

37. A new 'Fire Safety Development Group', has been established by HFRS as a sub-group to the Safeguarding Adult Board (LSAB). A draft fire safety framework document has been developed which will provide practitioners with guidance and support on managing fire risk within the home. Once finalised, it is envisaged that the document will be formally endorsed by each LSAB, promoted as a 'Practice Guidance' resource, and become fully embedded within the policies and procedures of all relevant 4 Safeguarding Adult Boards (4LSAB) partner agencies (Hampshire, Isle of Wight, Portsmouth and Southampton).
38. Since January 2019, the HFRS Community Safety team have delivered 'face-to-face' training to approximately 750 practitioners from a variety of agencies who provide support services to individuals with needs of care and support within their homes. The training package will shortly be available in an electronic format which partner agencies will be able to access via the HFRS external website.
39. In order to ensure that delivery of the highest risk visits, or those people that need multiple interactions, are carried out by an appropriately trained person, as identified by the local Community Safety Delivery Manager, Community Safety Officer (CSO) standardisation meetings and training requirements are now in place. Their workloads and job descriptions have also been reviewed and standardised. A new triage system is being developed as part of the Safe and Well visit to reduce admin time.
40. Other activity includes, but is not limited to:
  - a) HFRS are working with the Police Multi-Agency Safeguarding Hub (MASH) teams to gather appropriate referrals identified from the Public Protection Notice 1 (PPN 1) forms; and
  - b) The requirement to significantly increase the number of Safe and Well visits undertaken has been delegated to Group Commanders and it is anticipated that progress will be better reported when the online form is developed, reducing the lag time in the recording and reporting.
41. ***"The Service should ensure it targets its prevention work at people most at risk."***
42. It has been identified that the primary cause of accidental dwelling fires and injuries is cooking, with the three main risk groups being elderly, rented accommodation and social renters.
43. 'Amber's Warning' (a successful online video media campaign to our communities) is an example of bespoke messaging we have developed to target residents of social housing in Southampton City Council (SCC) blocks. Working in partnership with SCC, we directly targeted 1,922 flats over 18 blocks. Our subsequent social media launch gave us a further reach of 76,544 views. Comparing incident data captured during this campaign,

ending 31 March 2019, and previous incident data from the 18 SCC residential blocks we targeted, kitchen fires have been reduced during this time period by over two thirds.

44. During the next stage of the cooking campaign, following our key message of 'never leave cooking unattended,' we will target residents defined by Mosaic (demographic profiling tool) data as 'Young Single People' in their 20s and 30s who live in urban locations and rent their homes from private landlords, whilst in the early stages of their careers or pursuing studies.
45. Additionally, our student cooking campaign '#NetflixandGrill' launched in February 2020 through our social media channels. Using spoof content, as well as a competition draw to win a Netflix voucher for signing up and interacting with our content, we hope to reduce kitchen fires in student homes, reduce our attendance at accidental fire alarms and to avoid near misses in this age bracket.
46. Following this we will target the third stage of our cooking campaign at the elderly, to tie in with the updates in our Safe and Well visits, staff training, targets and awareness, whilst continuing to develop our relationships with housing providers and safeguarding partners through the Hampshire Safeguarding Board.
47. To ensure we continue to target the most vulnerable members of our communities and further reduce risk, we have also reviewed our Community Safety policies and procedures.
48. ***"The Service should assure itself that staff understand and have confidence in the Service's grievance and absence management policies."***
49. Following the success of a pilot in May 2019, a 3-day course is now available for middle managers to improve their confidence in the application of grievance, disciplinary, performance management and sickness absence management policies. This is supported by the creation of a Leadership Framework, designed to enhance development programmes at all levels, which was approved by the POD Board in November 2019. The Framework will be implemented in line with the roll-out of the new Personal Development Review (PDR) process from April 2020.
50. We continue to promote HR resources and support, and to update our staff on relevant information as this is developed and becomes available.
51. An Occupational Health Improvement Plan, signed off by the Health and Safety Committee, has put in place, since 17 June 2019, a simplified/more effective referral process, a more comprehensive line manager report following a referral to assist them better with signposting the individual, and the introduction of a helpline number for Occupational Health to assist with any queries.

52. ***“The Service should assure itself that staff are confident using its feedback mechanisms, so these help the service gather valuable information.”***
53. Numerous areas of the Service have been assessed to ensure we reach out to staff and that they feel confident in feeding back to the organisations.
54. These areas include:
- a) The Service runs several surveys and focus groups to gather feedback from staff about priority topics for our people.
  - b) A comprehensive analysis has also been undertaken of our last cultural survey which included qualitative results. These results have led to a number of key areas of work within our POD framework which most recently includes our values and behaviours work and our leadership framework.
  - c) We have a wide range of networks and working groups that meet regularly and provide opportunity for staff to share how they feel. These lead on key workstreams and, most importantly, provide valuable feedback; these networks include; FireINSPIRE, FireABLE, FireOUT, Operational Management team (OMT), Group Managers (GM) forum, Retained Duty System (RDS) forum, Station commanders (SC) forum, the values and behaviours working group.
  - d) The Breakfast Briefing event has also been created to provide our staff with an opportunity to hear directly from and feedback to our Executive Group. This event occurs every two months and is live-streamed to both HFRS and IWFRS. It updates staff on the key priorities and provides the Service with an opportunity to gather feedback about the topic of the event and how staff feel.
  - e) Our values and behaviours work has also provided an opportunity to engage the Service and gather feedback from staff, which will continue through the values and behaviours working group. This work has also led to other areas of improvement, such as the recognition and awards system, and improved Personal Development Review (PDR) process.
  - f) Station visits from our senior team also continue to happen across the Service, these also provide opportunity for staff to feedback directly.
55. To support HFRS and IWFRS in carefully and effectively managing ongoing change, a Change Management Framework has also been developed and was approved by the Executive Group in December 2019 and will formally be launched to HFRS and IWFRS staff later in 2020. The Framework ensures that the impacts of Service changes are analysed, and that evaluation of benefits realisation is undertaken. A review of the feedback mechanisms will also be complete by March 2020 and subsequently discussed at the Service’s Integrated Performance and Assurance Board (IPAB).

