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**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

NOTICE OF MEETING

<i>Meeting</i>	HIWFRA Standards and Governance Committee	<i>Clerk to the Hampshire & Isle of Wight Fire and Rescue Authority</i> CFO Neil Odin
<i>Date and Time</i>	Monday 24th July, 2023 2.00 pm	<i>Fire & Police HQ</i> <i>Leigh Road,</i> <i>Eastleigh</i> <i>Hampshire</i> <i>SO50 9SJ</i>
<i>Place</i>	Room Z - Fire & Police Shared HQ, Eastleigh	
<i>Enquiries to</i>	<u>members.services@hants.gov.uk</u>	

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.

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 - 10)

To confirm the minutes of the previous meeting

4 **DEPUTATIONS**

To receive any deputations to this meeting

5 **CHAIRMAN'S ANNOUNCEMENTS**

To receive any announcements the Chairman may wish to make.

6 **ANNUAL GOVERNANCE STATEMENT 2022/23** (Pages 11 - 40)

To consider a report of the Chief Fire Officer, which presents the Annual Governance Report for approval.

7 **EXTERNAL AUDIT - AUDITOR'S ANNUAL REPORT 2021/22 AND AUDIT PLANNING REPORT 2022/23** (Pages 41 - 110)

To receive a report from the Chief Financial Officer, which presents the external auditor's report for 2021/22 and planning report for 2022/23.

8 **INTERNAL AUDIT PROGRESS REPORT** (Pages 111 - 126)

To receive a report from the Chief Internal Auditor, which provides an overview of internal audit work completed in accordance with the approved audit plans, and an overview of the status of 'live' reports.

9 **INTERNAL AUDIT ANNUAL REPORT & OPINION** (Pages 127 - 150)

To consider a report from the Chief Internal Auditor, which provides an opinion on the adequacy and effectiveness of the Authority's framework of risk management, internal control and governance operated for the year ending 31 March 2023.

10 **INTERNAL AUDIT MANAGEMENT ACTIONS PROGRESS REPORT** (Pages 151 - 156)

To receive a report from the Chief Fire Officer, which provides the latest update on the medium and high management actions that have not been completed within their target date and their status.

11 **FIRE PENSION BOARD ANNUAL REPORT** (Pages 157 - 164)

To receive a report from the Chief Financial Officer that summarises the work of the Board for the 2022/23 financial year in the exercise of its functions.

ABOUT THIS AGENDA:

This agenda is available through the Hampshire & Isle of Wight Fire and Rescue Service website (www.hantsfire.gov.uk) and can be provided, on request, in alternative versions (such as large print, Braille or audio) and in alternative languages.

Public Document Pack Agenda Item 3

AT A MEETING of the HIWFRA Standards and Governance Committee held at Fire and Police Headquarters, Eastleigh on Wednesday, 22nd March, 2023

Chairman:

* Councillor Derek Mellor

* Councillor David Harrison

Councillor Cal Corkery

* Councillor Zoe Huggins

* Councillor Debbie Curnow-Ford

75. APOLOGIES FOR ABSENCE

Apologies were received from Cllr Cal Corkery.

76. 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 declarations were made.

77. MINUTES OF PREVIOUS MEETING

The minutes of the meeting of 28 November 2022 were reviewed and agreed.

78. DEPUTATIONS

There were no deputations.

79. CHAIRMAN'S ANNOUNCEMENTS

The Chairman reported that Watch Manager Arron Jepp had sadly passed away on 21 March. Arron had served at Rushmoor Fire Station and will be greatly missed by the Service. The Committee took some time to remember him.

The Chairman had attended a Fire Leadership Course and reported that he had found the exchange with Fire and Rescue Authority Members from other Services very useful.

80. INTERNAL AUDIT CHARTER AND INTERNAL AUDIT PLAN 2023/24

The Committee considered a report from the Chief Internal Auditor (item number 6 in the minute book). She presented the report and explained that the Internal Audit Charter (Appendix A) was required by the Public Sector Internal Audit Standards to formally define the purpose, authority and responsibilities of Internal Audit. It is reviewed annually and no changes had been made since last year.

The Committee heard that Internal Audit work with the Service to produce the Internal Audit Plan (Appendix B), and that the Organisational Risk Register is a key source of information. Duplication of work is avoided by joint reviews for the Shared Services areas and reliance is placed on the work carried out by Ernst and Young, the External Auditor.

A contingency is held in the Plan to provide flexibility and as the Plan is set early, there would be changes throughout the year, which will be reported to the Committee.

The Committee heard that the Plan is based on risk, and there is an open and honest relationship with the Service. Cases of suspected fraud picked up by the controls in place within systems would be referred to Internal Audit for investigation. The Service also takes part in the bi-annual National Fraud Initiative and training has been run for managers on the warning signs of fraud.

It was confirmed that the Service captures lessons learned and that actions are recorded, carried out and tracked. Best practice is also captured internally and provided by Internal Audit from their work in other organisations, where appropriate.

Resolved

The Internal Audit Charter and Internal Audit Plan for 2023/24 was approved by the Standards and Governance Committee.

81. **INTERNAL AUDIT PROGRESS REPORT**

The Committee received a report from the Chief Internal Auditor on Internal Audit Progress (Item number 7 in the minute book).

The Officer reported that Internal Audit was on track to finish everything on time by the end of the year. She explained that two audits had been given limited assurance. These were Continuing Professional Development (CPD), the actions for which were not yet due to be completed and the competency of operational response capability, for which work was ongoing to improve the system. She confirmed that the direction of travel for completing the latter audit actions was good.

In response to questions from Members, it was explained that CPD is part of the 'grey book' terms and conditions and is separate from the more widely understood term and refers to competency in role and that staff who had not completed the relevant training would be taken 'off the run'.

Resolved

The progress in delivering the internal audit plan for 2022/23 and the outcomes to date were noted by Hampshire and Isle of Wight Fire and Rescue Authority Standards and Governance Committee.

82. **INTERNAL AUDIT MANAGEMENT ACTIONS REPORT**

The Committee considered a report from the Chief Fire Officer on Internal Audit Management Actions (item number 8 in the minute book).

The officer introduced the report and reported that there was only one medium or high priority action which was outstanding beyond its agreed target date. This related to the tracking of prevention and protection staff competencies and involves work within the system to provide better efficiency. It was confirmed that there was mitigation in place in the interim.

The Committee head that significant work had been done in respect to the Referral Pathways Audit and that all actions were complete with the February 2023 launch of the new electronic Safe and Well process.

In response to questions from Members, the information gained by the Service from Safe and Well, post incident and targeted visits was outlined as well as that gained when incidents are attended. In the event of an IT failure, a paper based system would be used.

During the first month of operation, feedback from the new Safe and Well form had been very positive and the fact that the process had been reviewed from end to end had assisted that.

The Committee discussed areas where they may benefit from an update to gain understanding. This will be further discussed between officers and Members.

Resolved

The Standards and Governance Committee noted the progress made towards the implementation of the internal audit management actions and the delivery of the audit plan.

83. **ORGANISATIONAL RISK REGISTER UPDATE**

The Committee received a report from the Chief Fire Officer on the Organisational Risk Register (item number 9 in the minute book).

The officer introduced the report and explained that the organisational risks are those that could affect the ability to meet the Authority's Safety Plan. She explained that there had been a time lag and that since the last review in January, some of the risk scores had changed. Risk number ORG0027 – insufficient staff available to provide critical services (flu/pandemic) would be de-escalated and ORG0039 - possible industrial action would be removed at the next quarterly review. ORG0040 HMICFRS report relating to reputation challenges would be monitored.

Members' attention was drawn to appendix A and the scoring of risks. They heard that the Authority had approved the budget strategy in February and was in a financially manageable position in respect to risk number ORG0016. The risks related to the cost of living (ORG0037) would continue to be monitored.

With regard to ORG0017, fire ground contaminants, the processes and actions in place and being managed regarding this risk, including the internal Health and Safety Committee and the layout of fire stations were outlined to Members.

In response to questions from Members, it was explained that the risk relating to data quality had reduced slightly and that some examples were of equality, diversity and inclusion data, where people were not always confident in entering their information and where other systems were paper based. A new Data Quality procedure had been introduced and there were some actions to be taken, which would be managed through the Assurance Framework.

Resolved

The risks identified and captured in the Service's Organisational Risk Register were noted by the Standards and Governance Committee.

84. FIRE STANDARDS PROGRESS REPORT

The Committee considered a report from the Chief Fire Officer on Fire Standards Progress (item number 10 in the minute book).

The Committee heard that the report outlined the Service's compliance with the Fire Standards. Assurance against each Standard had been rated internally and these ratings were improving. There were two new standards, Leading the Service and Leading and Developing People, for which there was a gap analysis being undertaken. It was explained that these new Standards were wide ranging, with around 40 requirements between them.

In response to a question from a Member, it was explained that the assessment relating to the Fire Investigation Standard was due to the fact that the team were in the process of gaining ISO accreditation and that once achieved, the rating could be amended.

A Member reported that at the recent Fire Conference, the Standards had been mapped to the HMICFRS Pillars, that this had been useful and could fit into an awareness session.

Resolved

The Standards and Governance Committee noted the progress made towards compliance of HIWFRS with the Fire Standards.

85. HIS MAJESTY'S INSPECTORATE OF CONSTABULARY AND FIRE AND RESCUE SERVICE (HMICFRS) INSPECTION ROUND 2 - REPORT

The Committee considered a report from the Chief Fire Officer on His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) Round Two Inspection findings (item number 11 in the minute book).

Members' attention was drawn to appendix A, and the Service's approach to address the areas for improvement. It was explained that in vast majority of areas, action is already being taken within the Authority's Safety Plan.

The areas where action is not being taken and why as detailed in the report in paragraph 18 was outlined. In terms of false alarms, the vast majority of these, it was explained, were domestic, non-attendance could pose a life risk and the opportunity to get 'upstream' and provide community safety advice would be lost.

For enforcement, it was explained that the period of data used by the Inspectorate was during the pandemic and that the Service typically undertakes significantly more protection activity, as it did in 2021/22. It was also noted that the Inspection report had praised the Service for its protection work with businesses through the Primary Authority Scheme.

The HMICFRS will produce a 'Spotlight Review' based on the Round 2 Inspections regarding values and culture, which will be published shortly.

In response to a question from Members, it was confirmed that the Service no longer has a 'cause for concern'.

The Committee discussed the fact that the focus for inspection is changing and that Equality, Diversity and Inclusion is at the centre and that all Members needed to remain current. A Member reported that she had met with the Director of People and Organisational Development as part of her Member Champion role and that the work being done in this area had been demonstrated very well. Members recognised that staff were passionate about the Service they worked in and that reports can have an impact on their resilience.

Resolved

The Standards and Governance Committee noted the outcome of the HMICFRS Round 2 inspection, and the Service's approach to embedding its improvements into the Safety Plan delivery.

Chairman, HIWFRA Standards and
Governance Committee

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**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

HIWFRA Standards and Governance Committee

Purpose: Approval

Date: **24 July 2023**

Title: **ANNUAL GOVERNANCE STATEMENT 2022/23**

Report of Chief Fire Officer

SUMMARY

1. Hampshire and the Isle of Wight Fire and Rescue Authority (HIWFRA) is legally required to publish an Annual Governance Statement (AGS) each year. The Authority has delegated to the Standards and Governance Committee, as per its terms of reference, to consider and approve the Annual Governance Statement, and once approved the AGS will be signed by the HIWFRA Chairman and the Chief Fire Officer.
2. The approved AGS will form part of the Annual Statement of Accounts 2022/23, which is a statutory requirement of The Accounts and Audit Regulations 2015.
3. The AGS for 2022/23 is attached in **Appendix A** for consideration and approval that the governance arrangements continue to be regarded as fit for purpose in accordance with the Governance Framework.
4. The AGS is a retrospective statement of the previous financial year.

BACKGROUND

5. Governance comprises the arrangements put in place to ensure our intended outcomes are defined and achieved. Good governance enables fire and rescue authorities to set a strategic policy agenda that meets the needs of communities and to discharge their statutory responsibilities efficiently and effectively.

6. The AGS is produced by every local authority following the principles contained within the Chartered Institute of Public Finance and Accountancy (CIPFA) publication titled *Delivering Good Governance in Local Government Framework 2016* (hereafter known as the Framework 2016).
7. The Framework 2016 brings together an underlying set of legislative requirements, governance principles and management processes. The framework recommends that local authorities review their existing governance arrangements against several key principles and report annually on their effectiveness in practice.
8. The Framework 2016 sets out the following core principles that form the basis on which effective governance should be built:
 - a) Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
 - b) Ensuring openness and comprehensive stakeholder engagement
 - c) Defining outcomes in terms of sustainable economic, social and environmental benefits
 - d) Determining the interventions necessary to optimise the achievement of the intended outcomes
 - e) Developing the entity's capacity including the capability of its leadership and the individuals within it
 - f) Managing risks and performance through robust internal control and strong public financial management
 - g) Implementing good practices in transparency, reporting and audit to deliver effective accountability.
9. There is a requirement for the AGS to include an agreed action plan to deal with significant governance issues, including reference to actions taken or proposed. It should also include summary of progress of how issues raised in the previous year's AGS action plan have been resolved.
10. Guidance on the production of the AGS is produced by the CIPFA and the Society of Local Authority Executives and Senior Managers (SOLACE) in a publication titled *Delivering Good Governance in Local Government – Guidance Note for English Authorities*.

HIWFERS GOVERNANCE ARRANGEMENTS

11. The process of producing the AGS involves reviewing the effectiveness of a wide range of controls and measures that are indicators of the effectiveness of good governance.
12. HIWFERS governance arrangements have been reviewed in accordance with the Framework 2016 and guidance note, which has enabled the AGS 2022/23 to be produced.
13. The process of preparing the AGS should itself add value to the effectiveness of the governance and internal control mechanisms. The AGS is a valuable means of communication. It enables the Authority to explain to the community, service users, taxpayers and other stakeholders, its governance arrangements and how the controls it has in place manages risks of failure in delivering its outcomes.

ACTION PLAN

14. The AGS (as seen in Appendix A) incorporates the action plan at Section 6 of significant governance issues which will be addressed during the year 2023/24. An update on progress against actions from the year 2022/23 is detailed at Section 7.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

15. **Public Value.** *We plan over the longer-term to ensure our decisions and actions deliver efficient and effective public services.*
 - (a) The AGS illustrates the importance we place on ensuring good governance and our commitment to improvement. Implementing good governance supports our Safety Plan and priorities by ensuring an efficient and effective process for decision making. The AGS provides clarity and visibility ensuring the needs of our communities are met alongside delivering public value.
 - (b) In reviewing our existing governance arrangements and identifying areas to be improved, HIWFERS are ensuring accountability for making Hampshire and the Isle of Wight a safer place.

RESOURCE IMPLICATIONS

16. The AGS has no additional resource implications and is prepared at no additional cost to the Service. The work is currently carried out within existing budget and resource from the Governance and Organisational Assurance Department within the Policy, Planning and Assurance directorate.

IMPACT ASSESSMENTS

17. As detailed within the AGS, the Service has impact assessment mechanisms embedded within its governance process. By identifying impacts early, we can better plan for them, act to mitigate the risk or issue, inform policy and our plans and provide crucial evidence. This ultimately provides assurance to the Service, Authority and our communities that we at all times apply due consideration of change and support informed decision making.
18. There are no specific changes as a result of this annual report and therefore there are no positive or negative impacts to the environment or sustainability which may result due to this report. However, these mechanisms support good governance.

LEGAL IMPLICATIONS

19. The AGS is a statutory requirement and explains how the Authority meets the requirements of The Accounts and Audit (England) Regulations 2015 and complies with the principles contained in the Chartered Institute of Public Finance and Accountancy (CIPFA) Delivering Good Governance in Local Government Framework 2016 edition.
20. It is a statutory requirement for the AGS to be included within the Statement of Accounts which are to be presented to the Authority in September 2023.

RISK ANALYSIS

21. Annual reporting ensures regular review of governance arrangements and monitors how the controls in place effectively manage the risks in delivering the organisation's outcomes. Without this regular review, the organisation may stifle innovation and learning and increase risks in delivering public value and delivery of efficient and effective services to our communities.
22. As stated, the AGS is an annual statutory requirement, and therefore if it is not approved may risk statutory non-compliance.

EVALUATION

23. It is important that service activities are evaluated to identify what/how we can learn, understand, plan and do better for the organisation and our communities.
24. Included in the AGS is the action plan to deal with significant governance issues. Delivery against the proposed action plan in Appendix A will be

undertaken across the next year and evaluated in the HIWFRA Annual Governance Statement 2023/24.

CONCLUSION

25. The AGS is submitted to the Authority in accordance with The Accounts and Audit Regulations 2015, for approval and inclusion in the Annual Statement of Accounts 2022/23. It is recommended that Members are to acknowledge that the arrangements continue to be regarded as fit for purpose in accordance with the Framework 2016 and for the approved AGS to be included into the Annual Statement of Accounts to meet the Authority's statutory requirement. The approval of the AGS at this time will ensure the Authority meets its statutory obligations to provide the statement within the Statement of Accounts 2022/23.

RECOMMENDATIONS

26. That the Annual Governance Statement (AGS) 2022/23 as set out in **Appendix A** be approved by the HIWFRA Standards and Governance Committee
27. That Members acknowledge that the arrangements continue to be regarded as fit for purpose in accordance with the Framework 2016.
28. That the approved AGS be included into the Annual Statement of Accounts, to meet the Authority's statutory requirement.

APPENDIX ATTACHED

29. Annual Governance Statement 2022/23 – Appendix A

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**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

ANNUAL GOVERNANCE STATEMENT

2022/2023

FOR

**HAMPSHIRE & ISLE OF WIGHT FIRE AND RESCUE
AUTHORITY**

Annual Governance Statement for Hampshire & Isle of Wight Fire and Rescue Authority

1. Scope of responsibility

- 1.1. Hampshire & Isle of Wight Fire and Rescue Authority (the Authority) is responsible for ensuring that:
- its business is conducted in accordance with the law and to proper standards.
 - public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
 - pursuant to the Local Government Act 1999, it secures continuous improvements in the way in which its functions are exercised, having regard to a combination of efficiency, effectiveness and economy; and
 - pursuant to the Accounts and Audit Regulations 2015, there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which include arrangements for the management of risk.
- 1.2. This Annual Governance Statement (AGS) is a retrospective statement for the previous financial year. On 1 April 2021 Hampshire and the Isle of Wight combined to create Hampshire and the Isle of Wight Fire and Rescue Authority (HIWFRA).
- 1.3. The Authority has delegated to the Standards and Governance Committee (S&GC), as per its terms of reference, to consider and approve the Annual Governance Statement, and once approved, the AGS will be signed by the HIWFRA Chairman and the Chief Fire Officer.
- 1.4. This AGS explains how the Authority meets the requirements of The Accounts and Audit (England) Regulations 2015 and complies with the principles contained in the Chartered Institute of Public Finance and Accountancy (CIPFA) and Delivering Good Governance in Local Government Framework 2016 edition. The AGS is also a key piece of evidence that the Authority has sought to comply with the new CIPFA Financial Management (FM) Code. The Service has undertaken an assessment of its compliance with all of the financial management standards in the FM Code and has assessed that it is compliant with the Code.
- 1.5. The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.

2. The purpose of corporate governance

- 2.1. Governance comprises the arrangements put in place to ensure the intended outcome of stakeholders are defined and achieved. Good governance will enable fire and rescue authorities (FRAs) to:

- set strategic policy agenda that meets the needs of communities and discharges its statutory responsibilities efficiently and effectively.
 - ensure that the policy agenda and defined outcomes are delivered on time, on budget, and to the required standard.
- 2.2. The Service's Corporate Governance Framework comprises the systems and processes, cultures and values by which the Service is directed and controlled. It enables the Authority to monitor the achievement of its priorities and to consider whether they have led to the delivery of appropriate, cost effective and efficient services.
- 2.3. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve its aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of the Authority's priorities. It evaluates the likelihood of those risks being realised and the impact should they be realised, to manage them efficiently, effectively and economically.
- 2.4. The Authority sets strategic direction, monitors, scrutinises and ensures delivery of services, whilst accountability for the achievement of the Authority's priorities sits with the Service. The Service's Corporate Governance Framework demonstrates and enables the ability to deliver its core purpose of making life safer through cohesive working and clear routes of governance.
- 2.5. The Corporate Governance Framework is designed to provide a robust governance process, streamline decision making and support efficient and effective operations for the Service. The effectiveness of the framework is evaluated throughout the year.
- 2.6. The Executive Group is chaired by the Chief Fire Officer and its purpose and responsibilities are clearly defined within its terms of reference. The Executive Group considers reports identified on the organisation's Forward Plan (a tool that supports the effective operation of the Corporate Governance Framework identifying agenda, report topics and the responsible Directors). The Forward Plan supports a robust planning and control cycle for strategic and operational plans, ensuring informed decision making and transparency of decisions being recorded.

3. Core principles of good governance

3.1 Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

3.1.1 The role of scrutiny in good governance is reflective of the decisions about the values and associated behaviours that will guide the organisation.

3.1.2 The Authority operates with 11 Members. The Police and Crime Commissioner (PCC) can attend Authority meetings and has the ability

to speak on items on the agenda. The structure and the related arrangements have resulted in a strategic and business focus from the Authority with good Member engagement and scrutiny. The Authority is in a strong position to continue to lead the Service in delivering excellent quality services to the residents of Hampshire and the Isle of Wight, whilst remaining resilient and responsive to challenges in the future.

- 3.1.3 The Authority has a Constitution, the purpose of which is to set out in a single place and in clear language how Hampshire and Isle of Wight Fire and Rescue Authority (“the Authority”) works and how it makes decisions. The Constitution sets out the roles and responsibilities of the Authority, its committees and Members. The key policies that set out the scope of responsibilities for Members and delegation to officers are detailed within the Scheme of Delegation, Contract Standing Orders and Financial Regulations. Members and officers are aware of their responsibilities within these policies.
- 3.1.4 The Authority reviews and approves amendments to the Constitution at their annual Authority General Meeting (AGM) and as needed throughout the year.
- 3.1.5 The Authority is committed to the highest ethical standards. A code of corporate governance is included within the Constitution, which demonstrates a comprehensive commitment on the part of the Authority to accountability, integrity, ethical values and the rule of law.
- 3.1.6 There is a system in place for any complaint received that a Member or Co-opted Member of the Authority has failed to comply with the Authority’s Code of Conduct for Members.
- 3.1.7 The Authority has a Firefighter’s Pension Board. The role of the Board is to:
- assist HIWFRA as the administering authority of the Hampshire and Isle of Wight Firefighter’s Pension Scheme (FFPS)
 - secure compliance with the Firefighter’s Pension Scheme Regulations and any other legislation relating to the governance and administration of the FFPS
 - secure compliance with requirements imposed in relation to the FFPS by the Pensions Regulator
 - ensure the effective and efficient governance and administration of the HIWFFPS by the Authority
 - consider how discretionary and other pension related issues are being addressed from an operational viewpoint
 - present an annual report to the Authority on the exercise of its functions.
- 3.1.8 The Authority publishes an annual Modern Slavery Statement which sets out the steps that are being taking to prevent modern slavery

throughout the Authority and in its supply chains. The statement is set out to include key information to demonstrate its commitment to tackle modern slavery.

- 3.1.9 The Service has four values (Supporting Others, Showing Respect, Everyone Playing Their Part, and Reaching Further) which are integral to everything we do. These values are underpinned by five behaviours (Dedicated, Openness, Caring, Empowering and Inclusive) which align to the Fire Standard Code of Ethics. These are embedded in the organisation's recruitment and promotion processes, personal development review discussions, and staff recognition scheme.
- 3.1.10 Furthermore, these values are underpinned by a range of policies and procedures including the Member's Code of Conduct, the registers of interests and disclosure of pecuniary interests, gifts and hospitality and protocol for Member and officer relations which are all included within the Constitution.
- 3.1.11 The Fire Standard Code of Ethics, published in May 2021 by the Fire Standards Board, has been adopted and aligns to the organisation's values and behaviours. This ensures the organisation's policies, procedures and decision making reflect the ethical behaviour expected from the workforce. The Authority holds the Chief Fire Officer to account for the implementation of the code at a local level, and both the Deputy Chief Fire Officer and Director of People and Organisational Development are responsible for promoting the Core Code throughout the Service and ensuring that all those who work for, or on behalf of the Service understand its contents and what is expected of them.
- 3.1.12 Staff are required to comply with the Staff Code of Conduct which includes the requirement for them to declare interests and register the offer and acceptance of gifts and hospitality.
- 3.1.13 Whistleblowing, Bullying and Harassment, Grievance, Anti-theft, Fraud, Bribery and Corruption, and Complaint procedures are in place, enabling staff and members of the public to raise issues if they believe that appropriate standards have not been met.
- 3.1.14 Senior Management have the relevant professional external networks and expertise to identify the impacts of new legislation and legal advice is also provided to ensure the Authority continues to comply with legislation and regulations. The statutory roles of Chief Fire Officer, Monitoring Officer and Chief Financial Officer are set out to provide robust assurance and ensure that expenditure and decisions are lawful.
- 3.1.15 Within the Corporate Governance Framework to underpin the Executive Group, there are four Directorate Boards to oversee key areas: the Policy, Planning and Assurance Board, the Operations Management Board, the People and Organisational Development Board, and the Corporate Services Management Board. These boards provide cohesive working, clear routes of governance and extra

scrutiny on behalf of the Executive Group. The Directorate Boards review their terms of reference regularly, with the support of the Governance Team. Furthermore, these Directorate Boards are supported by other forums and Groups, such as the Integrated Performance and Assurance Group (IPAG) and Operations Financial Management Team (FMT), to support good governance across the Service.

- 3.1.16 The creation of a Corporate Governance Procedure with an Officer Scheme of Authorisation strengthens the robust decision making processes already in place. It has also provided clarity on decision making for officers and illustrates where the Constitution's Scheme of Delegation links with the Officer Scheme of Authorisation. The Officer Scheme of Authorisation is reviewed annually to ensure continued openness, transparency, accountability and clarity.
- 3.1.17 A policy, procedure and guidance (PPG) framework has been implemented across the organisation. The PPG are documents that capture and define the way the organisation operates and how it delivers its services and functions. The framework establishes how to manage those documents in a robust and sustainable way. The PPG framework includes Authority owned Policies.
- 3.1.18 In January 2022 the Fire Standard for Safeguarding was introduced. This enabled the Service to demonstrate how it works to promote safeguarding in our communities and amongst our staff and volunteers. Work continues via a Safeguarding Development Action Plan to ensure full alignment to the Standard.

3.2 Ensuring openness and comprehensive stakeholder engagement.

- 3.2.1 The role of scrutiny in good governance is reflective of the decisions on how the organisation demonstrates openness and engages with stakeholders.
- 3.2.2 The Authority approved the Hampshire and Isle of Wight Safety Plan 2020-2025 in February 2020. Since Hampshire and the Isle of Wight combined, the Plan is fully aligned.
- 3.2.3 The Safety Plan incorporates the Community Risk Management Plan (CRMP) requirement and the annual Service Plan into a single document. The Safety Plan 2020-2025 is a live document which is updated annually. This approach to managing risk in our communities will ensure the organisation is able to report on how effective its risk reduction activities are. The Safety Plan is on the website and available to stakeholders electronically and in paper format (upon request). In the Summer of 2022, HIWFRS agreed a business case to produce the next Safety Plan 2025-2030. Every Fire Authority must have a CRMP as outlined in the Fire and Rescue National Framework for England, for HIWFRA, this is called the Safety Plan. The Authority's next CRMP will be produced by carrying out a two stage approach. Stage one, which

commenced in September 2022 and will run until the summer 2023, involves gaining a clear understanding of, and identification of, the risks HIWFRS face in our communities. This will involve discussion with our staff, communities and local partners, as well as using qualitative and quantitative data. Stage two will begin shortly thereafter and will develop control measures and mitigations to meet the risks identified in stage one. Stage two will include consulting with partners, staff and the public on the nature of our proposals.

- 3.2.4 The Authority operates in an open and transparent way. It complies with The Openness of Local Government Bodies Regulations 2014. The Authority's meetings are open to the public and its papers and decisions are available through the website (save for individual items of a sensitive nature properly considered in confidential session). In addition, Authority meetings are live streamed, and the recording published to enable staff and the public better access to view decision making.
- 3.2.5 Clear guidance and protocols on decision making, templates for reports and effective arrangements for the approval of exempt reports ensures that the Authority takes decisions in public when appropriate and after full consideration of relevant information.
- 3.2.6 The Authority, through the Service, enjoys a constructive relationship with the trade unions and associations representing staff groups across the organisation, through which meaningful consultation and negotiation on Service issues takes place. The Service regularly monitors Trades Union Facilities Time and publishes information in line with reporting requirements for public sector organisations outlines in The Trade Union (Facility Time Publication Requirements) Regulations 2017.
- 3.2.7 Public consultation to listen to stakeholders and inform decision making is undertaken where required and expected. Consultation processes enable our staff, the public and other stakeholders to have their say on how their fire and rescue service should operate in the future. In line with the national fire standard on producing Community Risk Management Plans, consultation is an important element in the production of our next Safety Plan covering 2025-30. As outlined above, work to produce this plan has already begun. To ensure we design a robust and comprehensive consultation process, we are working with The Consultation Institute. This external organisation is ensuring our approach is comprehensive, meets national standards and our equality obligations. Over the two stages of the project we will discuss with our communities what it is they expect from us and then consult on options. Our engagement will be specifically designed and appropriately accessible.
- 3.2.8 The Authority has a long history of collaborative working with partner agencies. In particular, with Hampshire County Council as part of the Shared Services Partnership and blue light collaboration with South

Central Ambulance Service (SCAS) and Hampshire and Isle of Wight Constabulary which continues as business as usual. The COVID-19 pandemic has really demonstrated the need for collaboration, all working together towards the same goal. The Service has continued to work closely with the Local Resilience Forum (LRF), Local Authorities and the National Health Service (NHS) as well as our blue light partners, to ensure good governance and robust frameworks in the collaborative environment. The Authority receives an annual update which explains the collaborative work that has taken place and demonstrates how we are effectively complying with the Policing and Crime Act 2017 and the Fire and Rescue Services National Framework for England.

3.3 Defining outcomes in terms of sustainable economic, social and environmental benefits.

- 3.3.1 The role of scrutiny in good governance is reflective of the decisions on outcomes to be achieved.
- 3.3.2 Delivery of fire and rescue services and the associated community safety activity remains the Authority's core activity.
- 3.3.3 In February 2020, the Authority approved the Hampshire and Isle of Wight Safety Plan 2020-2025. It sets out our five-year strategy that establishes a long-term approach to achieving our purpose of 'Together We Make Life Safer' and to ensure we constantly provide a service to our communities that makes life safer and that our staff are proud to deliver.
- 3.3.4 The Safety Plan sets out our approach, and that we are keen to consider how we make life safer and have therefore taken a wider view of risk and safety in our approach.
- 3.3.5 Year three of the Safety Plan has now been completed. Performance against the priorities is measured and reported to the Authority in mid-year and end of year performance reports, with the latest performance report submitted to the Authority in June 2023 alongside the Safety Plan progress report.
- 3.3.6 Our ongoing and live strategic assessment of risk provides the understanding for us to set out our services and priorities to manage, control and mitigate that risk. We also consider the learning from significant events locally, regionally, nationally and internationally to inform our planning. Whilst also, gaining information about best practice from inspections by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), as well as from other internal and external assurance activity, which is outlined in our assurance procedure and the associated annual assurance programme.

- 3.3.7 Our Safety Plan is underpinned by our strategic assessment of risk, which is a detailed and constantly updated analysis, developed by:
- Identifying risk
 - Assessing the risk
 - Prioritising the risk
 - Mitigating the risk
 - Reviewing the risk.
- 3.3.8 To achieve our purpose, we must fully understand the risks that our communities face. By engaging with those most affected by the risks identified, we can create the most effective services to protect them. On this basis we have developed five priorities that we are committed to for the life of the Safety Plan:
- Our communities
 - Our people
 - Public value
 - High performance
 - Learning and improving
- 3.3.9 These focus our resources to the relevant community risks, environmental risks and economic risks, as well as other risk identified through an ongoing Political, Economic, Social, Technological, Environmental, Legal and Organisational (PESTELO) analysis that forms part of our live strategic assessment of risk. It also provides focus on organisational improvements to support our service delivery to ensure that we are efficient and effective. We must constantly reassess our communities to make sure our assessment of risk is still accurate.
- 3.3.10 The Safety Plan is underpinned by detailed Directorate plans and our Service change portfolio of projects and programmes which is monitored through the Policy, Planning Assurance Board and its Integrated Performance and Assurance Group. Progress against these plans is monitored through regular performance updates to assess the deliverables reporting to the Executive Group and the Authority on an exceptions basis when required.
- 3.3.11 The Directorate Plans provide the link from the Safety Plan through to an individual's objectives and goals and enables everyone to see how the work they do contributes to the bigger picture and the Safety Plan.
- 3.3.12 People Impact Assessments (PIAs) are used to identify any significant impact on people and those who share a characteristic which is protected under equality law. Impact Assessments also identify any environmental, economic and legislative risks. Impact Assessments are carried out prior to implementing a policy, procedure, change or decision with a view to ascertaining its potential impact. Impact Assessments are also carried out during formal report writing to identify

any impact on the recommendations within reports. with a screening tool developed to help our people understand when supplementary (Stage 2) impact assessments are required

- 3.3.13 The Service's Change Management Framework and its supporting procedure has a core focus on the outcomes and benefits achieved by projects and programmes (change activity) – with these being considered throughout the lifecycle of change activity. In 2021, the Change Management Framework was independently audited by our internal auditors who concluded it provided 'substantial' assurance with: *"A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited."*
- 3.3.14 The Service uses internal audit and our risk-based internal audit plan as a core part of our annual assurance programme, as a 'third line of defence'. There is regularly reporting into the Standards & Governance Committee on progress of any audit management actions (recommendations), with extensive internal reporting and monitoring as well – including into Executive Group, Directorate Boards and the Integrated Performance and Assurance Group.
- 3.3.15 Furthermore, a Service Learning Tool (capturing all organisational learning, including from, but not limited to, operational incidents; prevention and protection activity; projects, programmes and change activity; and wider staff feedback) is now in place with further work planned to communicate to our staff more widely on action taken in response to their feedback – via a "You Said, We Did" page on our intranet.
- 3.3.16 Since taking the advantage of technology for holding remote meetings, many internal Service meetings and those Member, officer meetings that are not public, such as Chairman's Briefings and the Authority Policy Advisory Group continue to be held remotely in order to save Member and officer time, travel and carbon emissions.

3.4 Determining the interventions necessary to optimise the achievement of the intended outcomes.

- 3.4.1 The role of scrutiny in good governance is reflective of the decisions on interventions/services necessary to achieve the outcomes.
- 3.4.2 There are clear guidance and protocols for decision making. The involvement of legal and finance officers in all significant decisions of the Authority ensures that decisions are only made after relevant options have been weighed and associated risks assessed. The Organisational Risk Register captures current operational and organisational risks that could affect delivery of the Safety Plan. The Organisational Risk Register is reviewed quarterly with reports going to Executive Group. The Authority, delegated to the Standards and Governance committee, regular monitoring of the Organisational Risk

Register through formal reporting. During 2022, the Service reviewed and updated its Risk Management Procedure to action the observations from SIAP's audit of our risk management arrangements.

3.5 Developing the entity's capacity including the capability of its leadership and the individuals within it.

- 3.5.1 The role of scrutiny in good governance is reflective of the decisions to ensure that the organisation has the human and financial resources it needs.
- 3.5.2 The relationship between Members and officers is established on a professional culture of mutual respect, trust and cooperation. Within the Constitution, the Member officer Protocol is included providing clarification around the two roles.
- 3.5.3 The role of scrutiny by Members to holding officers to account is central to exercising effective governance. Members provide constructive challenge to officers, it is this 'critical friendships' that tests the reliability and consistency of advice, information and quality decision making.
- 3.5.4 The Authority holds pre-authority meetings which supports awareness and preparations. Effective questioning is a crucial component of constructive challenge offered by 'critical friends' and achieved through combination of good preparation, knowing which questions to ask and when to ask them; pre-meetings are helpful to determine how the meetings will be conducted.
- 3.5.5 A Member's Champion scheme is operated in support of an effective and professional relationship between Members and officers in which both understand each other's role. Officers engage proactively to provide information and in support of scrutiny activity, using their professional expertise to help Members better understand the context within which the organisation is operating and make robust judgements about performance. The current focus areas for Member Champions are Governance, Effectiveness & Performance, People, Community Safety and Carbon reduction.
- 3.5.6 The Authority has appointed substitute Members to its two standing committees. This means that any potential attendance and representation issues are addressed. These formal appointments ensure that appropriate governance is in place to ensure lawful decision making when substitute members attend meetings.
- 3.5.7 Members receive copies of key internal staff communications.
- 3.5.8 Members' knowledge and understanding is developed through the delivery of an induction programme and periodic training and awareness sessions. A Members Induction session was held in June 2022 with ongoing training and awareness sessions held throughout the year. Both Members and officers enjoy Local Government

Association (LGA) membership that entitles them to attendance at training and conferences, targeted at raising awareness of national themes and in development of their leadership and scrutiny roles.

- 3.5.9 Members attend the Authority Policy Advisory Group (APAG) meetings which are delivered during the year. The meetings are chaired by the Chief Fire Officer and facilitate the two-way exchange and update of information between Members and officers. It is a forum providing the opportunity for Members and officers to informally discuss and shape policy. The Group receives updates on matters of interest and considers the future strategic direction of the Authority and Service business.
- 3.5.10 To ensure capability of leadership, the Executive Group have been enrolled on to the Institute of Directors (IOD) Certificate in Company Direction, with professional membership to the IOD included. In order to achieve this accreditation, all Directors passed exams to test their knowledge and application. The leadership training ensures professionalism of the Executive Group, governance and leadership, imparting wider benefits of resilience and skills to the Service.
- 3.5.11 The Authority, its committees and the Chief Fire Officer have access to a full range of professional advisers to enable them to carry out their functions effectively and in compliance with statutory requirements. Some legal and democratic services are provided through service level agreements with Hampshire County Council (HCC). The shared service partnership with HCC and Hampshire Constabulary provides a wide pool of professional advice for areas such as human resources, finance and procurement.
- 3.5.12 The development of our People and Organisational Development Directorate (POD) has created a Learning and Development function under the same leadership, which delivers operational training including incident command, leadership and management as well as commissioning technical and professional development provision such as health and safety qualifications and apprenticeship programmes.
- 3.5.13 Our POD Directorate plan identifies leadership and management development as a strategic priority. Delivery of leadership and management training is aligned with the National Fire Chiefs Council (NFCC) Leadership Framework and the Fire Standards Code of Ethics, as well as our own Service Values. We also use insights profiling, 360 degree feedback and coaching to develop leadership capabilities. Future design of our leadership and management development will align with the requirements of the Fire Standards Leading and Developing People.
- 3.5.14 We use insights from our wellbeing survey, internal and external data analysis, HMICFRS inspections, internal audits and peer reviews alongside feedback from our staff network groups and management forums to inform our POD Directorate plan. This seeks to make our

organisation a great place to work for everyone whilst delivering excellent services to our communities through a professional, well equipped and agile workforce.

- 3.5.15 Our priorities are captured within the Safety Plan and include the importance that our staff at all levels are skilled and feel equipped to undertake their responsibilities. We align the skills and capabilities of our teams to ensure they can perform at the highest levels, based on our priorities. Our Leadership Development Framework supports the growth of our staff in their capacities as both leaders and managers.
- 3.5.16 It is vital that we have the right people in the right roles to be effective. We must focus on our recruitment to find and retain talented people who embody the values we feel are central to representing our organisation. Embedding our values throughout our recruitment processes continues to help us to build a great working environment of which our workforce will be proud.
- 3.5.17 HIWFRS regularly reviews the shape of its workforce against the context of its capacity and capability requirements to meet the needs of communities. This then informs a range of strategies such as recruitment, retention and people development in order to provide effective leadership and deploy appropriate resources to meet the needs of the service.
- 3.5.18 HIWFRS is developing a culture of on-going coaching style conversations which focus upon high performance in all aspects of our work. Staff take personal responsibility for their own performance and how this contributes to the overall performance of their team. They are encouraged to use the range of learning opportunities that are available across the organisation.
- 3.5.19 The Service is committed to driving high performance by unlocking the potential of all employees. There is a revised Personal Development Review (PDR) system, with personal goals and objectives to link back to the objectives within directorate plans, priorities within the Safety Plan and behaviours linked to the organisational values. This focus on performance will ensure we deliver the best possible service to the communities we serve.
- 3.5.20 In December 2022, the Fire Standards Board published two new Fire Standards, Leading the Service and Leading and Developing People. These standards, like the other 12 fire standards, have been subject to a detailed gap analysis to identify what assurance the Service has in these areas, as well as any additional actions required to support these standards being adopted across the Service. The Authority holds the Chief Fire Officer to account for implementation of the Standards at a local level and both the Deputy Chief Fire Officer and Director of People and Organisational Development are responsible for promoting the Standards throughout the Service and ensuring that all those who work for, or on behalf of the Service understand its contents and what is

expected of them. Additionally, there is routine (every six months) reporting into the HIWFRA Standards & Governance Committee on our position against the full suite of Fire Standards. This reporting also provides members with updates on other developments, such as future Fire Standards.

3.6 Managing risks and performance through robust internal control and strong public financial management.

- 3.6.1 The role of scrutiny in good governance is reflective of the decisions regarding the adequacy of progress and associated risk management arrangements.
- 3.6.2 The Fire Authority has a risk management Policy which delegates responsibility to the Executive Group for the day to day management of the Service's organisational risks. Oversight of the arrangements are provided by the Policy, Planning and Assurance Board, which reports to the Executive Group. To ensure the most effective management of risks across the Authority and to ensure continued delivery of the Safety Plan priorities, a new risk management system, JCAD, was introduced to the Service on 1 April 2021. Risks associated with the delivery of the Safety Plan, as well as the work of each directorate, are recorded in JCAD in line with our risk management procedure. Risks are escalated from the Directorate risk register to the Organisational Risk Register when necessary. The risk registers capture risk mitigations and the impact these mitigations are having.
- 3.6.3 Performance management is in place to measure progress against aims and priorities to prompt remedial action where appropriate. The Policy, Planning and Assurance Board provides scrutiny of the performance management process as do the other Directorate Boards. The Directorate Boards are supported by other forums and Groups, such as the Integrated Performance and Assurance Group and Operations Performance Board to support good performance management and scrutiny across the Service.
- 3.6.4 The Executive Group reviews key performance indicators (KPIs) on a regular basis and the Chief Fire Officer holds Directors to account for performance of their areas across the organisation.
- 3.6.5 The Authority has a framework for regularly monitoring its performance with timely and relevant information. The Authority holds the Chief Fire Officer to account and receives regular performance reports at its public meetings.
- 3.6.6 The internal management structure operates under a structure that promotes improved efficiency, effectiveness and improvement of its ability to make communities safer.
- 3.6.7 We compare our performance to that of other fire and rescue services; for example, we make use of national benchmarking information. This

continues to show that we are performing well when compared with other similar fire and rescue services.

- 3.6.8 The Internal Audit Plan was developed to operate at a strategic level, providing a value-adding and proportionate level of assurance aligned to the Authority's key risks and priorities. This includes a regular review of the organisation's risk management processes.
- 3.6.9 The Internal Audit Plan incorporates provision for both proactive and reactive counter fraud and corruption work, which is underpinned by an Anti-Theft, Fraud, Corruption and Bribery Policy. The Service's approach is to identify areas that could present greatest risk or where managers have identified indicators that improvement is needed.
- 3.6.10 The delivery of the resulting Internal Audit Plan enables the Chief Internal Auditor to provide an annual report providing an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control which is reported to the Authority, and later published within the Annual Statement of Accounts in compliance with statute.
- 3.6.11 The Authority's Standards and Governance Committee (S&GC) has a clear terms of reference, to provide an effective source of scrutiny, challenge, and assurance regarding the arrangements for managing risk and maintaining an effective control environment. The S&GC considers the delivery and outcomes of the Internal Audit Plan, along with scrutinising the Service's performance in delivering against agreed actions.
- 3.6.12 The budget setting process is well established and prioritises budgets and spending to achieve intended outcomes. Budget setting and medium term financial planning follow seven financial principles adopted by the Authority:
- A corporate approach will be taken to the development of budgets and savings programmes.
 - Savings delivery will be planned so that savings are delivered at the optimum time to balance the budget.
 - Financial planning assumptions will be realistic and prudent and will take account of pay and price inflation.
 - One-off and recurring growth will be limited.
 - Revenue contributions to reserves for capital investment, IT and other equipment replacement will be maintained.
 - The revenue budget and capital investment will be aligned with strategic priorities and risks.
 - Reductions in planned revenue contributions will be used as a last resort to balance the budget.
- 3.6.13 The Authority prepares its revenue budget on an annual basis, supported by periodic updates to its Medium Term Financial Plan and

annual updates to its multi-year capital programme. This is supported by the Authority's Reserves Strategy, Treasury Management Strategy, Capital & Investment Strategy, and Efficiency Plan, all of which are important elements of overall financial management. The Authority Financial resources are focused to deliver its aims and priorities over the short and medium term, with financial planning and management fully integrated with (and driven by) the corporate planning and monitoring process.