56. ***“The Service should ensure it has an effective system in place to manage staff development, performance, promotion and productivity.”***
57. The Resource Management Team (RMT), on behalf of the Resource Management Group (RMG), now run the centralised recruitment processes. Policy, procedures and guidance have been reviewed and updated to support both consistency and clarity, and Representative Bodies were consulted with on 17 January 2020. Reviewing appointment and promotion processes is also part of the new POD Framework.
58. In October 2019, following individual process reviews, a new round of promotional activity was undertaken to the same model as previously, to provide staff with a consistency of approach to promotional activities.
59. As noted in paragraph 33, an evaluation report on previous promotional activities has been completed and is being supplemented by additional analysis of survey data on how managers and staff ‘feel’.

#### ‘CAUSE FOR CONCERN’ UPDATE

60. ***“The Service does not do enough to be an inclusive employer.”***
61. ***“The Service should put in place an open and fair process to identify, develop and support high-potential staff and aspiring leaders” (original date was September 2019, revised completion date is March 2020).***
62. Progress towards this diagnostic was first reported to the Standards and Governance Committee on 22 October and the following represents the additional activities that have taken place since.
63. Following a successful pilot which concluded in May 2019, a new Personal Development Review (PDR) process has been developed, incorporating the new set of statements in respect of values and behaviours, and will be rolled out from April 2020. In support of this new process, a Personal Development Review (PDR) data capture tool has been developed through collaborative work between our POD and Performance and Assurance directorates. To date, forms and processes have been designed, support material is being incorporated into SharePoint online learning, HR policy and procedure has been written as part of HR policy re-writes and communications have commenced with Group Commanders.

#### SUPPORTING OUR SERVICE PLAN AND PRIORITIES

64. The HMICFRS inspection report highlights areas of risk and supports the Service in achieving its aim for the Creating Safer Communities, Responding to Incidents, Assets and Money and People and Leadership

priorities, through delivery against the HMICFRS pillars of efficiency, effectiveness and looking after people.

#### RESOURCE IMPLICATIONS

65. Delivery of the Action Plan is planned into existing organisational resources, however where the inspection identified required improvements, specifically around looking after people, organisational restructures are being developed to ensure that resources are being concentrated where they are most needed.

#### ENVIRONMENTAL AND SUSTAINABILITY IMPACT ASSESSMENT

66. There are no anticipated positive or negative impacts to the environment or sustainability arising from this report.

#### LEGAL IMPLICATIONS

67. There are no legal implications arising from this report.

#### EQUALITY IMPACT ASSESSMENT

68. The contents of this report are considered compatible with the provisions of equality and human rights legislation.

#### OPTIONS

69. To note or not the progress towards completion of the HMICFRS Action Plan and towards preparing the Service for the next HMICFRS Inspection.
70. Noting the progress will ensure that Hampshire Fire and Rescue Authority (HFRA) receives assurance on the Service's performance and is able to scrutinise the Service on behalf of Hampshire's communities.

#### RISK ANALYSIS

71. Failure to deliver actions committed to within the HMICFRS Action Plan leaves the Authority exposed to the risk of a Fire and Rescue Service with declining organisational performance.
72. The HMICFRS Action Plan is a key element of ensuring that the Service continues to improve and to deliver benefits to communities in Hampshire. The updates on progress of the Action Plan ensure that Members are fully aware of any problems associated with addressing the issues raised and the priority given to driving down or eliminating specific risks.
73. Failure to adequately prepare for and deliver the key aspects of the Inspection Readiness Plan will leave the Service at risk for this year's HMICFRS Inspection.

## CONCLUSION

74. The Service has created a robust monitoring and assurance process to support progress of all activities within the HMICFRS Action Plan. All actions against five diagnostics have been completed since the last report to the Standards and Governance Committee. The remaining activities have sufficient resource dedicated to them that they remain on track for completion in March 2020. Overall, we are making good progress and have closed 31 (76%) of the 41 HFRS actions. It is, however, important to note that the closure of actions relates to the delivery of activity, which, in some cases, will take some time to be fully embedded culturally with staff.
75. Building on this successful approach to monitoring the HMICFRS Action Plan, we have developed a robust Inspection Readiness Plan, with associated communications and engagement activity, that is monitored by the Executive Group to ensure the Service is fully prepared for this year's inspection.

## RECOMMENDATION

76. That the progress made towards the delivery of the HMICFRS 2018/19 Action Plan is noted.
77. That the progress made against the Inspection Readiness Plan 2020/21 is noted.

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