- 3.6.14 The Authority has strong financial management arrangements at both the strategic and operational level and consistently obtains unqualified opinions for its annual accounts and positive value for money assessments from its external auditor. The Section 151 Officer is the Chief Financial Officer and all formal significant financial decision making has the benefit of advice and review from this officer or the wider finance team. In 2021/22 the external audit of the accounts was not completed within the statutory deadline. This delay related to wider issues in local government audit rather than specific matters relating to the Fire Authority.
- 3.6.15 Day to day financial management is conducted in line with the Authority's constitution and the delegated responsibilities set out within the corporate governance policies and procedures. It is built into the way the Service is managed, with regular monitoring carried out at a directorate level and reported through to the Executive Group on a quarterly basis or by exception. Financial reporting happens both at a subjective level (ie. income and expenditure types) and by directorate, meaning it is aligned to the Service's operational structure and its roles and responsibilities. Support is provided by the finance team. Capital programme expenditure and forecasts are also regularly monitored. Training is provided to new budget managers to enable them to effectively use the suite of financial reports made available through the shared services portal and to ensure roles and responsibilities are understood. This is supported by access to online guidance and advice from the finance team in addition to bespoke workshops on specific aspects of financial management when required.
- 3.6.16 In February 2023 budget setting meeting the Authority also considered an updated Medium-Term Financial Plan (MTFP). The MTFP covers the four-year period to 2026/27, however the single year Local Government Finance Settlement for 2023/24 means there is increased uncertainty when planning beyond the first year of this period. This is in addition to the uncertainty created by the current economic climate, particularly the ongoing impact of inflation. The risks associated with this uncertainty are mitigated by the use of prudent financial assumptions within the MTFP and the contingencies built into the budget. Further mitigation comes from the level of reserves held by the Authority and the contributions to reserves that continue to be built into the base budget. The robustness of estimates included in the budget and the adequacy of financial reserves are assessed by the Chief Financial Officer in the Section 25 report prepared alongside the

revenue budget. The MTFP and in-year financial position are monitored by our Executive Group and are regularly formally reported to the Authority at its public meetings.

3.6.17 The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management (FM) Code was formally adopted across local government from the 2021/22 financial year. The FM Code sets out the six principles of good financial management, which it then translates into a list of financial management standards which local authorities should test their conformity against. The Service has undertaken an assessment of its compliance with all the financial management standards in the Code. Based on this, the Authority has ascertained that it is compliant with the Code. Although compliant, the Executive Group has discussed opportunities to further enhance the Authority's financial management and will continue to actively do so as opportunities arise.

3.7 Implementing good practices in transparency reporting and audit to deliver effective accountability.

3.7.1 The role of scrutiny in good governance is reflective of the decisions on what will be reported to the public in order to ensure transparency and practice accountability.

3.7.2 The Authority meetings are open to the public and reports are written in an understandable style appropriate to the audience and published on the website ensuring that they are easy to access and interrogate. Authority meetings remained open to the public during the Coronavirus Pandemic, ensuring transparency and accountability.

3.7.3 The Authority publishes data in line with the Local Government Transparency Code 2015 to provide open data sources ensuring transparency and accountability.

3.7.4 We use social media to demonstrate and highlight our response to incidents to the public, as well as raise awareness of safety messages, calls to actions and fire and rescue service campaigns.

3.7.5 Members provide performance oversight and bring a mixture of experience and expertise from their professional backgrounds as well as their time in politics. It is also important to have access to requisite knowledge regarding the subject matter, so Members are supported by officers for any knowledge needs. It is also necessary to co-opt independent expertise to support scrutiny so that constructive challenges are taking place from well-informed positions.

3.7.6 The 'Internal Audit Charter' is presented annually for approval by the S&GC. The purpose of the Internal Audit Charter is to formally define its purpose, authority, and responsibility. The Chief Internal Auditor has direct access to elected Members of the Authority and those who serve on the S&GC.

- 3.7.7 The on-going work of Internal Audit is presented routinely through the progress reports to the S&GC, providing an overview of Service performance. It considers delivery against the plan and the progress made by the Service in the implementation of management actions that have been agreed to mitigate risks identified through internal audit work.
- 3.7.8 Where appropriate, Internal Audit will gain assurances from third parties to contribute to their overall assurance opinion.
- 3.7.9 Representatives of External Audit routinely attend S&GC meetings and present external audit reports. Any recommendations for corrective action detailed within internal or external audit reports are highlighted to Members.
- 3.7.10 Financial reporting complies with relevant statute, codes and good practice guidance. Financial and performance information are reported consistently throughout the year. Where relevant and appropriate, performance comparisons are made to other organisations.
- 3.7.11 The Authority has a community interest company, 3SFire. The company operates under the governance of a Board of Directors and the 3SFire CIC Stakeholder Committee. The 3SFire CIC Stakeholder Committee ensure appropriate controls and scrutiny are in place for the trading company. To ensure and maintain separation of the Service and 3SFire CIC, which are separate legal entities, the internal governance of reports and performance is monitored by the Company Board and is reported to the Authority at its public committee meetings twice yearly, or as needed. 3SFire CIC are bound by the Regulator of Community Interest Companies (CIC) which requires full compliance with the regulation in order to operate.
- 3.7.12 Our Pay Policy Statement is approved annually by the Authority and published on the Service's website.
- 3.7.13 Governance of our internal safeguarding arrangements are provided through various safeguarding audit activity work which is generated from both the local Adults Safeguarding Boards and the Local Children's Safeguarding Partnership.

4. Obtain assurances on the effectiveness of key controls.

- 4.1 Key controls relating to risks, internal control (including financial management) and governance processes are identified by senior managers as part of the governance framework.
- 4.2 Senior managers complete the annual Certificate of Assurance which is a self-assessment and declaration that they and their teams are familiar and operate within policy and internal control mechanisms.

- 4.3 The Authority receives an Annual Assurance Statement which is published on the website. The Annual Assurance Statement provides an accessible way in which communities, local authorities and other partners may make a valid assessment of their local fire and rescue authority's management of performance and key controls on financial, governance and operational matters and show how they have due regard to the expectations set out in the IRMP.
- 4.4 Risks are managed as determined by the Risk Management Policy and progress monitored through risk registers.
- 4.5 Internal Audit, as part of its planned review of internal controls, regularly evaluates the key controls to determine their adequacy and carries out tests to confirm the level of compliance. An audit opinion on effectiveness is provided to management and any actions for improvement to be agreed.
- 4.6 The Authority prides itself on being a professional learning organisation that actively seeks challenge and review.
- 4.7 Our ICT environment has been critical to the maintenance of critical services and business as usual activity, with the use of Teams well-established and crucial, as has been the provision of necessary IT, IT security and two-factor authentication, DSE and other equipment to staff to support homeworking. This has led to positive impacts to the environment, eg., with reduced commuting time, reduced costs to some staff and the Service (eg., reduced use of pool cars and reduced travel and subsistence).
- 4.8 There has also been a significant focus on staff wellbeing, such as sessions on nutrition, rest and recovery (supported by survey insights and communications), which have been delivered differently and been well-received. There is also an ongoing focus on business continuity and degradation planning across all departments, which goes wider than COVID-19 but has been accelerated by it.
- 4.9 In January 2023, the HMICFRS published the Round 2 inspection report for Hampshire and Isle of Wight Fire and Rescue Service, as well as reports on various other services, and a national Annual Assessment of Fire and Rescue Services in England. His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) inspection, much like internal audit, is a crucial part of our wide-ranging assurance programme and we are committed to using inspection as an opportunity to learn. The report also provides our communities with a view of how we are performing across the Service, for example in terms of how we understand, prevent and respond to fires and other incidents and risks.
- 4.10 The inspection, which took place between April and July 2022, reviewed the Service as a whole. From how senior leaders set the strategy, to how well our teams perform in their day-to-day tasks. They do this in many ways, from reviewing our documents, analysing our data, carrying out staff and public perception surveys, staff focus groups, visits to stations and more. Much of the activity throughout the year takes place remotely. Some field work visits were completed where they visited our teams right across the organisation.

- 4.11 The 2022 inspection rated the Service as 'Good' for effectiveness, but 'Requires Improvement' for efficiency and how we support our people. However, our 'cause for concern' from the previous inspection, for not doing enough to be an inclusive employer, has been removed because of the significant progress we have made in this area. The Service is providing ongoing reporting into the Authority's Standards & Governance Committee on our progress against the findings of the inspectorate report.
- 4.12 The Fire Standards Board continues to consult on the development of new Standards. Officers and their teams have been proactively engaging in the process and have fed into the development of all Standards. This assists us in our planning and assurance around each Standard, the process for which is outlined elsewhere in this Statement. Once a new Fire Standard is published, there is a thorough assessment and analysis of our current compliance with it. These assessments are published internally and reported into the Executive Group and Integrated Performance and Assurance Group – with six-monthly reporting into the Fire Authority. The Service's current compliance assessment against the Fire Standards is quality assured by the Organisational Assurance team who also publish background information to all our staff, via our intranet on the Fire Standards Board, approved Fire Standards and what their requirements ('desirable outcomes') are.
- 4.13 Other external reviews include the following:
- ISO27001 Information Security Audit accreditation meaning that HIWFRS are compliant to the internationally recognised information security standard.
 - Complete annual Code of Connection (CoCo) review and Home Office submission for our Emergency Services Network (ESN) connectivity.
 - Complete annual audit and Code of Connection (CoCo) statement return for emergency communications.
 - Annual penetration tests by authorised third-party companies to conform to ISO27001, Public Sector Network and Emergency Services Network accreditation requirements.
 - Inspection from HMI covering ICT management activities, methodology, technology and Security.
 - Complete audits of ICT functions conducted by the Southern Audit Partnership, two to four audits per year of our operational teams and or processes.
 - Monthly Internal audits assessing the competence and compliance of ICT staff in line with the ISO27001 scope, standards and requirements.
 - Quarterly tabletop exercises relating to ICT scenarios testing business continuity plans, disaster recovery plans and day to day processes
 - Statutory requirement to comply to Section 11 of The Children Act 2004 and to the statutory guidance of the Care Act 2014. This includes a programme of continuous audit, assurance and reporting arrangements in order to demonstrate and evidence our compliance to the legislation.

5. Evaluate assurances and identify gaps in control/assurance.

5.1 One of the key elements of the Corporate Governance Framework and the production of the Annual Governance Statement (AGS) is the methodology applied to obtain the necessary assurance. This has included:

- a self-assessment assurance statement (certificate of assurance) being sent every year to members of senior management.
- consultation with other relevant officers throughout the organisation.

5.2 The Certificate of Assurance covers a range of corporate governance and assurance issues, and they refer to the existence, knowledge and application within departments of governance policies generally.

5.3 The HIWFRS Corporate Governance Framework illustrates how decisions are made and by whom. This Framework works alongside the HIWFRA Constitution to ensure clarity around all governance arrangements. To provide a greater understanding around this an HIWFRS Corporate Governance procedure has been created which contains an Officer Scheme of Authorisation. This provides further assurances to all stakeholders on governance arrangements.

6. Action Plan ensuring continuous improvement of the system of governance.

6.1 There is a requirement for the AGS to include an agreed action plan showing actions taken or proposed to deal with significant governance issues.

6.2 The HIWFRS Corporate Governance Framework provides a robust mechanism to ensure significant governance issues are identified, and an appropriate action plan is agreed to continue improvement of the system of governance.

6.3 The following identifies the actions to ensure continuous improvement of key governance issues that will be carried out over the next year 2023-2024:

6.3.1 Continue to adopt the 'Leading the Service' and 'Leading and Developing People' Fire Standard to ensure HIWFRS meets the required standard.

6.3.2 Deliver stage two of the CRMP (developing solutions to meet the risks identified in stage one) including consulting with partners, staff and the public.

6.3.3 Continue to align to the sector's current approved codes of practice: strategic and tactical National Operational Guidance.

6.3.4 Deliver the Safety Plan year 4 activities which take into account HMICFRS findings.

6.3.5 As part of the continued commitment to on-call, invest, as approved by the Fire Authority, in improving the support provided to the on-call workforce.

6.3.6 To strengthen the Service's governance around the Inclusive Service Strategy and the Wellbeing Strategy, an Equality, Diversity, Inclusion and Wellbeing Board is being added to the Corporate Governance Framework. This Board will have representation across all Directorates and will provide focus on the actions that form part of the Wellbeing action plan and the three year Inclusive Service strategic action plan.

7 In response to the Action Plan outlined in the 2022/23 Annual Governance Statement:

7.1 There is a requirement for the AGS to include reference to how issues raised in the previous year's AGS been resolved.

7.2 The following identifies the actions resolved in 2022/2023:

7.2.1 HIWFRS continue to invest into our Carbon Reduction plans including the installation of electric charging points across the estate. All 37 identified sites will have installed chargers and the completed the project has rolled out 126 charges across the HIWFRS estate.

7.2.2 The Authority considered the Home Office White Paper consultation and provided views in relation to a change of governance. As further updates detailing the outcome of the White Paper consultation are published, the Authority will ensure the current governance frameworks and their supporting Policies, Procedures and Guidance are fit for purpose and align to any recommendations.

7.2.3 The Service published its 'Our Inclusive Service' strategy which describes our Equality Objectives, builds on the positive progress we have made towards creating an inclusive culture and our commitment to equality and diversity. Work continues to create an underpinning three year strategic action plan which will run from 1 April 2023 until 31 March 2026.

7.2.4 In Summer 2022, HIWFRS agreed a business case to produce the next Safety Plan covering 2025-2030. The HIWFRS Safety Plan is the Community Risk Management Plan (CRMP). HIWFRS intend to carry out the work of the CRMP in two stages. Stage one commenced from September 2022 and is underway until June 2023. Stage one will give a clear understanding of and identify the risks we face in our communities. Stage two will begin shortly after and will develop options to meet the risks identified in stage one.

7.2.5 A value for money assessment was completed in January 2023 with the assessment producing a report, which will be used alongside other assurance sources, including the HMICFRS inspection report, to identify areas of focus and improvement for the Service. The assessment also provides valuable benchmarks against other Services and will also allow us to share and tap into good practice from across the sector.

7.2.6 The Service have developed a Wellbeing Strategy which will be presented to the Executive Group for sign off in May 2023. The Strategy has an underpinning Wellbeing action plan.

7.2.7 A considerable amount of work has taken place to mature our compliance with Fire Standards and embed a process for assessing current and forthcoming Fire Standards as part of our ongoing assurance activity. The Authority's Standards & Governance Committee is regularly updated on our assurance activity in this area. With the second update, into the Committee in March 2023, appending our Fire Standards Procedure, which provides further detail on our fire standards assurance approach across the Service.

Declaration

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are set out in this statement.

We propose over the coming year to take steps to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Chief Fire Officer

Date:

Signed:

HIWFRA Chairman

Date:

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**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

HIWFRA Standards and Governance Committee

Purpose: Noted

Date: **24 JULY 2023**

Title: **EXTERNAL AUDIT – AUDITOR’S ANNUAL REPORT 2021/22
AND AUDIT PLANNING REPORT 2022/23**

Report of Chief Financial Officer

SUMMARY

1. Attached to this report is the external auditor’s annual report for 2021/22 (Appendix 1). The purpose of the auditor’s annual report is to bring together all of the auditor’s work over the year. This includes reporting on the audit of the financial statements as well as the auditor’s commentary and findings in respect to the Authority’s value for money (VFM) arrangements.
2. Also attached to this report is the external auditor’s audit plan for the audit of the 2022/23 statement of accounts (Appendix 2). The purpose of this plan is to provide the Standards and Governance Committee with a basis to review the proposed audit approach and scope for the 2022/23 audit. The plan summarises the auditor’s initial assessment of the key risks driving the development of an effective audit and outlines the planned audit strategy in response to those risks.
3. The two reports from EY have been reviewed by the Chief Financial Officer and these are now presented to the Standards and Governance Committee for consideration. The audit team from EY will be attending the meeting to present and discuss their reports with the Committee.

BACKGROUND

4. The Authority is required by the Local Audit and Accountability Act (2014) and the Accounts and Audit Regulations (2015) to produce an annual statement of accounts and to have these accounts externally audited.

5. The Authority's auditor is EY and was appointed by Public Sector Audit Appointments Ltd (PSAA) in accordance with the requirements of the 2014 Act.

AUDIT ARRANGEMENTS

6. The timescales for the publication of draft and audited accounts were temporarily extended through amendments to the Accounts and Audit Regulations over recent years due to the impact of Covid-19. Despite these extended deadlines, the proportion of local authorities in England that have published their audited financial statements on time has fallen from more than 95% in 2017 to less than 12% in 2022 (as reported by the Institute of Chartered Accountants England and Wales).
7. The Authority's statement of accounts for 2021/22 was among the many not to be signed off by the deadline, however the audit work has now been completed. An unqualified opinion was given by the external auditor (EY) in February 2023, with the Audit Results Report shared with members of the Standards and Governance Committee. EY's auditor's annual report (Appendix 1) draws together the auditor's work on the 2021/22 accounts to present to the Committee.
8. Regulations required draft accounts for 2022/23 to be published by 31 May 2023 to allow the period of public inspection of the accounts to begin. This deadline was met by the Authority with the recently published draft accounts.
9. The Department for Levelling Up, Housing and Communities published details of measures to support the improved timeliness of local audit in December 2021. One of the outcomes was to extend the deadlines for the sign-off of audited accounts for 2021/22 to the end of November 2022, reverting to 30 September for the subsequent six years (as opposed to the 31 July deadline originally in the regulations).
10. EY's audit planning report (Appendix 2) sets out how the audit of the draft accounts for 2022/23 will take place. The planning report identifies that EY currently anticipate that they will be in a position to present the audit results report to the Standards and Governance Committee in December 2023. As this will be after the deadline of 30 September set out in the Accounts and Audit Regulations, the Regulations will require the Authority to publish a statement on its website explaining the reasons for the delay. It is important to emphasise that audit delays are a common issue for all audit firms and many other authorities across the country are in the same position, as has been well publicised.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

11. Good financial management is essential to enable the Service to achieve its plans and priorities. The annual audit of the statement of accounts and VFM arrangements provides external confirmation and assurance around the quality and content of the final accounts and overall financial management and resilience of the Authority.

RESOURCE IMPLICATIONS

12. The duty to prescribe external audit fees is a statutory function delegated to PSAA by the Secretary of State. The fees charged to the Authority by EY comprise a core element (known as the scale fee) on top of which the auditor may propose additional fees. These additional fees would be proposed where the auditor believes additional costs have been incurred to meet requirements not covered by the scale fee. PSAA will review the scale fee variations proposed by the auditor to determine what if any additional fees are appropriate.
13. Appendix A of the Audit Planning Report (which is included as Appendix 2 to this report) includes the auditor's proposed fee for 2021/22 and planned fee for 2022/23. Any additional costs agreed by PSAA will need to be funded by the Authority.

IMPACT ASSESSMENTS

14. Impact assessments have not been required for this report as the production of the report will not result in the implementation of new change activity, and/or introduce or amend a service policy, procedure or guidance document.

LEGAL IMPLICATIONS

15. The Authority is required by the Local Audit and Accountability Act (2014) and the Accounts and Audit Regulations (2015) to produce an annual statement of accounts and to have these accounts externally audited.
16. There are no legal implications arising from this report.

RISK ANALYSIS

17. The external auditor's planning report (Appendix 2) summarises the auditor's initial assessment of the key risks driving the development of an effective audit for the Authority and outlines the planned audit strategy in response to those risks.
18. The auditor's annual report (Appendix 1) draws together the auditor's work over the previous year, reporting on the assessment of risk through the audit of the financial statements for 2021/22 and the auditor's VFM assessment.

19. The auditor is required to report by exception on any issues identified where the auditor considers there to be a significant weakness in the arrangements in place to secure economy, efficiency and effectiveness in the use of resources. The auditor must also report on any significant matters that are in the public interest.
20. The auditor has not identified any VFM or public interest issues to report and has issued an unqualified opinion on the 2021/22 accounts.

EVALUATION

21. The finance team preparing the Authority's accounts evaluates the process of preparing the accounts and liaising with the external auditors to identify lessons learned and areas to further streamline and improve the process for future financial years.

RECOMMENDATION

22. That the Auditor's Annual Report for 2021/22 and the Audit Planning Report for 2022/23 from EY be noted by the HIWFRA Standards and Governance Committee

APPENDICES ATTACHED

23. Auditor's Annual Report – Appendix 1
24. Audit Planning Report – Appendix 2

Contact: Catherine Edgecombe, Chief Financial Officer
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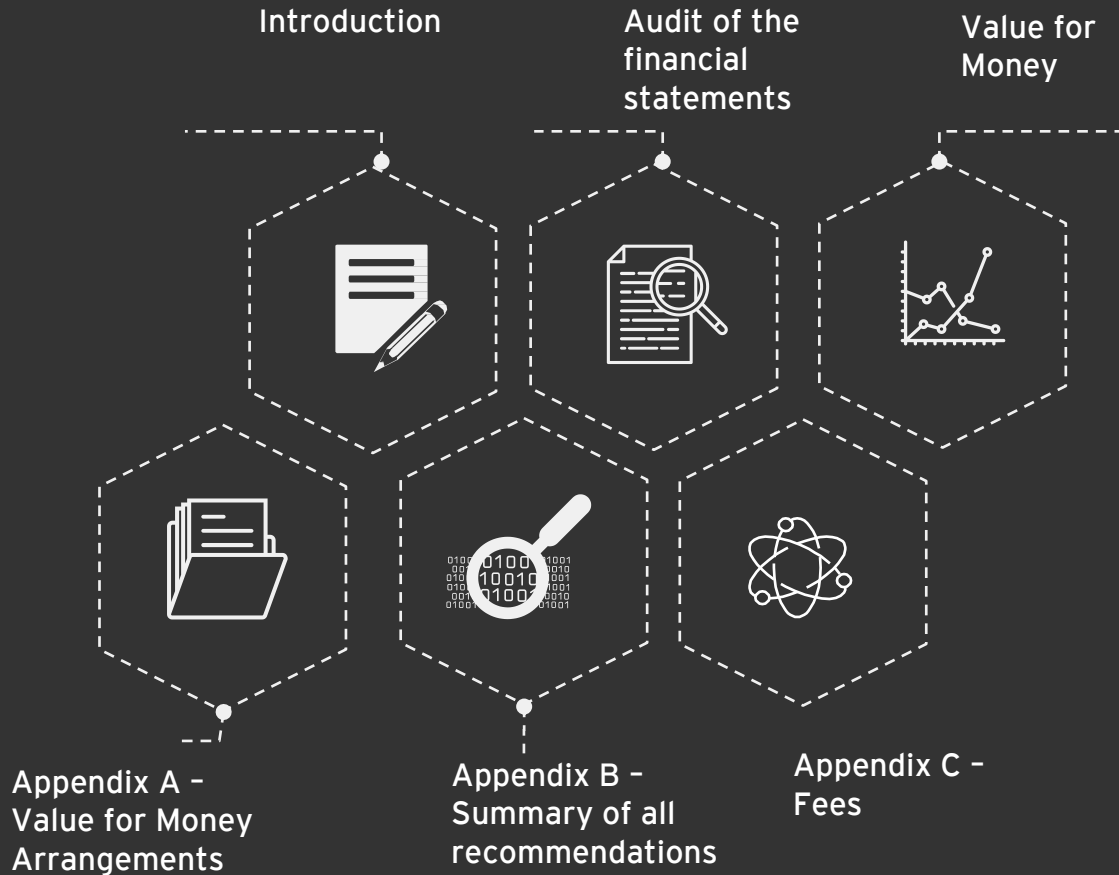


Hampshire & Isle of Wight Fire and Rescue Authority

Auditor's Annual Report

Year ended 31 March 2022

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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 July 2021)" 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 & Governance Committee and management of Hampshire & Isle of Wight Fire and Rescue Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to Standards & Governance Committee and management of Hampshire & Isle of Wight Fire and 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 Standards & Governance Committee and management of Hampshire & Isle of Wight Fire and 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.



Introduction

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Fire Authority, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2021/22 audit work in accordance with the Audit Plan that we issued on 11 May 2022. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;

Conclusions relating to going concern; and

The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Fire Authority;
- If we identify a significant weakness in the Fire Authority's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Fire Authority

The Fire Authority is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Introduction (continued)

2012/22 Conclusions

Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Fire Authority as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor's report on 07 March 2023.
Going concern	We have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had no matters to report by exception on the Fire Authority's VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Fire Authority .
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts	We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report.
Certificate	We cannot formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of Hampshire & Isle of Wight Fire and Rescue Authority. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.



Audit of the financial statements

Key findings

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

On 07 March 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 28 November 2022 Standards & Governance Committee meeting and issued an updated report on completion of our audit procedures in February 2023. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. We reported 3 areas for improvement in the control environment in the final Audit Results Report.

Significant risk

Conclusion

Misstatements due to fraud or error

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.

Our work did not identify any material weaknesses in the design of controls or evidence of material misstatements, whether due to fraud or error. Our work did not identify any instances of inappropriate judgements being applied, including through estimates. Our work did not identify transactions which appeared unusual or outside the Fire Authority 's normal course of business.

Creation of the new Hampshire and Isle of Wight fire Authority

2021/22 was the first financial year of the new Hampshire and Isle of Wight Authority.

The CIPFA Code requires a presentation without comparative balances to the previous Hampshire Fire Authority. The first transaction of the year is then presented to establish the merged opening position for the balance sheet and reserves.

We performed additional procedures over the merger process and the opening balances that were transferred.

We made suggestions around the disclosures in the accounts to ensure they were compliant with the Code - these were agreed and corrected by management.

No other issues were identified in our testing.



Audit of the financial statements

Other areas of focus	Conclusion
Property, Plant & Equipment valuations	<p>We identified issues where the requested evidence for floor plans provided did not support the valuations of a sample of assets, mainly located at the Authority HQ.</p> <p>Subsequent investigation by officers determined we had been provided out of date plans held locally rather than the most up to date versions held centrally by the property records team.</p> <p>The authority's valuations specialists undertook a further review, identifying a range of errors that led to a net reduction of £1.5m. We have completed our review of this adjustment and note that management have updated for this in the final Statement of Accounts.</p>
IAS 19 Pension Accounting	<p>We have engaged our specialists EY Pensions to assist in our conclusions over the completeness and accuracy of the model used by the actuaries in determining the obligation attributable to the Authority, in order to satisfy the requirements of the revised ISA540. This has provided the necessary assurance.</p> <p>There were no issues identified on the accuracy of the data supplied to the actuary, including via assurance provided by the Hampshire Pension Fund auditor.</p>

We did not identify any risks of significant weaknesses in the Fire Authority's VFM arrangements for 2021/22.

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Our VFM commentary highlights relevant issues for the Fire Authority and the wider public.

We have no matters to report by exception in the audit report.

Scope

We are required to report on whether the Fire Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the November Standards & Governance Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Fire Authority committee reports, meetings with the CFO and evaluation of associated documentation through our regular engagement with Fire Authority management and the finance team.

Reporting

We initially completed our risk assessment procedures in October 2022 and did not identify any significant weaknesses in the Fire Authority's VFM arrangements. We updated this assessment when HMICFRS published their inspection results in January 2023.

We have also not identified any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our commentary for 2021/22 is set out over pages 8-10. The commentary on these pages summarises our conclusions over the arrangements at the Fire Authority in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were initially reported in our 2020/21 Annual Auditors Report and have been updated for 2021/22.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Fire Authority plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
Governance: How the Fire Authority ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness: How the Fire Authority uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified



Value for Money (continued)

Financial Sustainability: How the Fire Authority plans and manages its resources to ensure it can continue to deliver its services

During the year the Fire Authority continued to effectively manage their budgets, and look to the future through their Medium Term Financial Strategy (MTFS). They responded well to cost pressures as they emerged, within the context that effective financial planning does remain difficult due to continuing uncertainties in the funding that will be made available to Authorities.

The Fire Authority prepares a revenue budget and a forward financial forecast for three years each year for consideration by the members. This plan considers the financial climate at both the local and national level together with available resources and budgetary pressures in arriving at a financial strategy.

The 21/22 Budget and Precept Requirement was approved by the Fire Authority (Shadow Authority) in February 2021, at a meeting when a number of approved polices were also transferred to the new organisation. For 21/22 the Fire Authority increased Council Tax by 1.99%. This was based on the Alternative Notional Amount for Council Tax setting approved by the Secretary of State of £69.06 for a Band D property. The budget setting used the budget baselines of the previous separate fire & rescue services in Hampshire and on the Isle of Wight.

The Authority underspent its budget by £2.6m during the 2021/22 year, with reserves of £41.4m at the end of the year.

During the year, in February 2022, the Council Tax was increased for 2022/23 by £5 per Band D household

The Medium Term Financial Strategy has since been updated, with the latest iteration approved during February 2023. The MTFP is based on the single year settlement with prudent assumptions about future funding for a further 2 years. An update to the MTFP is to be provided annually with a full update to the MTFP intended when a multi-year funding settlement is announced.

The MTFP illustrates that in both financial years 2023/24 and 2024/25 there will be a forecast modest budget deficit which will be managed using draws from the Grant Equalisation Reserve, a reserve held for this purpose.

The Authority has monitoring processes in place to help ensure the continuances of its services. In order to ensure these finances support the delivery of services they align to the Safety Plan which sets out the priorities and responsibilities of the Authority.

We identified no risks in this areas as part of our risk assessment.

Conclusion: Based on the work performed, the Fire Authority had proper arrangements in place in 2021/22 to enable them to plan and manage their resources to ensure that they can continue to deliver its services.



Value for Money (continued)

Governance: How the Fire Authority ensures that it makes informed decisions and properly manages its risks

The Authority is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement rests with management.

Based on the preparations made in previous years, the Authority successfully implemented its governance arrangements when it formally came into being on 1 April 2021.

The Authority has a number of arrangements in place to ensure that appropriate decisions are made. There is a clear decision policy to provide clarity of the role and expectations of all involved in the process to ensure that any decision reached by the Chief Fire Officer is done so in an open and transparent way.

To ensure effective leadership throughout the entity, members and chief officers work together to deliver agreed plans with defined functions and roles. These roles and responsibilities are set out in the Constitution including those for the Standards & Governance Committee and the rules under which they operate.

The Authority has an effective corporate risk management framework in place to identify, mitigate and monitor the risks in delivering strategic objectives. This includes both financial and non-financial risks. The risk register is reviewed throughout the year by the Standards & Governance Committee. The Authority has adopted a number of codes and protocols that govern the standards and behaviour expected of members and officers. These include codes of conduct for both officers and members and cover conflicts of interest and gifts and hospitality and appropriate policies for partnership working.

The Authority has a sound management philosophy, demonstrates clarity of purpose and focus, with emphasis on performance and risk management.

We identified no risks against this criteria.

Conclusion: Based on the work performed, the Fire Authority had proper arrangements in place in 2021/22 to enable them to make informed decisions and properly manage its risks.



Value for Money (continued)

Improving economy, efficiency and effectiveness: How the Fire Authority uses information about its costs and performance to improve the way it manages and delivers its services

The Authority produces a Safety Plan which sets out its priorities and responsibilities.

The Safety Plan was launched in April 2020 sets out how the entity looks at risks and how they respond to these risks. It sets out a long term approach to achieving the purpose of "Together We Make Life Safer".

The Authority has a comprehensive set of performance indicators that enable them to monitor performance against the plan. Reviewing the performance ensures that services remain tailored to specific risks and opportunities facing the Authority. This is presented to the Fire Authority.

Through this plan the strategic objectives and priorities are stated, showing the steps to be taken in order for these to succeed. This then links back to the budget and the financial information available i.e. MTFS to show how these strategic objectives and priorities can be achieved.

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Partnership arrangements are in place with 3S Fire Ltd, and the shared service arrangements with Hampshire County Council.

Since the end of the financial year, the shared service arrangement with the County Council has been reviewed, and the Fire Authority is bringing back the HR service in house at the end of the 23/24 financial year. This is in order to be able to provide a more bespoke service to current needs.

His Majesty's Inspectorate of Constabulary, Fire & Rescue Services (HMICFRS) published its inspection report of the Authority in January 2023. It rated the Authority:

- Effectiveness: Good
- Efficiency: Requires Improvement
- People: Requires Improvement.

In our assessment we considered the HMICFRS judgements, and the impact on our VFM criteria. We did not assess that the detailed judgements and evidence, where relevant to the VFM criteria, presented a risk or evidence of significant weakness in the Authority's arrangements.

We identified no risks in relation to this criteria.

Conclusion: Based on the work performed, the Fire Authority had proper arrangements in place in 2021/22 to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Appendices

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Appendix A - Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

Findings

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Regarding financial planning, the Authority works to refine budgets and the Medium Term Plan Strategy (MTFP) to respond to cost pressures as they emerge, and recognises that effective financial planning remains difficult due to continuing uncertainties in the funding that will be made available to Authorities. The Fire Authority prepares a revenue budget and a forward financial forecast for three years each year for consideration by the members. This plan considers the financial climate at both the local and national level together with available resources and budgetary pressures in arriving at a financial strategy.

The 21/22 Budget and Precept Requirement was approved by the Fire Authority (Shadow Authority) in February 2021, at a meeting when a number of approved polices were also transferred to the new organisation. For 21/22 the Fire Authority increased Council Tax by 1.99%. This was based on the Alternative Notional Amount for Council Tax setting approved by the Secretary of State of £69.06 for a Band D property. The budget setting used the budget baselines of the previous separate fire & rescue services in Hampshire and on the Isle of Wight.

Medium Term Financial Plan (MTFP):

The 21/22 Budget and Precept Requirement which was approved in February 2021 stated that "It had been expected that 2021/22 would be the first of a three-year funding settlement, however due to Covid-19 and the current economic uncertainties, this has been postponed by a further year and is not expected to be announced until the autumn of 2021". We note that the latest Medium Term Financial Plan was presented to the Fire Authority (Shadow Authority) in February 2022. The MTFP is based on the single year settlement with prudent assumptions about future funding for a further 2 years. An update to the MTFP is to be provided annually with a full update to the MTFP intended when a multi-year funding settlement is announced.

Annual Budget Setting Process:

The Chief Financial Officer is responsible for ensuring that a revenue budget and a forward financial forecast for three years is prepared each year for consideration by the members. The members, in consultation with the Chief Financial Officer, are responsible for issuing guidance on the general content of the budget as soon as possible following approval by the Authority. The precept has to be notified to the billing authorities by the end of February in respect of the ensuing financial year. It must be supported by a balanced budget approved by the Authority (represented by the Shadow Authority in the first year of the organisation) in consultation with the Chief Fire Officer and Chief Financial Officer.

The Chief Financial Officer is responsible for providing appropriate financial systems to enable budgets to be monitored effectively. The Chief Financial Officer in conjunction with the Executive Group must ensure that expenditure against budget allocations is monitored and reported regularly to the members on the overall position.

Appendix A - Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

Findings

How the body plans to bridge its funding gaps and identifies achievable savings

As noted above, the Authority operates a Medium-Term Financial Plan and annual budget in order to conduct their financial planning. The Authority aims to balance any funding gaps through the use of reserves or through reduced contributions to reserves. This is the approach adopted by the Shadow Authority in setting the budget, and the previous Hampshire Fire Authority in years before that. Using this approach, the Authority is able to maintain a stable financial outlook.

The Authority will also look to mitigate any risks by looking for further options for efficiency savings across all areas as part of their drive for continuous improvement.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Authority has financial planning process, and monitoring processes in place to help ensure the continuances of their services. In order to ensure these finances support the delivery of services the Authority produces a "Safety Plan" which sets out the priorities and responsibilities of the Authority. The Authority also has a statutory duty to produce an Integrated Risk Management Plan, and the "Safety Plan" fulfils this function by setting out how the entity looks at risk and how they respond to these risks. The budget has regard to this plan in identifying the financial resources to be allocated towards the priorities within the Safety Plan.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

Throughout the financial planning i.e. budget and MTFP, consideration of other plans such as capital and treasury management takes place. The Capital, Investment and Reserves strategies all form part of the annual budget setting process with the strategies being taken for approval at the same time as the revenue budget.

HIWFRA's Medium Term Financial Plan ensures that the Authority continues to invest in existing assets and deliver a programme of new ones, in line with overall priorities and need. This is kept under review by the Authority, with updates being provided on an annual basis for the MTFP.

Reserve balances have been identified as a key indicator of financial health and the Authority continues to have an appropriate level of reserves to deal with identified risks. As a minimum, there are sufficient balances to support the budget and capital programme and provide an adequate contingency for financial risks. However, the Authority appropriately notes that reserves only provide one-off funding so the Authority aims to avoid using reserves to meet regular and ongoing financial commitments.

Appendix A - Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Findings

Please see documentation above about the annual budget setting process, MTFS and Safety Plan that the Authority has in place. Throughout the preparation of each of these, risks are taken into consideration in order to see how they impact certain areas and what the financial implications of these risks might be. Monitoring of that budget through the year then identifies emerging trends and risks, and these are taken into account in the subsequent budget setting identifying pressures and changes since the prior budget setting or update reports.

The Authority has an effective corporate risk management framework in place to identify, mitigate and monitor the risks to the Authority in delivering strategic objectives. This includes both financial and non-financial risks. The risk register is reviewed throughout the year and reported to the Standards and Governance Committee

Appendix A - Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Authority produces a "Safety Plan" which sets out clearly how the entity looks and risk and how they respond to these risks. This plan is developed by identifying, assessing, prioritising, mitigating and reviewing risks that present themselves

The Authority also uses a strategic risk register to monitor both financial and non-financial risk. This risk register is reviewed by the Standard and Governance Committee of the Authority throughout the year.

Quarterly reports are received from the internal auditors highlighting work carried out including a breakdown of fraud investigations with any significant issues detailed in summary format. 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.

How the body approaches and carries out its annual budget setting process

The Chief Fire Officer and his staff should have as much day to day responsibility for financial management of the Service as is possible within the framework of the agreed budget. The Chief Fire Officer shall control expenditure and income, monitor performance, and take the necessary action to avoid exceeding any financial allocation.

The Chief Financial Officer is responsible for ensuring that a revenue budget and a forward financial forecast for three years is prepared each year for consideration by the members. The members, in consultation with the Chief Financial Officer, are responsible for issuing guidance on the general content of the budget as soon as possible following approval by the Authority. The precept has to be notified to the billing authorities by the end of February in respect of the ensuing financial year. It must be supported by a balanced budget approved by the Authority in consultation with the Chief Fire Officer and Chief Financial Officer.

The Chief Financial Officer is responsible for providing appropriate financial systems to enable budgets to be monitored effectively. The Chief Financial Officer must monitor expenditure against budget allocations and report regularly to the members on the overall position. This is undertaken quarterly.

The Chief Fire Officer is responsible for controlling income and expenditure on their budgets and for monitoring performance, taking account of financial information provided by the Chief Financial Officer. The Chief Fire Officer should report on variations and take any action necessary to avoid exceeding budgets and should alert the Chief Financial Officer to any problems.

Appendix A - Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

We note that within the Financial Regulations of the Authority there are procedures in place to ensure the body has effective processes and systems to ensure budgetary control, to communicate relevant, accurate and timely management information; to support its statutory financial reporting requirements and to ensure the body is taking corrective action where needed. The Chief Financial Officer is responsible for providing appropriate financial systems to enable budgets to be monitored effectively. The Chief Financial Officer must monitor expenditure against budget allocations and report regularly to the members on the overall position. The Chief Fire Officer is responsible for controlling income and expenditure on their budgets and for monitoring performance, taking account of financial information provided by the Chief Financial Officer. The Chief Fire Officer should report on variations and take any action necessary to avoid exceeding budgets and should alert the Chief Financial Officer to any problems. Internal Audit form part of this process through their audit plan, and raising recommendations for corrective action where needed.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

The entity has a number of arrangements in place to ensure that appropriate decisions are made.

Throughout 2021/22 the Authority met 6 times in the year with the role to be to take decision on strategic and policy matters and establish the framework within which Hampshire and Isle of Wight Fire and Rescue Service operated. The Authority is made up of elected members from its constituent authorities in proportion to the number of electors in each constituent authority. (Eight from the County Council, and one each from Isle of Wight, Portsmouth and Southampton),

The Authority's Standards and Governance Committee is responsible for audit and scrutiny functions.

The Authority is also able to establish sub-committees of the Authority for a wide range of purposes and can delegate responsibility for taking certain decisions to subcommittees. The Authority is not able to delegate decisions to the Chairman or any other single member of the Authority.

Appendix A - Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Findings

We have inspected the website of the Hampshire and Isle of Wight Fire Authority and identified the various policies in place regarding the integrity, ethical values and behaviour of key executives. A code of corporate governance is in place to ensure that the intended outcomes for stakeholders are defined and achieved - this is included within the Constitution.

To ensure effective leadership throughout the entity, members and officers work together to deliver agreed plans with defined functions and roles. These roles and responsibilities are set out in the Constitution including those for the Standards and Governance Committee and the rules under which they operate. In particular, it looks at how decisions are made and how procedures are to be followed to ensure that actions are efficient, legal, transparent and accountable to the community. Many of these processes are required by statute and regulations by Governmental and other bodies (e.g. CIPFA) while the Authority has determined others locally.

The Authority has a sound management philosophy, demonstrates clarity of purpose and focus, with emphasis on performance and risk management. Our experience and knowledge of senior management is that they act with integrity, have good standards of behaviour and performance and lead by example. Both management and those charged with governance maintain an ethical stance and respond to instances of non-compliance with remedial action. There is an ethos of compliance with laws and regulations.

The Authority has adopted a number of codes and protocols that govern the standards and behaviour expected of members and officers. These include codes of conduct for both officers and members and cover conflicts of interest and gifts and hospitality and appropriate policies for partnership working. These are communicated as part of the induction process (all staff and members are provided with a copy of the respective codes of conduct when joining the entity and are required to read and comply with them), ongoing awareness training is made available via the entity's intranet, Sharepoint.

There are appropriate policies and procedures for ethical and behavioural standards, declaration of and protocol for conflicts of interest, and security practices that are adequately communicated throughout the organisation.

We note at the year end, Members and Chief Officers are required to submit declarations of interest. These are then reviewed by the Corporate Finance Team.

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
<p>How financial and performance information has been used to assess performance to identify areas for improvement</p> <p>How the body evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>Throughout 2021-22 the Authority operated under the Safety Plan 2020-25. The Safety Plan was launched in April 2020 sets out how the entity looks at risks and how they respond to these risks. It sets out a long term approach to achieving the purpose of “Together We Make Life Safer”.</p> <p>The Authority has a comprehensive set of performance indicators that enable them to monitor performance against the plan. Reviewing the performance ensures that services remain tailored to specific risks and opportunities facing the Authority.</p>
<p>How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve</p>	<p>3SFire Ltd</p> <p>The most significant partnership/collaboration arrangement held by Hampshire and Isle of Wight Fire is with 3SFire Ltd. The Fire Authority has sole control over a company. It is a company limited by shares held by the Authority and was formed on 20 February 2013. The company has five directors who are independent of the Fire Authority; this ensures that there is no conflict of interest around payment of any dividend to the Fire Authority. The Authority has delegated all shareholder functions to a committee of the Authority known as the “3SFire CIC Stakeholder Committee”</p> <p>Shared Services Arrangement:</p> <p>This arrangement is in place for joint working in relation to support services. The Integrated Business Centre (IBC) is hosted by Hampshire County Council and was launched in 2014/15 for the provision of shared financial and HR services across a number of entities including Hampshire and Isle of Wight Fire.</p>
<p>How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits</p>	<p>Hampshire and Isle of Wight Fire has in place “Contract Standing Order” (see the Constitution, part 4.3) which have been issued in accordance with section 135 of the 1972 Local Government Act. These are intended to promote good purchasing practice and public accountability and deter corruption. The Orders detail the minimum requirements and procedures appropriate for the acquisition and disposal of all goods, services and works undertaken on behalf of the Authority.</p>

Appendix B - Summary of all recommendations

Recommendations

The table below sets out all the recommendations arising from the financial statements and value for money audits in 2021/22. All recommendations have been agreed by management.

Issue	Recommendation	Management Response
Financial statements: Property, Plant & Equipment	<p>Throughout our testing we are required to obtain evidence from management to support the PPE Valuations in the Statement of Accounts. We identified some issues with the evidence throughout our work where either incorrect evidence was provided or original documents used in the calculation of the valuation had not been retained.</p> <p>There is a risk that incorrect evidence and/or missing evidence may have a material impact on the financial statements. As such we recommend that HIWFRA improve the process of ensuring correct evidence is retained to support the PPE Valuations.</p>	<p>We have developed an action plan to improved processes, including earlier identification of samples and more time for management review. Although the valuations are important for the financial statements, they do not impact the general fund.</p>
Financial Controls: Related Parties	<p>Related parties are pulled together by the Corporate Finance team across the three bodies (County Council, Police and Fire Authority). We identified issues in the process undertaken.</p> <p>There is a risk that necessary disclosures are omitted and the Statement of Accounts are incomplete. As such we recommend management review the processes around related parties and returns from senior officers and design additional internal processes to gain sufficient assurance over completeness.</p>	<p>We are unaware of any specific issues relating to HIWFRA. However, we recognise the importance of correctly identifying related party relationship and have proportionate process in place to review submissions.</p>
Financial Controls: Journals Posting	<p>We note that there is no 'official' authorisation process in place when processing journals within the system. We are aware that as a mitigating control, budget holders perform a review of their budgets on a regular basis however no evidence is kept on file of this review so there is no way to confirm that they have completed it.</p> <p>There is a risk that incorrect journals are posted to the system which may impact the financial statements if not identified. As such we recommend that HIWFRA can improve the documentation of the process undertaken by budget holders to enhance this control by evidencing the review the budget holders complete in order to demonstrate it operates effectively.</p>	<p>Our financial system is not configured to include authorisation of journal postings. However, transactions are reviewed by exception as part of budget management processes. There are controls on journals posted as part of the year end accounts processes.</p>

Appendix C - Fees

Fees

We carried out our audit of the Fire Authority's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to creation of the new fire authority. As a result, we have discussed an associated additional fee with the CFO which remains subject to approval by PSAA Ltd.

Our fee for 2021/22 is in line with the audit fee reported in our 2021/22 Annual Results Report.

Description	Final Fee 2021/22 £	Planned Fee 2021/22 £	Final Fee 2020/21 £
Total Fee	27,893	27,893	27,893
Proposed increase to the scale fee due to changes in work required to address professional and regulatory requirements and scope associated with risk	19,841	19,841	6,219
Scale fee variation - new auditing standard and Value for Money requirements	8,638	6,117	7,627
IAS 19 protocol fees	1,017	1,017	1,017
HIOWFRA Merger consideration	1,938	1,670	-
Scale fee variation - additional work required on PPE	3,927	-	-
Total Audit	63,254	56,538	42,756

For 2021/22 the scale fee has been re-assessed to take into account a number of risk factors which includes procedures performed to address the risk profile of the Fire Authority and additional work to address the increase in Regulatory standards.

We confirm we have/have not undertaken any non-audit work.

Appendix C - Fees Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Authority, and its members and senior management and its affiliates, including all services provided by us and our network to the Authority, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

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ED None

EY-000070901-01 (UK) 07/18. CSG London.

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Hampshire and Isle of Wight Fire
and Rescue Authority

Audit planning report

Year ended 31 March 2023

July 2023



Standards and Governance Committee
Hampshire and Isle of Wight Rescue Authority
Headquarters
Leigh Road
Eastleigh
SO50 9SJ

15 June 2023

Dear Members,

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide you with a basis to review our proposed audit approach and scope for the 2022/23 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 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 Hampshire and Isle of Wight Fire and Rescue 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 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 24 July 2023 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kevin Suter
Partner
For and on behalf of Ernst & Young LLP

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01	Overview of our 2022/23 audit strategy	02	Audit risks	03	Value for Money risks	04	Audit materiality	05	Scope of our audit
									
	06	Audit team	07	Audit timeline	08	Independence	09	Appendices	

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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/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). 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 July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) 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 and Isle of Wight Fire and 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 and Isle of Wight Fire and 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 and Isle of Wight Fire and 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 2022/23 audit strategy



Overview of our 2022/23 audit strategy

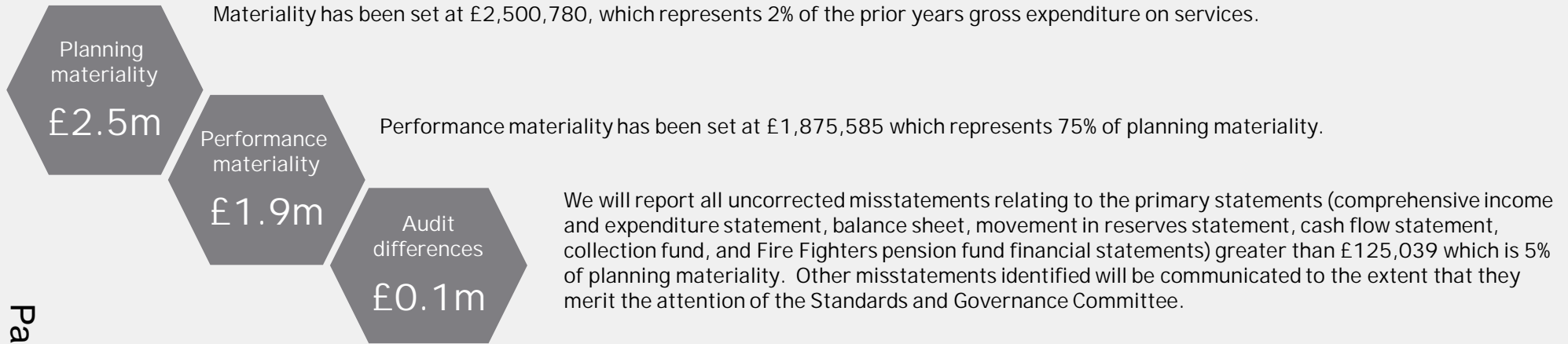
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Standards and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified		Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Valuation of Land and Buildings	Inherent risk	No change in risk or focus	The valuation of land and buildings included in the financial statements is complex and often includes a number of assumptions and judgements. Enhanced procedures are required to challenge and evaluate key inputs and assumptions.
IAS19 - Pension Accounting	Inherent risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require Hampshire and Isle of Wight Fire and Rescue Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council. The Authority must also do similar in respect of the Firefighters Pension Fund.</p> <p>The Authority's pension fund liability is a material estimated balance and the Code requires that this asset be disclosed on the balance sheet. Accounting for this scheme involves significant estimation and judgement. Due to complexity and size, enhanced procedures are required to challenge and evaluate key inputs and assumptions.</p>

Overview of our 2022/23 audit strategy

Materiality



Overview of our 2022/23 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 and Isle of Wight Fire and Rescue Authority give a true and fair view of the financial position as at 31 March 2023 and of the income and expenditure for the year then ended; and
- Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 03.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Group'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 is focused on the areas that matter and our feedback is more likely to be relevant to the Authority.

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 valuation of pension obligations, the introduction of new accounting and auditing standards such as IFRS 9 and 15 in recent years and ISA 315 in the current year, as well as the expansion of factors impacting the ISA 540 (revised) and the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of the 2022/23 audit, we will discuss these with management as to the impact on the scale fee.

Effects of climate-related matters on financial statements and Value for Money arrangements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Overview of our 2022/23 audit strategy

Value for money conclusion

We include details in Section 03 but in summary:

- We are required to consider whether the Authority has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Authority's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- We will provide a commentary on the Authority's arrangements against three reporting criteria:
 - Financial sustainability - How the Authority plans and manages its resources to ensure it can continue to deliver its services;
 - Governance - How the Authority ensures that it makes informed decisions and properly manages its risks; and
 - Improving economy, efficiency and effectiveness - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

The commentary on VFM arrangements will be included in the Auditor's Annual Report.

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Timeline

For 2022/23, accounts are required to be published by 30 September 2023 with an audit report if it has been given.

We note that there are ongoing delays with other outstanding 2021/22 audits. These will therefore be prioritised ahead of re-commencing any 2022/23 audits. We will work with management to deliver the audit as efficiently as possible but note that we are unlikely to complete the audit by the September Standards and Governance Committee. In Section 07 we include a provisional timeline for the audit which shows the Audit Results Report being presented at the December Committee.



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02 Audit risks



Our response to significant risks

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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.

What will we do?

- Inquiry of management about risks of fraud and the controls put in place to address those risks
- Understanding the oversight given by those charged with governance of management's processes over fraud
- Consideration of the effectiveness of management's controls designed to address the risk of fraud
- Performing mandatory procedures regardless of specifically identified fraud risks, including;
 - testing of journal entries and other adjustments in the preparation of the financial statements,
 - reviewing significant unusual transactions, and
 - reviewing material estimates for management bias.

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?

Valuation of Land and Buildings

Land and buildings is one of the most significant balances in Authority's Balance Sheet (NBV of £182m as at 31 March 2022 and £204m in the 2022/23 draft Accounts). The value of land and buildings 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.

What will we do?

We will:

- Consider the competence, capability and objectivity of the organisation's internal valuer;
- Consider the scope of the valuer's work;
- Ensure L&B assets have been revalued within a 5 year rolling programme as required by the Code;
- Consider if there are any specific changes to assets that should have been communicated to the valuer;
- Sample test key inputs used by the valuer when producing valuations;
- Consider the results of the valuer's work;
- Challenge the assumptions used by the valuer by reference to external evidence and our EY valuation specialists (where necessary);
- Review assets that are not subject to valuation in 2022/23 to confirm the remaining asset base is not materially misstated; and
- Test journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements;

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?

Pension Liability Valuation

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 (LGPS) administered by Hampshire County Council. The Authority must also do similar in respect of the Firefighters Pension Fund.

The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the balance sheet. At 31 March 2022 this totalled £928m (£660m as per 2022/23 draft Accounts).

The information disclosed is based on the IAS 19 reports issued to the Authority by the actuary to the County Council and 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(revised) require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates. In this financial year the actuary of the LGPS must take account of the latest triennial valuation as at 31 March 2022.

What will we do?

We will:

- Liaise with the auditors of Hampshire Pension Fund to obtain assurances over the information supplied to the actuary, including for the triennial year in relation to the Authority's scheme members;
- Assess the work of the actuary of both LGPS and Firefighters Pension Fund 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;
- Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's actuarial model; and
- Review and test the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.



03

Value for Money Risks





Value for Money

The Authority's responsibilities for value for money

The Authority is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

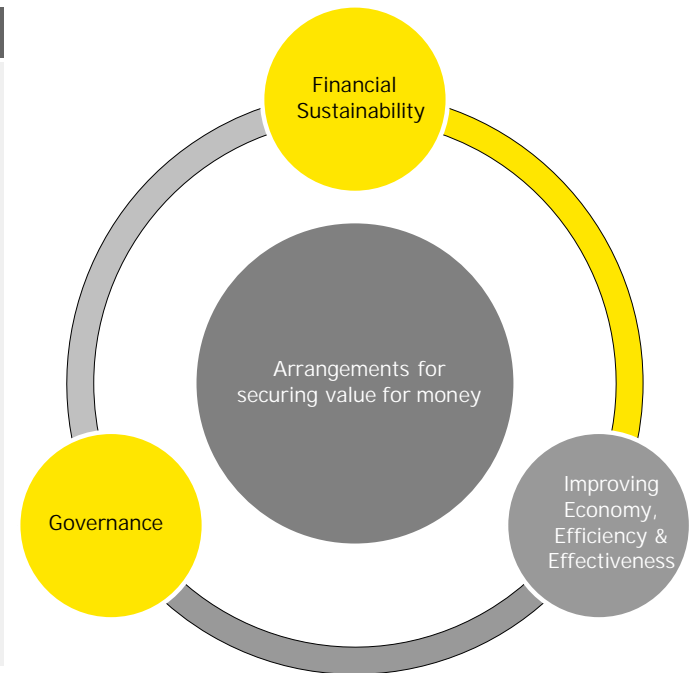
As part of the material published with the financial statements, the Authority is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Authority tailor the content to reflect their own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities

Under the NAO Code of Audit Practice 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. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability - How the Authority plan and manage their resources to ensure they can continue to deliver their services.
- Governance - How the Authority ensure that they make informed decisions and properly manages their risks.
- Improving economy, efficiency and effectiveness - How the Authority use information about their costs and performance to improve the way they manage and deliver services.





Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Authority's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Authority's arrangements, we are required to consider:

- The Authority's governance statement;
- Evidence that the Authority's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies; and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes – or could reasonably be expected to expose – the Authority to significant financial loss or risk;
- Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the Authority's reputation;
- Leads to – or could reasonably be expected to lead to – unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Authority;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Authority's reported performance;
- Whether the issue has been identified by the Authority's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Authority has had to respond to the issue.



Value for Money

Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Standards and Governance committee.

Reporting on VFM

Where we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the commentary on arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Authority's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

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Status of our 2022/23 VFM planning

We are yet to fully finalise our detailed VFM planning. At this stage, we have not identified any risks of significant weakness.

We will continue to update the Standards and Governance Committee meeting on the outcome of our VFM planning, any further changes to our risk assessment and also our planned response to any identified risks of significant weaknesses in arrangements.



04

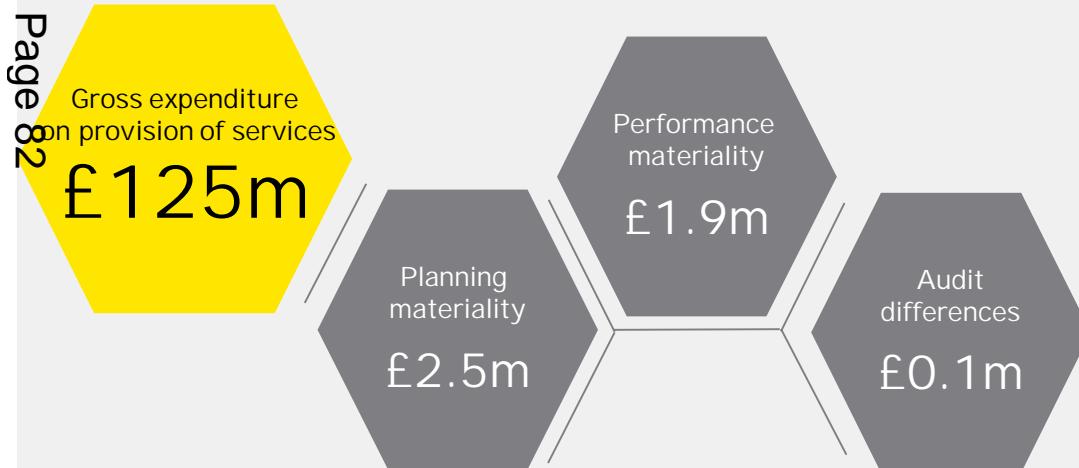
Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2022/23 has been set at £2.5m. This represents 2% of the prior year gross revenue expenditure on the provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.



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 £1.9m which represents 75% of planning materiality.

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 collection fund that have an effect on income or that relate to other comprehensive income. The threshold has been set at 5% of planning materiality.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement 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 will set a lower materiality for officers and senior employees' remuneration. This reflects our understanding that the remuneration report has a greater profile with the users of the financial statements.

Materiality

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 the circumstances that might ultimately influence our judgement. 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 any audit misstatements, and our evaluation of materiality at that date.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- Remuneration disclosures including senior officer remuneration - we will agree all disclosures back to source data
- Related party transactions - we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.



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 undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper 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 opinion on the financial statements:

whether the financial statements give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements; and
- where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the NAO

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

As outlined in Section 03, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

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 have identified the following key processes where we will seek to rely on controls, both manual and IT:

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

Hampshire County Council Integrated business centre (IBC) have commissioned an ISAE 3402 type 2 report from EY's Financial Audit IT (FAIT) team. The ISAE 3402 report provides the users of the IBC with assurance over the suitability of the design and existence of controls and on the operating effectiveness of these controls during the financial year.

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 Chief Internal Auditor, 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.



ISA (UK) 315 (Revised July 2020) *Identifying and Assessing the Risks of Material Misstatement*

Summary of key measures

Impact on Hampshire and Isle of Wight Fire and Rescue Authority

- The revised auditing standard is effective for audits of financial statements for periods beginning on or after 15 December 2021, and adopts ISA 315 (Revised 2019) as issued by the IAASB;
- The revised risk assessment standard sees enhancements and clarifications to: (i) Encourage a more robust risk assessment, thereby promoting more focused responses to the identified risks; (ii) Clarify current requirements to promote consistency in the application of procedures for risk identification; and (iii) Modernize the standard to keep up with the evolving environment in which entities operate, in particular in relation to the entity's use of information technology; The fundamentals of risk assessment have not changed, however, the changes will see additional audit procedures and considerations being made in the following areas to respond to the requirements of the revised standard:
 - How we identify and assess risks based on our understanding of the entity and other risk assessment procedures;
 - How we understand the components of the system of internal control, including new evaluations which apply to each component;
 - The type of controls and process for understanding controls that are relevant to our audit relating to the preparation and posting of journal entries;
 - New requirement Understanding the effect of the Authority's use of IT, including relevant IT general controls, and the identification of IT-related risks; and
 - Evaluating, as an audit team, whether sufficient evidence has been obtained to support the identification and assessment of risks of material misstatement.

- The revised standard is for auditors and does not put any additional responsibilities or requirements on management or the Standards and Governance Committee, however, management and/or the Standard and Governance Committee may experience different conversations, requests or simply have more focused discussions with members of the audit team, including about risk, internal controls, audit quality and our audit strategy;
- For the Authority, the revised standard is effective for this audit of the financial statements for the period ended 31 March 2023;
- We will be required to perform new and additional procedures to understand the use of IT, the IT processes related to those IT applications relevant to the audit used in the different accounting processes and, where relevant, the IT general controls (ITGCs) that address IT risks in the IT processes and evaluation of their design effectiveness and whether they have been implemented. The revised standard does not require an evaluation of the operating effectiveness of ITGCs; it continues to be a strategy decision for the auditor as to whether they intend to rely on IT processes.
- More control observations may be identified and communicated, and the additional evaluations of the components of the system of internal control may help identify deficiencies that are considered to be *significant deficiencies*;
- The new requirement relating to understanding the effect of the use of IT by an audited entity has the greatest potential for additional audit effort, involvement of team members with specialised knowledge of auditing IT, and an upward impact on audit fees;
- We have discussed on the next slide the specific impact of this new requirement on the audit of Hampshire and Isle of Wight Fire and Rescue Authority;
- Any other impacts of the revised standard on our audit strategy would be reflected in the relevant sections of this report.

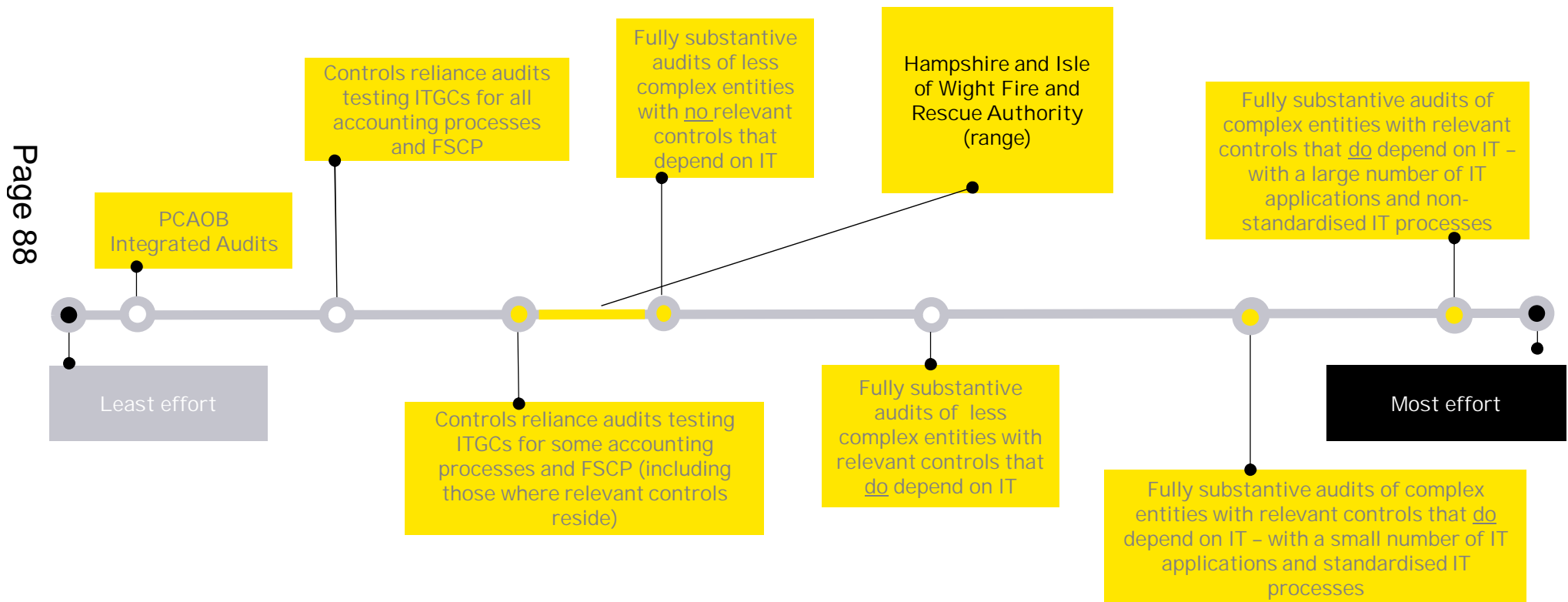
External resources

- [FRC Feedback statement and impact assessment](#)
- [IAASB Introduction to ISA 315 \(Revised 2019\) Fact Sheet](#)

ISA (UK) 315

The graphic below indicates where we anticipate, based on our current understanding, that the audit of Hampshire and Isle of Wight Fire and Rescue Authority falls on the spectrum of effort as it applies to the new requirements of the revised standard relating to understanding the effect of the use of IT. The level of effort is displayed relative to the circumstances applicable to the Authority and why that level of effort may differ to that required on the audits of entities with different circumstances.

We anticipate leveraging information from the commissioned ISAE3402 Type II report in relation to the IBC. This report covers the processing of the areas payroll, trade receivables, trade payables and cash. However, other locally managed systems will require further specific procedures for these areas. We note that the remaining areas not covered by the ISAE 3402 report will fall higher on the scale below as these will require additional procedures.





06

Audit team



Audit team

Audit team structure:

Kevin Suter
Associate Partner

Kelly Gates
Manager

Cloie-Ann Pacheco
Lead Senior

EY Actuaries

EY Real Estate

EY Data Analytics Team

* Key Audit Partner

Use of specialists

Our approach to the involvement of specialists, and the use of their work.

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

Area	Specialists
Valuation of Land and Buildings	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.
Page 91 Pensions disclosure	Management Specialist - AoN Hewitt. EY Specialist - EY actuaries PWC as commissioned by the NAO

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.

Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.



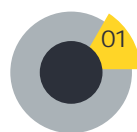
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Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

1. Our people are focused on a common purpose. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
2. The essential attributes of our audit business are:
 - Right resources – We team with competent people, investing in audit technology, methodology and support
 - Right first time – Our teams execute and review their work, consulting where required to meet the required standard
 - Right reward – We align our reward and recognition to reinforce the right behaviours

3. The six pillars of Sustainable Audit Quality are implemented.



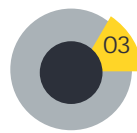
Tone at the top

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality



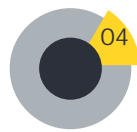
Exceptional talent

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management



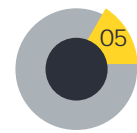
Accountability

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition



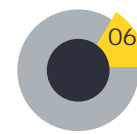
Audit technology and digital

The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality



Simplification and innovation

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit



Enablement and quality support

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are encouraged and empowered to challenge and exercise professional scepticism across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

2021 Audit Culture Survey result

A cultural health score of 78% (73%) was achieved for our UK Audit Business

We bring our culture alive by investing in three priority workstreams:

- Audit Culture with a focus on professional scepticism
- Adopting the digital audit
- Standardisation

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:

- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed PLOT training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective group oversight
- Development of bite size, available on demand, task specific tutorial videos

"A series of company collapses linked to unhealthy cultures....have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success."

Sir John Thompson
Chief Executive of the FRC



07 Audit timeline





Audit timeline

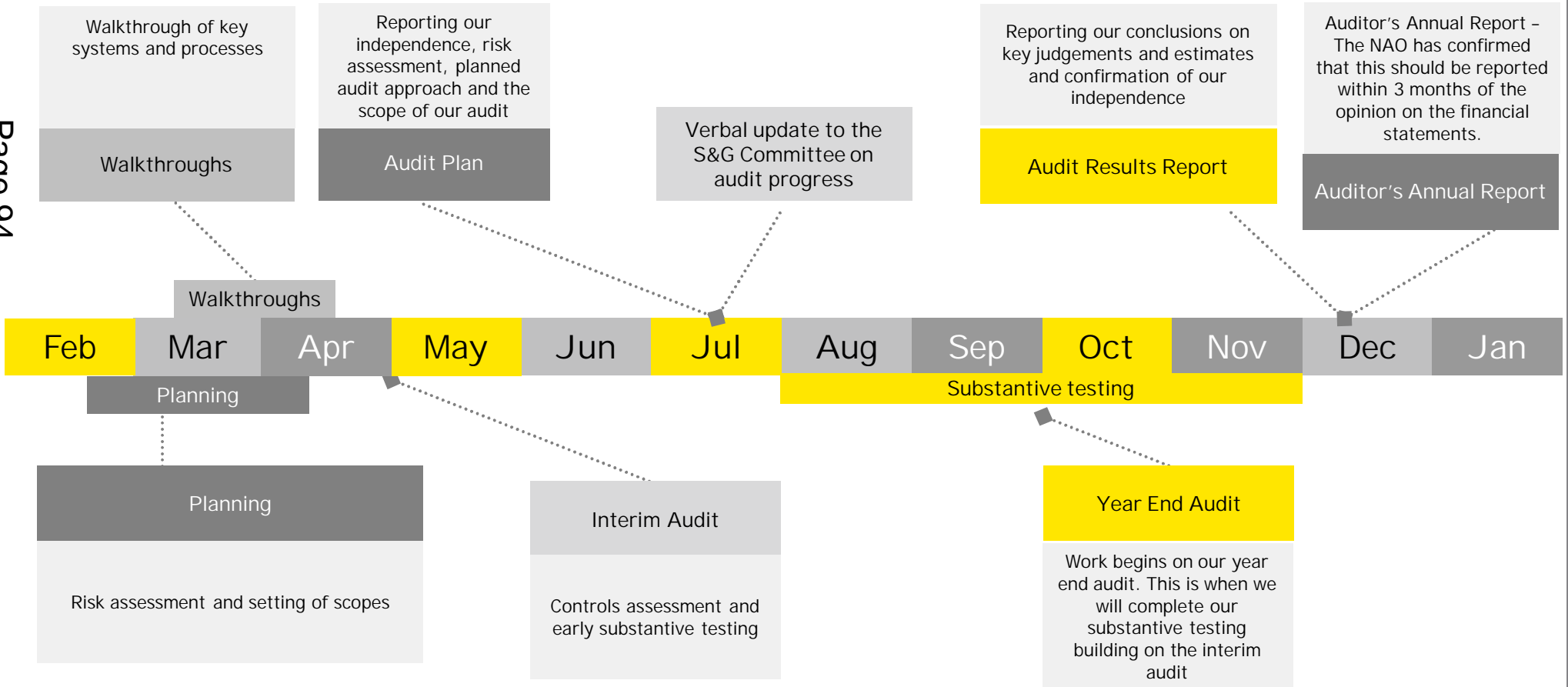
Timetable of communication and deliverables

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 2022/23.

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.

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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 December 2019, 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

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- ▶ 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;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ 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;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ 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;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

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 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 have an investment in the Authority; 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 those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), 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 our policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement.

At the time of writing, we have not agreed any non-audit services with the Authority.

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 decision 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 2021

Ernst & 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 end 30 June 2022: [EY UK 2022 Transparency Report | EY UK](#)



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

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.

A breakdown of our fees is shown in the table below.

	Planned fee 2022/23	Note Ref	Proposed Fee 2021/22
	£		£
Total Scale Fee	35,018		27,893
Proposed increase to the scale fee due to changes in work required to address professional and regulatory requirements and scope associated with risk		Note 1	19,841
IAS19 protocol fees	1,017	Note 2	1,017
HIOWFRA Merger Consideration			1,938
Scale fee variation - new auditing standard and Value for Money requirements	8,638	Note 3	8,638
Scale fee variation - additional work required on PPE			3,927
ISA 315	TBC	Note 4	
Total fees	TBC		63,254

All fees exclude VAT

Notes:

1. In our 2019/20 audit we set out the basis for a requested rebasing of the scale fees due to changes in regulatory requirements. These are ongoing impacts, therefore, we have continued to include this request based on the same level of inputs through to the 2021/22 audit. From 2022/23, we understand these requests have been consolidated in the scale fee by PSAA.
2. Fees are payable by the Pension Fund for the IAS19 protocol. HPF will not pay the fees, therefore, this is charged to each individual body.
3. From 2020/21, there are additional procedures required to satisfy the revised ISAs that have come into effect which may have additional costs, predominantly ISA540. The NAO's Code of Audit Practice 2020 also set out new requirements for our work and reporting on Value for Money. At our planning stage we have continued to include the impact at the lower end of the PSAA's communicated range, submitted in our 2021/22 fee variation proposal
4. As highlighted in section 5, the revision to ISA 315 will have a significant impact on our scope and approach, requiring auditors to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. Guidance from PSAA is yet to be issued in relation to the fee for this.

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 management 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.




Required communications with the Audit Committee

We have detailed 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"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report Auditor's Annual Report





Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Page 102	Going concern	Audit results report
	Misstatements	Audit results report
	Subsequent events	Audit results report
	Fraud	Audit results report

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	<ul style="list-style-type: none"> • Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	Audit results report
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"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit Planning Report and Audit Results Report
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of management and 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 	Audit results report
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	Audit results report

Required communications with the Audit Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	  When and where	
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report	
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"> Any circumstances identified that affect the form and content of our auditor's report 	Audit results report Auditor's Annual Report	
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report Audit results report	
Value for Money	<ul style="list-style-type: none"> Risks of significant weakness identified in planning work Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses. 	Audit planning report Audit results report Auditor's Annual Report	

Additional audit information

Objective of our audit

Our objective is to form an opinion on Hampshire and Isle of Wight Fire and Rescue Authority's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

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 control.
- 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)

Other required procedures during the course of the audit (continued)

Procedures required by the Audit Code	<ul style="list-style-type: none"> • Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement. • Examining and reporting on the consistency of consolidation schedules or returns with the Authority's audited financial statements for the relevant reporting period
Other procedures	<ul style="list-style-type: none"> • We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts 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 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 accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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ED None

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Standards & Governance Committee



**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

Purpose: Noted

Date: 24 July 2023

Title: **INTERNAL AUDIT PROGRESS REPORT 2022/23 and 2023/24**

Report of the 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 plans, and
 - 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 plans;
 - 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 report attached at Appendix A summarises the activities of internal audit for the period ending 7 July 2023.

SUPPORTING OUR SAFETY 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 2022/23 and 2023/24 plans were prepared on the basis of risk and audit need and agreed with senior managers and endorsed by Hampshire & Isle of Wight Fire & Rescue Authority's Standards and Governance Committee 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 & Isle of Wight Fire & Rescue Authority.

IMPACT ASSESSMENTS

8. Impact assessments have not been required for this report as the production of the report will not result in the implementation of a new change activity, and/or introducing, or amending, a Service Policy.

LEGAL IMPLICATIONS

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

OPTIONS

10. The options are that the progress in delivering the internal audit plan for 2022/23 and 2023/24 and the outcomes to date are noted, or not noted, by Hampshire & Isle of Wight Fire & Rescue Authority Standards and Governance Committee.

EVALUATION

11. Internal audit activity provides the Authority with an assurance mechanism to evaluate the effectiveness of the Service's risk management, control and governance processes.

RISK ANALYSIS

12. 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

13. The appendix outlines the progress made in delivering the internal audit plans for 2022/23 and 2023/24. Along with the issues arising to date.

RECOMMENDATION

14. That the progress in delivering the internal audit plans for 2022/23 and 2023/24 and the outcomes to date be noted by Hampshire & Isle of Wight Fire & Rescue Authority Standards and Governance Committee.

APPENDICES ATTACHED

Appendix A: Internal Audit Progress Report

Contact: Karen Shaw, Chief Internal Auditor, Karen.Shaw@hants.gov.uk,
07784 265138

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**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Page 113

**Hampshire & Isle of Wight Fire & Rescue Authority: Standards and Governance Committee
Internal Audit Progress Report 2022-23**

July 2023

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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 [the Standards – updated 2017].

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 & Isle of Wight Fire & 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 the Hampshire & Isle of Wight Fire & Rescue Authority that these arrangements are in place and operating effectively.

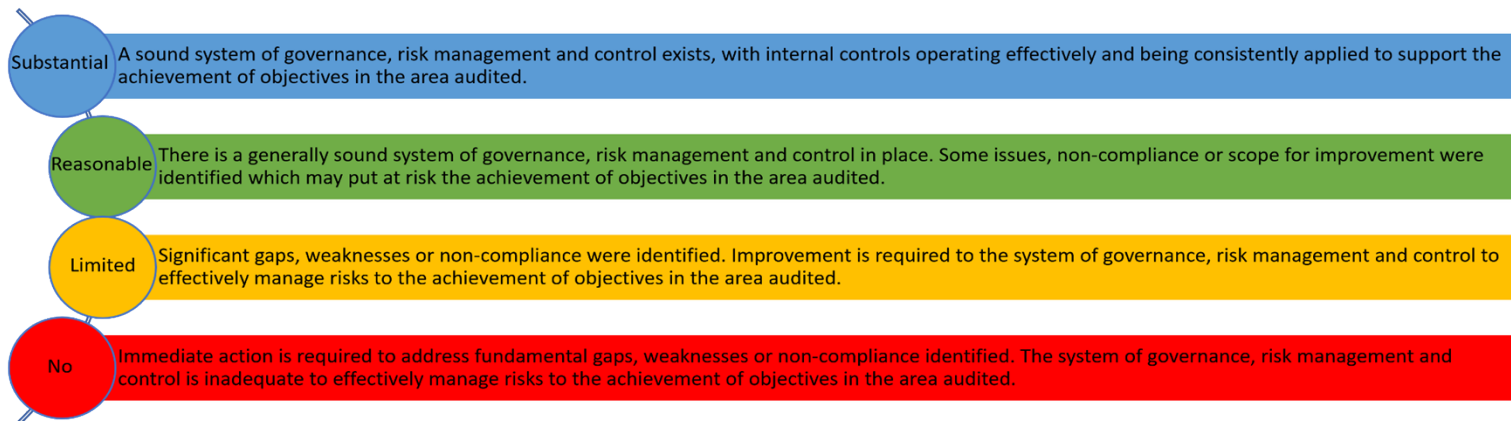
The Hampshire & Isle of Wight Fire & Rescue Service’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

2. Purpose of report

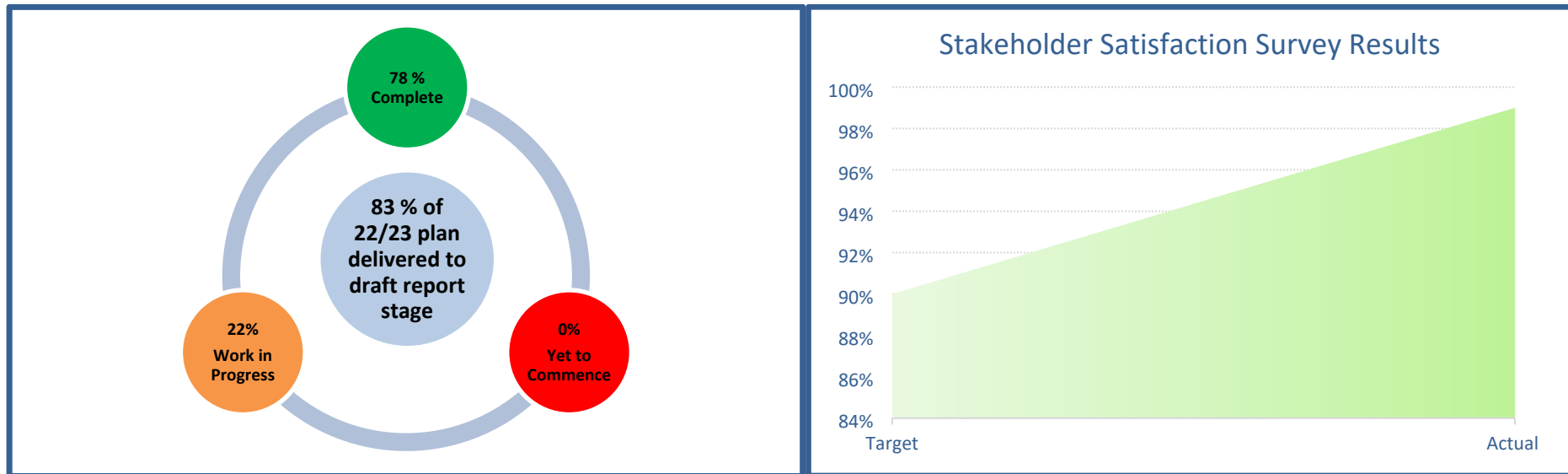
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- 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. The assurance opinions are categorised as follows:



3. Performance dashboard



Compliance with Public Sector Internal Audit Standards

An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of 'Live' audit reviews


Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)*	Not Yet Due*	Complete*	Overdue		
							L	M	H
Referral Pathways	16.11.21	D of O	Limited	19 (10)	0 (0)	17 (9)		1	1
Prevention and Protection	24.02.22	D of O	Reasonable	3 (0)	0 (0)	2 (0)		1	
General Data Protection Regulations (GDPR) and Data Protection Compliance**	31.03.22	D of CS	Limited	9 (5)	0 (0)	9 (5)			
ICT Change Management **	08.04.22	D of CS	Reasonable	4 (0)	0 (0)	4 (0)			
Risk Management**	08.06.22	D of PP&A	Reasonable	7 (0)	0 (0)	7 (0)			
Data Quality**	17.06.22	D of PP&A	Limited	6 (1)	0 (0)	6 (1)			
Pay Claims (Recurring Allowances)	11.07.22	D of P&OD	Reasonable	1 (0)	0 (0)	0 (0)	1		
Impact Assessments**	08.08.22	DCFO	Reasonable	4 (1)	0 (0)	4 (1)			
Modern Slavery**	15.09.22	DCFO	Reasonable	9 (0)	0 (0)	9 (0)			
Continuing Professional Development Payments **	24.11.22	D of P&OD	Limited	11 (4)	0 (0)	11 (4)			
Assurance over the competence of operational response capability	09.02.23	D of O	Limited	7 (6)	1 (1)	6 (5)			
Purchasing Cards	29.03.23	DFO	Limited	7 (6)	5 (4)	2 (2)			
Cyber security controls	05.05.23	D of CS	Reasonable	11 (3)	8 (2)	3 (1)			
Total				98 (36)	14 (7)	80 (28)	1	2	1

*Total number of actions (total number of high priority actions)

** Audits where all actions have been cleared since our last report.

5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There has been one new final report published concluding a “limited” assurance opinion since our last progress report.

Purchasing Cards (P-Cards)		
Audit Sponsor	Assurance opinion	Management Actions
Head of Strategic Relationships	 Limited	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: #28a745; color: white; padding: 5px; text-align: center;">Low 1</div> <div style="background-color: #ffc107; color: black; padding: 5px; text-align: center;">Medium 0</div> <div style="background-color: #dc3545; color: white; padding: 5px; text-align: center;">High 6</div> </div>

The purpose of the audit was to ensure that purchasing cards are managed in line with Hampshire & Isle of Wight Fire & Rescue Service's policies and procedures. The system used to review and approve transactions is provided through RBS as part of the Shared Services arrangements with Hampshire County Council and Hampshire & Isle of Wight Police and guidance on the system for HIWFERS users and approvers is also provided as part of the Shared Services arrangements. There was a total of 111 HIWFERS cardholders at the time of our testing, with a total expenditure between April 2022 and December 2022 of £552,745.

We found that cards are authorised and are only held by current employees, with regular monitoring reporting to management on compliance. Policies and guidance are in place, although testing found anomalies with some transactions such as split payments to circumvent transaction limits, and missing VAT receipts. We also found that receipts are being stored in various ways and held for inconsistent periods, which are not always in line with agreed retention periods. We also found non-compliance with the requirements for cardholders to review and ensure accurate recording of all transactions and for authorisers to approve all transactions each month. Although there is a process in place for suspending accounts after 3 months of non-compliance, or periods of inactivity, accounts can be reinstated and we found examples of accounts being suspended twice or non-compliance in multiple rather than consecutive months.

6. Planning & Resourcing

The internal audit plan for 2022/23 was approved by the Standards and Governance Committee on 11 March 2022, and the 2023/24 plan was approved on 22 March 2023.

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

7. Rolling Work Programme

2022/23

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
HIWFRA Audit Plan 2022/23								
Modern Slavery - Assurance	DCFO	✓	✓	✓	✓	✓	Reasonable	
Impact Assessments	DCFO	✓	✓	✓	✓	✓	Reasonable	
Property and facilities – statutory compliance works	D of CS	✓	✓	✓	✓	✓	Reasonable	
Continuing professional development payments	D of P&OD	✓	✓	✓	✓	✓	Limited	
Assurance over the competence of operational response capability – detailed follow-up	D of O	✓	✓	✓	✓	✓	Limited	
Purchasing Cards (P-Card)	DCFO	✓	✓	✓	✓	✓	Limited	
Cyber security controls	D of CS	✓	✓	✓	✓	✓	Reasonable	
Analytical Risk Assessments	D of O	✓	✓	✓				Close meeting held 28 June 2023. Draft report to be issued shortly.
ICT networks and communications	D of CS	✓	✓	✓				Close meeting 14 July 2023
ICT systems and governance	D of CS	✓	✓	✓	✓			Draft issued 7 July 2023
Follow Up	Various	✓	N/A	✓	✓	✓	N/A	
NFI	DCFO	N/A	N/A	✓	N/A	N/A	N/A	Q1-4

Shared Services Audit Plan 2022/23	These are Shared Service audits with no direct Hampshire and Isle of Wight Fire and Rescue Service Audit Owner and Exec Sponsor; however overarching accountability for HIWFRS Shared Services activity sits with the HIWFRS DCFO, Director of Policy, Planning and Assurance and the Head of Partnerships and External Relationships					
PCI DSS	N/A	N/A	✓	N/A	✓	N/A
Banking	✓	✓	✓	✓	✓	Substantial
Pay Review and Award Process	✓	✓	✓	✓	✓	Reasonable
TUPE	✓	✓	✓	✓	✓	Limited
Budget Planning	✓	✓	✓			Fieldwork complete, close meeting 18 July 2023
Treasury Management	✓	✓	✓	✓	✓	Substantial

2023/24

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
HIWFRA Audit Plan 2023/24								
Benefits Management	DCFO	✓	✓	✓				ToR issued 23 May
Provided Vehicles	D of CS							Q2
ICT Major Incident Management (ITIL based)	D of CS							Q2
ICT Assurance Mapping and Coverage Analysis Based on ITIL 4 Practices	D of CS							Q3
Long-term sickness absence management and restricted duties	D of P&OD							Q3
Overtime	DCO							Q3
Contaminants	D of CS							Q3

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Health and Safety Training	DCFO							Q3
Financial management – capital expenditure	CFO							Q4
NFI	DCFO							Q1-4
Follow up	Various							Q4
Shared Services Audit Plan 2023/24	These are Shared Service audits with no direct Hampshire and Isle of Wight Fire and Rescue Service Audit Owner and Exec Sponsor; however overarching accountability for HIWFRS Shared Services activity sits with the HIWFRS DCFO, Director of Policy, Planning and Assurance and the Head of Partnerships and External Relationships							
The Shared Services aspects of the Internal Audit Plan are yet to be confirmed and are agreed separately through Shared Services governance mechanisms.								

Audit Sponsors			
CO	Chief Officer	H of ICT	Head of ICT
DCFO	Deputy Chief Fire Officer	H of OA	Head of Operational Assets
D of O	Director of Operations	H of G&BS	Head of Governance and Business Support
D of CS	Director of Corporate Services	H of P&F	Head of Property and Facilities
D of PP&A	Director of Policy, Planning and Assurance (the Deputy Chief Fire Officer, DCFO)	H of G&A	Head of Governance and Assurance
D of P&OD	Director of People and Organisational Development	SFBP	Senior Finance Business Partner
CFO	Chief Finance Officer	HR BP	HR Business Partner
AD (Pr&Pr)	Assistant Director (Prevention and Protection)	H of P	Head of Performance
AD (P&P)	Assistant Director (Policy and Planning)	N/A	Not applicable

8. Adjustment to the Internal Audit Plan

There have been the following amendments to the plan:

Plan Variations for 2022/23	
Removed from the plan	Reason
Sickness Absence Management	Removed at client request due to HMICFRS's focus on sickness management and the ongoing development request into the Shared Services Partnership on grey book sickness recording which is at scoping stage.
Health and Safety – Reporting and Assurance	Removed at client request due to late delivery of the new Health and Safety Platform reporting and moved to next year's plan.
Shared Services Reporting from Concerto to Partners (Property Services)	Deferred to 2023/24 due to ongoing work to develop Concerto reporting.
Shared Services – Recruitment - contracts	Deferred to 2023/24 due to critical work around the pay award and other essential projects.
Added to the plan	Reason
Analytical Risk Assessments	Brought forward to replace Health and Safety.

There have been no variations to the 2023/24 plan.



**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

Standards & Governance Committee

Purpose: Approval

Date: 24 July 2023

Title: **INTERNAL AUDIT ANNUAL REPORT & OPINION 2022-23**

Report of the Chief Internal Auditor

SUMMARY

1. The purpose of this paper is to provide the Standards and Governance Committee with my opinion, as Chief Internal Auditor for Hampshire & Isle of Wight Fire & Rescue Authority (HIWFRA), on the adequacy and effectiveness of the Authority's framework of risk management, internal control and governance operated for the year ending 31 March 2023.

BACKGROUND

2. Under the Accounts and Audit (England) Regulations 2015, the HIWFRA are responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.
3. Internal audit plays a vital role in advising the HIWFRA that these arrangements are in place and operating effectively.
4. In accordance with proper internal audit practices, the Chief Internal Auditor is required to provide a written report reviewing the effectiveness of the systems of internal control operated by the HIWFRA and this provides evidence to support the production and review of the Annual Governance Statement.
5. The Annual Report for 2022-23 provides the Chief Internal Auditor's opinion on the systems of internal control and summarises audit work from which that opinion is derived for the year ending 31st March 2023.
6. The Standards and Governance Committee's attention is drawn to the following points:
 - Internal audit was compliant with the Public Sector Internal Audit Standards (PSIAS) in 2022-23.

- The revised internal audit plan for 2022-23 has been delivered, with the exception of three reviews which are nearing completion.
- HIWFRA's framework of governance, risk management and management control is considered to be reasonable and audit testing has demonstrated controls to be working in practice.
- Where internal audit work identified areas where management controls could be improved or where systems and laid down procedures were not fully followed, appropriate corrective actions and a timescale for improvement were agreed with the responsible managers. The number of open and overdue actions has reduced significantly over the last few years and remains low, demonstrating the Authority's commitment to improving the overall framework of control.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

7. 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

8. The 2022-23 plan was prepared on the basis of risk and audit need and agreed with senior managers and endorsed by HIWFRA Standards and Governance Committee, following comprehensive risk assessment. The cost is reflected in the Authority's budget.

IMPACT ASSESSMENTS

9. Impact assessments have not been required for this report as the production of the report will not result in the implementation of a new change activity, and/or introducing, or amending, a Service Policy.

LEGAL IMPLICATIONS

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

OPTIONS

11. The options are that the Chief Internal Auditor's annual report and opinion for 2022-23 is accepted, or not accepted, by HIWFRA Standards and Governance Committee.

EVALUATION

12. Internal audit activity provides the Authority with an assurance mechanism to evaluate the effectiveness of the Service's risk management, control and governance processes.

RISK ANALYSIS

13. 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

14. The appendix outlines the internal audit opinion for 2022-23 and the key issues arising. We have provided a rating of 'reasonable' assurance – the same opinion as in 2021-22 – reflecting that there is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited and management actions have been agreed to address these issues.

RECOMMENDATION

15. That the Hampshire and Isle of Wight Fire and Rescue Authority Standards and Governance Committee accepts the Chief Internal Auditor's annual report & opinion statement for 2022-23.

APPENDICES ATTACHED

Appendix A: Internal Audit Annual Report & Opinion 2022-23.

Contact: Karen Shaw, Chief Internal Auditor, Karen.Shaw@hants.gov.uk,
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**Southern Internal
Audit Partnership**

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Hampshire & Isle of Wight Fire & Rescue Authority
Annual Internal Audit Report & Opinion 2022-2023

Prepared by: Karen Shaw, Deputy Head of Partnership

July 2023

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1. Role of Internal Audit

Hampshire & Isle of Wight Fire & Rescue Authority (the Authority) is required by the Accounts and Audit (England) Regulations 2015, to *‘undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’*

In fulfilling this requirement, the Authority should have regard to the Public Sector Internal Audit Standards (PSIAS), as the internal audit standards set for local government. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.

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

The 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 the Authority that these arrangements are in place and operating effectively.

The 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. Internal Audit Approach

To enable effective outcomes, internal audit provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary. A full range of internal audit services is provided in forming the annual opinion.

As the Chief Internal Auditor, I review the approach to each audit, considering the following key points:

- Level of assurance required.
- Significance of the objectives under review to the organisation's success.
- Risks inherent in the achievement of objectives.
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Authority on the framework of internal control, risk management and governance in operation and to stimulate improvement.



The Southern Internal Audit Partnership (SIAP) maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our clients, with the necessity to provide comprehensive, compliant and value adding assurance.

Working practices have been reviewed, modified and agreed with all partners following the impact and lessons learned from the COVID-19 pandemic and as a result we have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork. However, the need for site visits to complete elements of testing continues to be assessed and agreed on a case-by-case basis.

Shared Services - International Standard on Assurance Engagements (ISAE 3402)

The Authority has entered into a range of shared services with Hampshire County Council and Hampshire Police. 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.

ISAE 3402 provides an international assurance standard 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 enabling them to inform both their annual governance statement and the annual audit opinion.

In 2022-23 Hampshire County Council commissioned a Service Organisation Controls (SOC) Type 2 Report under International Standard on Assurance Engagement (ISAE) 3402. Assurance against the international standard was provided by Ernst & Young.

The scope of the review incorporated coverage of General Ledger, Order to Cash, Purchase to Pay, Cash & Bank, HR and Payroll, and IT General Controls. In forming their 'Opinion' the auditors (Ernst & Young) concluded:

'In our opinion, in all material respects:

a. The Description fairly presents the finance, HR and IT shared services system as designed and implemented throughout the period 1 April 2022 to 31 December 2022.

b. The controls related to the Control Objectives stated in the Description were suitably designed throughout the period from 1 April 2022 to 31 December 2022 to provide reasonable assurance that the Control Objectives would be achieved if the controls operated effectively throughout the period 1 April 2022 to 31 December 2022 and if subservice organisations and user entities applied the complementary controls assumed in the design of Integrated Business Centre's controls throughout the period 1 April 2022 to 31 December 2022; and

c. The controls tested, which were those necessary to provide reasonable assurance that the Control Objectives stated in the Description were achieved, operated effectively throughout the period 1 April 2022 to 31 December 2022 if complementary subservice organisation

and user entity controls assumed in the design of Integrated Business Centre's controls operated effectively throughout the period 1 April 2022 to 31 December 2022.'

To complement the ISAE 3402 Type 2 report a further letter of assurance was provided by the Director of Corporate Operations to confirm for the period 1 January 2023 to 31 March 2023:

- *"There have been no significant changes to the processes and controls set out in the report.*
- *There have been no instances in which the design of existing controls was not effective due to changes to the environment in which the System operates, data, personnel, or other factors.*
- *There have been no instances in which controls did not operate as designed due to changes in the environment, data, personnel, availability of resources or other factors.*
- *There have been no instances in which the Company has failed to achieve the related control objectives; and*
- *There are no reasons why we believe the Management Statement would not still be valid."*

In forming my opinion, I place reliance on the assurance provided under ISAE3402 and we do not seek to duplicate this work. However, we continue to review areas of the Shared Services falling outside the scope of the ISAE3402 engagement as appropriate, through a shared internal audit plan with Hampshire County Council and Hampshire Police. The results of this work are also reflected in my opinion.

3. Internal Audit Coverage

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Authority's activities and to support the preparation of the Annual Governance Statement. Work has been planned and performed to obtain sufficient evidence to provide reasonable assurance that the internal control system is operating effectively.

The 2022-23 internal audit plan was considered by the Standards and Governance Committee in February 2022. It was informed by internal audit's own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the

organisation. The plan has remained fluid throughout the year to maintain an effective focus and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate. Changes made to the plan were agreed with Officers and reported in detail to the Standards and Governance Committee in the internal audit progress reports which were reviewed at each meeting.

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. The assurance opinions are categorised as follows:



4. Internal Audit Opinion

As Chief Internal Auditor, I am responsible for the delivery of an annual audit opinion and report that can be used by the Authority to inform the annual governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the Authority's audit need that has been covered within the period.

We enjoy an open and honest working relationship with the Authority. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. I feel that the maturity of this relationship and the Authority's effective use of internal audit has assisted in identifying and putting in place action to mitigate weaknesses impacting on organisational governance, risk and control over the 2022-23 financial year.

Annual Internal Audit Opinion 2022-23

I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment.

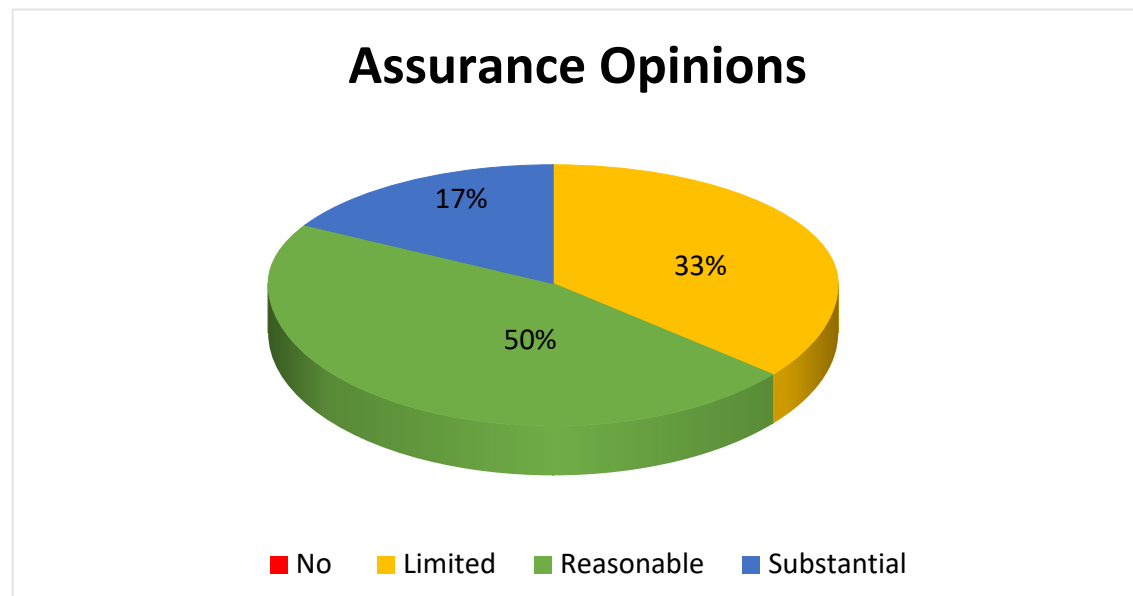
In my opinion frameworks of governance, risk management and management control are **reasonable** and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

5. Governance, Risk Management & Control – Overview & Key Observations

Assurance opinions for 2022-23 reviews

The findings from our reviews have been reported to the Standards and Governance Committee throughout the year and a summary of the assurance opinions is outlined below.



Governance

Governance arrangements are considered during the planning and scoping of each review and in most cases, the scope of our work includes overview of:

- the governance structure in place, including respective roles, responsibilities and reporting arrangements;

- relevant policies and procedures to ensure that they are in line with requirements, regularly reviewed, approved and appropriately publicised and accessible to officers and staff.

In addition, during 2022-23 we undertook a review of the use of impact assessments to identify whether there are any adverse impacts resulting from proposed change to inform decision making, which concluded with a reasonable assurance opinion.

Based on the work completed during the year and observations through our attendance at a variety of management and governance meetings, in our opinion the governance frameworks in place across the Authority are robust, fit for purpose and subject to regular review. There is also appropriate reporting to the Standards and Governance Committee to provide the opportunity for independent consideration and challenge relating to the Annual Governance Statement.

Risk management

We last reviewed risk management arrangements in 2021-22, resulting in a reasonable assurance opinion and this confirmed that risk management arrangements are sound, documented and embedded within the Authority. A number of suggestions were made to further enhance the Risk Management Policy and guidance and given that the risk management system was still relatively new at the time of our review, work was ongoing to ensure full details are captured for each risk. The Service have confirmed that all agreed actions arising from this review have now been completed.

In accordance with the constitution, the Standards and Governance Committee play a key role in receiving and reviewing the Organisational Risk Register. This has been supported throughout the year through the Committee's overview of the Risk Register which now features as a regular agenda item throughout the year.

The risk register is a key document that is taken into account during the development of our risk based internal audit plan, with the planned reviews mapped to the risk register. The information in the risk register is taken into consideration when scoping each review in detail to ensure that our work is appropriately focussed.

Control update

In general, internal audit work found there to be a sound control environment in place across the majority of review areas included in the 2022-23 plan, that were working effectively to support the delivery of corporate objectives.

As indicated above, however, our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance and concern raised by management to ensure that ongoing organisational improvements can be achieved. It is, therefore, unlikely for all areas to achieve substantial or reasonable assurance ratings. Whilst four reviews resulted in a limited assurance opinion during the year, these related to specific issues rather than a general failure of governance and control and we identified opportunities to strengthen the control framework and / or to improve compliance with existing controls.

We generally found officers and staff to be well aware of the importance of effective control frameworks and compliance, and also open to our suggestion for improvements or enhancements where needed. A summary of the scope and findings of these review is outlined in Annex 1 on page 14.

Management actions agreed as a result of each review are monitored to completion to ensure that the identified risks and issues are addressed and at the time of writing good progress had been made in implementing the actions agreed following these reviews, as also outlined in Annex 1.

Management actions

Where our work identified risks that we considered fell outside the parameters acceptable to the Authority, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers.

Progress is reported to the Standards and Governance Committee throughout the year through the quarterly internal audit progress reports and management reports. This generally shows good progress in addressing the issues raised in a timely manner, and where actions are overdue, details are provided by management. At the time of writing there were four overdue actions. We also carried out follow up work during the year to assess the progress made in delivering actions arising from our previous reviews of referral pathways, risk management and data quality. This confirmed that all agreed actions relating to risk management and data quality had been completed, with two ongoing overdue actions relating to referral pathways for which revised target dates have been set.

6. Anti-Fraud and Corruption

The Authority is committed to the highest possible standards of openness, probity and accountability and recognises that the public need to have confidence in those responsible for the delivery of services. A fraudulent or corrupt act can impact on public confidence and damage reputation and image. Policies and strategies are in place setting out the approach and commitment to the prevention and detection of fraud or corruption. Arrangements are also in place to enable staff to report any concerns.

National Fraud Initiative (NFI) - The NFI is a statutory exercise facilitated by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Public sector bodies are required to submit data to the National Fraud Initiative on a regular basis (every two years). The latest NFI data upload was carried out in October 2022. Potential matches will continue to be reviewed by the Authority throughout 2023-24 and we are not aware of any significant issues arising to date.

No significant issues relating to fraud or corruption have been brought to my attention during 2022-23 that would impact on the system of governance, risk management or control.

7. Quality Assurance and Improvement

The Public Sector Internal Audit Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a Quality Assurance and Improvement Programme (QAIP) to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include provision for both internal and external assessments: internal assessments are both on-going and periodic and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020.

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

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

8. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

'the Southern Internal Audit Partnership conforms to the Definition of Internal Auditing; the Code of Ethics; and the Standards'.

There are no disclosures of Non-Conformance to report.

9. Quality Control

Our aim is to provide a service that remains responsive to the needs of the Authority and maintains consistently high standards. In complementing the QAIP this was achieved in 2022-23 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success.
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach.
- A tailored audit approach using a defined methodology and assignment control documentation.
- Review and quality control of all internal audit work by professional qualified senior staff members.
- A self-assessment against the IPPF, PSIAS & LGAN.

10. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Indicator	Target	Actual
Percentage of internal audit plan delivered (<i>to draft report</i>)	95%	83%
Positive customer survey response		
● Hampshire & IOW Fire & Rescue Authority	90%	100%
● SIAP – all Partners	90%	99%
Public Sector Internal Audit Standards	Compliant	Compliant

Customer satisfaction is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date March 2023).

11. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Authority with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Karen Shaw
Deputy Head of Southern Internal Audit Partnership
July 2023

Annex 1

Summary of Audit Reviews Completed 2022-23

Substantial A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Review area	Summary
IBC Banking (Shared Services – note 1)	The purpose of the audit was to ensure allocations for income are applied completely, accurately and in a timely manner, and that bulk transactions, such as e-payments and direct debits are cleared effectively. The audit identified that there is a good control framework in place which is operating effectively.
Treasury Management (Shared services – note 1)	The purpose of the audit was to ensure the effective management of investments and cash flows, money market and capital market transactions, ensuring the relevant codes are complied with. We found that Treasury management arrangements are formalised through effective strategies, policies and procedures; investment and borrowing decisions are documented and approved, and related transactions are recorded, monitored and accounted for; and that management information monitoring treasury management against objectives is reported to senior management, members and clients.

Reasonable There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Review area	Summary
Modern Slavery - Assurance	To be compliant with Section 54 of The Modern Slavery Act 2015 (The Act), the Authority has set out a Modern Slavery statement that outlines the actions taken to understand, prevent and address all modern slavery risks within its services (directly provided and commissioned) and supply chains. This review sought to assess that the organisation's direction on Modern Slavery is clearly documented and supported by training, processes, and procedures; that assurance is received from Shared Services to confirm that appropriate due diligence is undertaken on procurement; the Service undertakes due

	<p>diligence and in line with procedures for local procurement activity; and that data is available to support oversight and monitor compliance with legal requirements.</p> <p>We found that although there is an approved Modern Slavery Statement in place, which is published on the HIWFRS website, this is not on the Home Office Register which is a minimum legal requirement set by the Home Office. There are defined pathways that outline the processes on how to identify and raise Modern Slavery concerns. Expectations for training are also clearly defined and testing showed that this was up to date for level 2-4 training. Level 1 training is mandatory for all staff, and we found that this had not been completed for three out of 10 staff in our sample, nor is completion monitored. There is evidence that due diligence and a Modern Slavery declaration is completed by prospective suppliers during the procurement process. In addition, all staff holding a procurement card are required to complete mandatory training as part of the application process which includes Modern Slavery implications to raise awareness, however purchase card holders surveyed were found not to be confident with the Modern Slavery procedures and requirements.</p> <p>HIWFRS have confirmed that all management actions agreed following this review have been completed.</p>
<p>Impact Assessments</p>	<p>HIWFRS are required to undertake impact assessments to ensure, and evidence, compliance with a variety of legislation and regulation, including the Environment Protection Act, Equality Act, General Data Protection Regulation, and the Health and Safety at Work Act 1974. The impact assessment process enables Change Leads and Policy, Procedure or Guidance (PPG) Owners to identify whether there are any adverse impacts resulting from their proposed change, and/ or new or revised PPG documents.</p> <p>This review focused on the governance framework and roles and responsibilities in place within HIWFRS for the management of the impact assessment process to ensure that statutory obligations are met and that impact assessments are completed when required. We also reviewed the policies, procedures, and guidance available to staff to assist in completing an impact assessment.</p> <p>Testing identified that there are generally effective controls in place with clear procedures in place to support the completion of impact assessments which links to the policy or procedure approval process. Role and responsibilities are generally clear and change management training has been launched to promote awareness of the process. The status of completion of impact assessments is also closely monitored. Observations were raised regarding clarity of the role and expectations of the department experts and the assigned deputy in stage two of the process; consistently capturing and recording mitigating actions for identified risks; and ensuring that the process has been fully completed before publishing the impact assessment. HIWFRS have confirmed that all management actions agreed following this review have been completed.</p>

<p>Property and facilities – statutory compliance works</p>	<p>The Shared Services Term Maintenance Contract (TMC) Team completes some statutory certification works on behalf of HIWFRS Property and Facilities Department including gas safety checks, electrical tests and inspections. The Property and Facilities Department at HIWFRS are responsible for monitoring the delivery of the statutory checks. The statutory checks and inspections are a key aspect of ensuring the health and safety of HIWFRS premises and staff.</p> <p>The audit reviewed arrangements and processes in place to ensure that the statutory certification works are completed by the due dates. The scope of the review included assessing whether there is clarity over the respective roles and responsibilities of the Shared Services TMC Partnership and HIWFRS, and the arrangements in place for HIWFRS to gain assurance and evidence that all required checks are identified, assigned and completed in line with legislative timeframes. Internal compliance statistical reporting and monitoring arrangements were also reviewed to ensure they are robust and enable any issues to be identified quickly for remedial action.</p> <p>In general, good controls were found to be in place, however the agreement in place had not been reviewed since it was last approved in 2014. The compliance tracker in place appeared to be comprehensive and clear, however, despite being monitored daily by the Compliance Manager, audit testing identified instances of inaccurate data. There was, however, ongoing work in progress to bring the records up to date. Although our testing showed that the relevant paperwork, for a sample of statutory checks, had been correctly completed and submitted in a timely manner, there are ongoing issues with missing documentation, or it not being uploaded to the system, which was impacting on the Service’s compliance tracking and overdue reporting.</p> <p>HIWFRS have confirmed that all management actions agreed following this review have been completed.</p>
<p>Cyber security controls</p>	<p>The purpose of the audit was to carry out a high-level review of the mitigations in place for the risks identified in the ICT risk register, where agreed to be in scope for this review. We found that the JCAD risk management tool used by managers clearly identifies the roles and responsibilities for the management of cyber security risk. All the organisation-level risks are owned either by the Director of Corporate Services or by the Head of ICT, and ICT level risks are owned by the Head of ICT, with mitigation actions assigned to the Cyber Security Manager, or any other relevant ICT manager depending on the risk. We found that mitigations were generally in place for the identified risks with observation raised to tighten or improve control or compliance in specific areas.</p> <p>HIWFRS have confirmed that all agreed management actions due at the time of writing have been completed, with further action pending.</p>

<p>Pay review and award process - (Shared Services - note 1)</p>	<p>The purpose of the audit was to ensure that there are defined protocols in place for applying agreed pay awards, ensuring these provide clarity on the process and are sufficiently robust to support the integrity and accuracy of updated pay scales, amounts payable, and any backdated payments due to employees. We tested the arrangements in place for four pay awards across varying award types and found a generally sound system of control in place with clarity over roles and responsibilities, process, required timescales and quality assurance arrangements. Observations were raised to further enhance the quality assurance process, ensure consistency in documenting target and completion dates, and approval frameworks in project plans.</p>
<p>ICT systems and governance (draft report)</p>	<p>The purpose of the audit was to assess the governance and management of three cloud-hosted, business-critical ICT systems managed by the Systems Team. Software applications developed and managed in-house by the Development Team were out of scope, as per agreement with the Head of ICT. We found a generally sound system of governance, risk management and control to be in place, with a number of observations made to tighten controls or address compliance issues.</p>



Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

Review area	Summary
<p>Continuing professional development payments</p>	<p>HIWFRS reward eligible Grey Book employees for their continual professional development (CPD) with an annual CPD payment. The CPD scheme is designed to recognise and reward competent Grey Book employees (Wholetime, On-call and Control) who can demonstrate CPD at a 'competent' level. Eligibility for the payment is discussed as part of the personal development review (PDR) process each year and documented by the line manager, who will then approve and process the CPD payment. The CPD payment is a retrospective payment, payable between April to July, based on the eligibility criteria having been met in the previous financial year.</p> <p>The audit focused on CPD payments for eligible Grey Book employees, sample testing CPD payments made to verify that payments are only made to those who have met the requirements of the scheme.</p> <p>Whilst there is a procedure document in place for the CPD payments process, which is subject to regular reviews, we identified some gaps in the documented procedures. In addition, the Performance Development and Maintenance of Competence procedures did not reference the CPD Payments process, and the PDR assessment form did not provide a section to evidence discussions about the CPD payment process and eligibility. Sample testing found instances where</p>

	<p>payments were made to individuals before they met the 5 years continuous service threshold and line managers were not always able to evidence eligibility, with some assessments being completed after the CPD payment date. We also identified errors in payments made to part-time employees as well as varying degrees of oversight in place across the Service. HIWFRS have confirmed that all management actions agreed following this review have been completed.</p>
<p>Assurance over the competence of operational response capability – detailed follow-up</p>	<p>This audit was a follow up from a previous limited assurance report and aimed to assess whether operational personnel are suitably competent in carrying out their roles. The review concentrated on ensuring that operational competency training, in particular for firefighters and Level 1 Incident Commanders, is completed in accordance with requirements and is being appropriately monitored and quality assured by Crew Managers, Watch Managers and Station Commanders. We assessed whether training is correctly recorded within Gartan to allow accurate monitoring by senior management.</p> <p>At the time of review, configuration of the training records in Gartan hampered the Service’s ability to reliably monitor the completion of required training. The Gartan Expert Matrix, which was requested by management to assist in monitoring competencies more efficiently, was undergoing testing at the time of our work and review of the draft Gartan Expert Matrix found that it presented competencies tailored to each station’s requirements, and clearly highlighted completed, due, overdue and not assessed competencies. Our discussions with key staff across the Service identified that the training matrix is expected to significantly improve the ease with which competencies can be monitored, with a RAG system to provide a high-level view of the training status. Discussions confirmed a lack of clarity regarding roles and responsibilities for inputting, booking and monitoring training, and the impact of this and lack of clear monitoring reports were reflected in our testing results with some expired competencies identified.</p> <p>At the time of writing HIWFRS have confirmed that all actions that had reached their due date for action were complete with one remaining action pending.</p>
<p>Purchasing Cards (P-Card)</p>	<p>The purpose of the audit was to ensure that purchasing cards are managed in line with Hampshire & Isle of Wight Fire & Rescue Service's policies and procedures. The system used to review and approve transactions is provided through RBS as part of the Shared Services arrangements with Hampshire County Council and Hampshire & Isle of Wight Police and guidance on the system for HIWFRS users and approvers is also provided as part of the Shared Services arrangements.</p> <p>We found that cards are authorised and are only held by current employees, with regular monitoring reporting to management on compliance. Policies and guidance are in place, although testing found anomalies with some transactions such as split payments to circumvent transaction limits, and missing VAT receipts. We also found that receipts are being stored in various ways and held for inconsistent periods, which are not always in line with agreed retention periods. We also found non compliance with the requirements for cardholders to review and ensure accurate recording of all transactions and for authorisers to approve all transactions each month. Although there is a process in place for suspending accounts after 3 months on non-compliance, or periods of inactivity, accounts can be reinstated and we found</p>

	<p>examples of accounts being suspended twice or non-compliance in multiple rather than consecutive months.</p> <p>At the time of writing HIWFRS have confirmed that all actions that had reached their due date for action were complete with further actions pending.</p>
TUPE (Shared services – note 1)	<p>The purpose of the audit was to assess the processes in place to ensure a smooth transition for employees being transferred into partner organisations. We found that although the high-level process, roles and responsibilities for partner and IBC teams is documented, there are no documented procedures outlining the detailed requirements for completing the TUPE process. Although testing of recent TUPEs found that the employees had been transferred in on time with the correct positions set up, there were some issues and delays experienced during the process, which highlighted an over reliance on the OM and eStore Manager, the need for further training and awareness within the wider team and more detailed documentation of the process as outlined above. The process would also benefit from improved reporting to senior managers to ensure that delays and issues are resolved promptly.</p>

No Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Review area	Summary
None	

Note 1) These are Shared Service audits with no direct HIWFRS involvement, however overarching accountability for HIWFRS Shared Services activity sits with the DCFO, Director of Policy, Planning and Assurance and the Head of Partnerships and External Relationships.

Note 2) The following reviews remained in progress at the end of the year:

- Analytical risk assessments
- ICT networks and communications
- Budget planning (Shared services – note 1)



**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

HIWFRA Standards and Governance Committee

Purpose: **Noted**

Date: **24 JULY 2023**

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

Report of Chief Fire Officer

SUMMARY

1. The purpose of this paper is to provide the latest update on the medium and high management 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 management actions.

BACKGROUND

2. Internal audit is provided by the Southern Internal Audit Partnership (SIAP) and is one of various assurance mechanisms that the Service utilises as part of our wider assurance programme. Our assurance programme includes internal and external assurance mechanisms. External mechanisms examples include from His Majesty's Inspectorate of Fire and Rescue Services (HMICFRS) and ISO certification testing.
3. In terms of internal audit, the Hampshire and Isle of Wight Fire and Rescue Service (HIWFRS) Organisational Assurance team maintains, monitors and reports on a record of audits against the current risk-based Internal Audit Plan, noting whether they are in progress or have been completed. Heads of Service are responsible for the delivery of actions that fall within their areas of responsibility.
4. 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.

5. The Organisational Assurance team will ask for confirmation and evidence that an action has been implemented, or if it has not been completed when it is expected to be. Any management actions that continue to remain outstanding are referred to the relevant Director. Our internal Integrated Performance and Assurance Group (IPAG) also provides an overview of outstanding recommendations, and they are also monitored regularly by the Director of Policy, Planning and Assurance and the Head of Governance and Assurance.

MANAGEMENT ACTIONS

6. The table below lists those recommendations that are currently outstanding beyond their agreed target date and if they are of medium (M) or high (H) priority. There is a brief commentary against each to explain the status and any mitigating factors.

Internal Audit Management Actions			
Competency, Resourcing and Succession planning – Prevention and Protection			
Implementation of the new Gartan management system and the 'Expert Module' will resolve the issue that currently exists in relation to tracking non operational competencies. This is dependent on the project team delivering against their timeline.	31 October 2022, revised to 31 March 2023, revised to April 2024.	M	The tracking of Prevention and Protection specific competencies needs to be manually set up within the Gartan Expert system by HIWFRS and this is being progressed between the ICT Systems Team and the Prevention and Protection teams. This will be delivered by April 2024. It is important to note, however, that there is current mitigation provided by a locally held training database.
Referral Pathways			
Developing a Quality Assurance Framework to ensure delivery of prevention duties.	30 November 2021, revised to 30 November 24	M	The Evaluation & Quality Assurance Programme Manager for Community Safety, responsible for delivering the Quality Assurance framework has

<p>Improvements in systems and processes: the QA framework and new electronic Safe & Well Form will address delays in closing jobs in CFRMIS. Interim process in place.</p>	<p>31 January 2022, revised to 30 November 24</p>	<p>H</p>	<p>left the organisation, as a result both actions have been reprioritised.</p> <p>Improvements in delays in closing jobs in CFRMIS has a dependency on the delivery of a Quality Assurance framework.</p>
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MANAGEMENT COMMENTARY

7. Since the last committee meeting, all actions for audits on Impact Assessments, Modern Slavery, ICT Change Management, GDPR and Data Protection Compliance and CPD Payments have been completed. There are currently 20 open audit actions which are being tracked by the Organisational Assurance team (compared to 25 open actions in the last quarter). Only medium and high overdue actions are reported to the Committee. As stated above, there are three actions that are now overdue.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

8. 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 *High Performance* and *Learning and Improving Safety Plan* priorities, and our vision to work smarter, be more efficient, and to make life safer for everyone in Hampshire and the Isle of Wight.

COLLABORATION

9. The Southern Internal Audit Partnership (SIAP) provide internal audit on behalf of all partners within Shared Services and many other public service organisations.
10. Our internal audit procedure, which acts as a Memorandum of Understanding (MoU) and outlines how HIWFRS and the Southern Internal Audit Partnership (SIAP) collaborate, was revisited by HIWFRS and SIAP in 2021 light of the combined fire authority, and the relationship continues to be effective, as evidenced by the progress made with audit actions and our approach to risk-based audit planning.

RESOURCE IMPLICATIONS

11. 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.
12. The management of internal audit actions is carried out within current resources.

IMPACT ASSESSMENTS

13. Impact assessments have not been required for this report as the production of the report will not result in the implementation a new change activity, and/or introducing, or amending, a Service Policy.

LEGAL IMPLICATIONS

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

RISK ANALYSIS

15. Failure to implement internal audit recommendations leaves the Authority vulnerable to the consequences of the identified risks and weaknesses in controls. 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.

EVALUATION

16. The evaluation of the progress the Service makes in completing internal audit management actions forms an important part of the Service's organisational assurance activity, provides a valuable measure of corporate health and identifies learning across the Service. The Service's Organisational Assurance team regularly monitors progress in completing management actions, for example via reporting into the Service's Integrated Performance and Assurance Group (IPAG) and in regular discussions with our internal auditors, the Southern Internal Audit Partnership.

CONCLUSION

17. Progress continues to be made in both completing the management actions from previous audits and progressing the current audit plan. 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. As outlined in the MoU, management actions are owned by an Executive Sponsor and Heads of Service, who work with their teams to ensure progress is made.

RECOMMENDATION

18. That the Standards and Governance Committee notes the progress made towards the implementation of the internal audit management actions and the delivery of the audit plan.

Contact:

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**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

HIWFRA Standards and Governance Committee

Purpose: Noted

Date: **24 JULY 2023**

Title: **FIRE PENSION BOARD ANNUAL REPORT (2022/23)**

Report of Chief Financial Officer

SUMMARY

1. This is the annual report from the Fire Pension Board to the Standards and Governance Committee and summarises the work of the Board for the 2022/23 financial year in the exercise of its functions.
2. This report provides an update on the progress of key issues during the reporting period.

PENSION BOARD MEETINGS

3. The Pension Board met periodically, holding four meetings, during the 2022/23 financial year:
 - (a) 19 April 2022
 - (b) 5 July 2022
 - (c) 12 October 2022
 - (d) 31 January 2023
4. The July meeting saw the re-election of Stew Adamson to Chairman and Richard Scarth to Vice-Chairman. Both will hold the position until the first meeting of the Fire Pension Board following the annual meeting of the Fire Authority in 2023.
5. The key items covered at these meetings are as follows, more detailed information about each of these items can be found later in the report.

- (a) Communications
 - (b) Temporary Promotions and Additional Pension Benefits
 - (c) Risk review
 - (d) McCloud remedy and Immediate Detriment
 - (e) Matthews remedy
6. The pension board status and other associated reports can be found in APPENDICES A – I.

TPR SCHEME RETURNS

7. It was reported to the Board that the Employer Pension Manager completed the annual pension scheme returns for The Pension Regulator. This survey requires information to be submitted about scheme membership numbers, details of the scheme manager, Fire Pension Board members, details of the administrator and other relevant contact details.
8. TPR also require data scoring which consists of common data and scheme specific conditional data. The common data score is made up of things like personal data such as name, address, date of birth etc, while the scheme specific data score varies from scheme to scheme and for Fire would include specific things such as membership data including any transfer in details, CPD, temporary promotions etc.
9. The table below shows the scores for year ending 31 March 2021 and the latest year 31 March 2022, which shows that improvements have already been made across most areas.

Year end	31/03/2021 (Includes all IOW membership numbers and in the data scoring)					
TPR Scheme Return	November 2021					
Scheme	Actives	Deferreds	Pensioners	Beneficiaries	Common Data Score	Conditional Data Score
1992 Fire Pension Scheme	61	70	945	162	98.71%	95.51%
2006 Fire Pension Scheme	11	440	62	7	95.45%	98.00%
2006 Modified Fire Pension Scheme	22	48	100	6	97.73%	93.18%
2015 Fire Pension Scheme	1,209	557	9	8	98.23%	96.77%
Total	1,303	1,115	1,116	183		

Year end	31/03/2022					
TPR Scheme Return	November 2022					
Scheme	Actives	Deferreds	Pensioners	Beneficiaries	Common Data Score	Conditional Data Score
1992 Fire Pension Scheme	22	82	966	161	99.00%	96.00%
2006 Fire Pension Scheme	20	431	71	7	96.00%	99.00%
2006 Modified Fire Pension Scheme	2	47	107	6	98.00%	98.00%
2015 Fire Pension Scheme	1,634	688	19	8	99.00%	97.00%
Total	1,678	1,248	1,163	182		

RISK REVIEW

10. There are a variety of items in pension administration and governance which contain elements of risk to varying degrees. Risks are captured through a variety of ways; some are on the risk register, while others are picked up as part of the regular horizon scanning that the Employer Pension Groups do.
11. These groups are now well established, meeting regularly and include representatives across the board from pensions, HR, finance and others.
12. The Board review the risk register at each meeting and during the 2022/23 year. Updates to the risk register were applied in the areas of the Matthews and McCloud remedies.

COMMUNICATION

13. The Board heard that three pension presentations had been made to new recruits and the Employer Pension Manager had also delivered pension presentations at three pre-retirement courses over the year.
14. The Board were pleased to note that the HIWFRA is represented widely in the fire sector as the Employer Pension Manager attends a number of national and local meetings, including the Fire Communications Working Group, the Fire Technical Group, the South East Fire Pension Officers Group. She also attends the fortnightly Fire Pension online coffee mornings.
15. The Employer Pension Manager is also a member of the Local Pension Board Effectiveness Committee which is one of the three SAB committees. And over the last year has been part of the Cross Whitehall Project Management Group and a Home Office Technical Working Group for the McCloud remedy. And more recently has accepted an invitation to join the Matthews Technical Working Group.

MEMBER PORTAL

16. At the January 2023 meeting it was reported to the Board that the overall fire pension scheme membership, taking into account active, deferred and pensioner members stood at 47.76%, with 52.73% of the active membership registered for the portal.

HISTORICAL CONTRIBUTION RATES

17. It was reported to the Board that there had been an issue with on-call members who had paid the wrong employee contribution rate between 1 April 2012 and 31 March 2021 whilst employed and paid by IoW Council.

18. The Board heard that at the July meeting of the Standard's and Governance Committee a report had been received and a recommendation that recovery of the underpayments was not pursued was approved.
19. It was reported to the Board at their October 2022 meeting that letters had been sent to the 109 affected members informing them of the underpayment and the decision by HIWFRA to not collect this from members.

TEMPORARY PROMOTION AND ADDITIONAL PENSION BENEFITS

20. There was an amendment to legislation on 1 July 2013 which allowed individual FRAs to decide whether the additional pay received because of a temporary promotion for 1992 and 2006 schemes was pensionable or not. Legislation means that temporary promotions within the 2015 Scheme are not pensionable.
21. In 2016, HFRA took the decision to make temporary promotions within the 1992 and 2006 schemes pensionable, which meant that firefighters would now earn an Additional Pensionable Benefit (APB) whilst on Temporary Promotion.
22. The maximum cost envelope as agreed by HIWFRA of the estimated costs for the 41 protected members in the relevant cohorts were £291,000 for lump sums and £38,700 a year for annual pensions.
23. Up to 2021/22 there had been 36 retirements and it was reported to the Board that the differences that have been paid out so far for these members were broadly in line with the estimated figures prepared in 2016.
 - (a) Total of all lump sum differences paid are £272,203.47
 - (b) Annual pensions differences paid for 2021/22 are £38,426.07
24. The remaining 5 members are still in employment and could retire at any point. There are a number of factors which could mean that the estimated figures might be exceeded:
 - (a) A different retirement date to the one used in the estimate
 - (b) Pay increases since 2016 to date of retirement
 - (c) A protected and unbroken period of temporary promotion which continues until date of retirement
 - (d) The increase in the commutation factors for the 1992 scheme that came into effect in October 2018.
25. It was reported to the Board that two of the retirements in the 2021/22 had significantly different retirement figures when compared to the revised

estimates calculated in 2021. This is primarily as the members in question received Immediate Detriment at their retirement and this therefore meant a change to their benefits.

26. In addition there have been a number of previously retired firefighters in this cohort who either reached age 55 in the current year or will do in the next few years. This means that full pensions increases need to be applied to their pension which can mean that in the year they turn age 55 there is a significant increase in the annual pension payable.
27. These variances, which could not have been anticipated when calculated in 2021, now mean that we are likely to exceed the revised cost cap envelope agreed by HIWFRA.
28. Revised estimates were carried out on the one affected member along with estimates of increases that would apply up to 2026/27; the Board were notified that we would therefore be seeking approval from the Fire Authority to increase the cost cap on annual pensions by £11,300 to £50,000.

McCLOUD AGE DISCRIMINATION REMEDY

29. The Board were kept updated about situation with Immediate Detriment which was paused in December 2021 by HIWFRA. The Scheme Manager's recommendation to HIWFRA was that the risks are still very high and to some degree, unquantifiable, and it is therefore not advisable to proceed.
30. A paper outlining the options, risks and recommendations went to the Standards and Governance Committee in July 2022 and they approved the decision to continue the pause on Immediate Detriment. The Board heard that should revised guidance and or legislation become available which will mitigate the risks for HIWFRA then the decision and options will be reviewed at that point.
31. The Board heard how the Prospective McCloud remedy was implemented for 54 Fire Pension Scheme members. Letters were sent to these members advising them of the change from 1 April 2022 and notifying them that they would be moved into the 2015 Scheme from that date.
32. It was reported to the Board that in June 2022, letters were sent to all current active members of the Fire Pension Scheme to advise them if their employment was in scope or out of scope for the Retrospective McCloud remedy.
33. Some additional work was then carried out due to the Home Office clarifying the position on eligibility for Fire Pension Schemes. This resulted in a further 112 letters being sent to members who had initially received an out of scope

letter to advise them that due to the clarification, they were now in scope for the Retrospective McCloud remedy.

34. In January 2023, the Board heard that the Public Service Pensions and Judicial Offices Act 2022 (PSPJOA 2022) allows 18 months for members to be provided with their Retrospective McCloud remedy options. All of this time will need to be utilised due to the number of cases and the complexities of the schemes.
35. The Board also heard how across the Police and Fire sectors collaboration work with stakeholders had taken place to identify what would be an acceptable priority order. A timetable has been drawn up, which has received agreement from the SAB, and is designed to help pension administrators deal with cases in a logical order, taking account of statutory dates, Immediate Choice cases, Deferred Choice cases and Miscellaneous cases.
36. It was reported to the Board that when Hampshire Pension Services have identified the number of cases in each cohort for all their clients they will then be able to firm up a realistic timetable which can be shared with members. This will help to manage member expectations about when they will receive their personal information allowing them to make an informed election.

MATTHEWS REMEDY

37. The Matthews remedy applies to retained firefighters with employment between certain dates and via a second options exercise will allow members to backdate their membership of the Modified Fire Pension Scheme to the start date of their employment.
38. The Board heard that across Hampshire and the Isle of Wight, 897 members past and present have so far been identified as being in scope for the Matthews remedy.
39. The Matthews remedy will run for 18 months, alongside the McCloud remedy and some members will be affected by both remedies.
40. It was reported to the Board that work is at the early stages of this project and that some warm up communications are planned to be sent to the in scope members during spring of 2023. The project will also require close working with the IBC Pensions Admin Team and also the Isle of Wight payroll team as they will need to retrieve pay data as far back as is possible.

FUTURE ISSUES

41. The Fire Pension Board annual report has identified considerable development across a variety of areas. The focus for the coming year includes:
- (a) Implementation of the McCloud remedy
 - (b) Implementation of the Matthews remedy
 - (c) Impact of Pensions Dashboards

CONCLUSION

42. As set out in this report, there has been continued progress across all areas of fire pensions during 2022/23; in particular around governance and control, together with significant improvements in the quality and range of pension information that is available to firefighters.
43. For 2023/24, the year will be about sustaining the continuous improvement and building on the foundations that have been put in place. It will also be a challenging year with a number of upcoming changes to the pension schemes.
44. Although the list of future issues only contains three items, the volume of work for each of these should not be underestimated. Each area will have its own complexities and challenges and having the right amount of resources in place will be key.
45. HIWFRA fire pensions are in a good place as there is already a robust structure in place with the Employer Pension Manager, the Employer Pension Groups and the McCloud Remedy Working Group which are an excellent multi-departmental resource across the Shared Services partnership and they will be crucial in co-ordinating the work involved.

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| <p>46. That the content of the report be noted by the HIWFRA Standards and Governance Committee</p> |
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APPENDICES ATTACHED

47. APPENDIX A – Fire Pension Board report (April 2022), [report](#), [appendices](#)
48. APPENDIX B - Legislation and Local Government Association (LGA) Update report (April 2022), [report](#), [appendices](#)
49. APPENDIX C – Fire Pension Board report (July 2022), [report](#), [appendices](#)
50. APPENDIX D - Legislation and Local Government Association (LGA) Update report (July 2022), [report](#), [appendices](#)
51. APPENDIX E - Pension Administration update report (July 2022), [report](#)
52. APPENDIX F – Fire Pension Board report (October 2022), [report](#), [appendices](#)
53. APPENDIX G - Legislation and Local Government Association (LGA) Update (October 2022), [report](#), [appendices](#)
54. APPENDIX H – Fire Pension Board report and Risk Review (January 2023), [report](#), [appendices](#)
55. APPENDIX I - Legislation and Local Government Association (LGA) Update (January 2023), [report](#), [appendices](#)

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