

NOTICE OF MEETING

<i>Meeting</i>	HFRA Standards and Governance Committee	<i>Clerk to the Hampshire Fire and Rescue Authority</i> John Coughlan CBE
<i>Date and Time</i>	Tuesday, 23rd July, 2019 10.00 am	<i>The Castle, Winchester Hampshire SO23 8UJ</i>
<i>Place</i>	Meeting Room A, Fire and Police HQ, Leigh Road, 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 received.

2 **DECLARATIONS OF INTEREST**

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

3 **MINUTES OF PREVIOUS MEETING** (Pages 3 - 6)

To confirm the minutes of the previous meeting.

4 **DEPUTATIONS**

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

5 CHAIRMAN'S ANNOUNCEMENTS

To receive any announcements the Chairman may wish to make.

6 EXTERNAL AUDIT RESULTS REPORT 2018/19 (Pages 7 - 48)

To receive the External Auditor's HFRA Audit Results Report for 2018/19.

7 ANNUAL INTERNAL AUDIT REPORT AND OPINION 2018/19 (Pages 49 - 66)

To consider a report regarding the annual report and opinion statement for 2018/19.

8 ANNUAL ACCOUNTS 2018/19 (Pages 67 - 80)

To consider a report regarding the Annual Accounts for 2018/19.

9 FIRE PENSION BOARD ANNUAL REPORT 2018/19 AND PROPOSED CHANGES TO THE PENSION BOARD TERMS OF REFERENCE (Pages 81 - 104)

To receive and note the annual report from the Fire Pension Board and approve proposed changes to the Terms of Reference.

10 HMICFRS ACTION PLAN PROGRESS REPORT (Pages 105 - 108)

To receive a report regarding the HMICFRS Action Plan.

11 INFORMATION COMPLIANCE REPORT (Pages 109 - 116)

To receive a report regarding Information Compliance.

ABOUT THIS AGENDA:

This agenda is available on the Hampshire 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.

ABOUT THIS MEETING

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

Agenda Item 3

AT AN EXTRAORDINARY MEETING of the HFRA Standards and Governance Committee held at Fire and Police HQ, Eastleigh on Tuesday 11th June, 2019

Chairman:

* Councillor Liz Fairhurst

* Councillor Jonathan Glen

* Councillor Roger Price

* Councillor Geoffrey Hockley

* Councillor Sharon Mintoff

*Present

Also present with the agreement of the Chairman:
Councillor Chris Carter, Chairman of the Fire Authority

65. **APOLOGIES FOR ABSENCE**

All Members were present and no apologies were noted.

66. **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 entered 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.

67. **MINUTES OF PREVIOUS MEETING**

The minutes of the last meeting were reviewed and agreed.

68. **DEPUTATIONS**

There were no deputations on this occasion.

69. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had no announcements to make on this occasion.

70. INTERNAL AUDIT PROGRESS REPORT 2018/19

The Committee considered a report of the Chief Internal Auditor providing an overview of internal audit work completed in accordance with the approved audit plan, and an overview of the status of “live” reports (Item 6 in the Minute Book).

Members noted that this was a regular update report to the Committee and it was highlighted that there were some audits which remained as work in progress. Officers explained that work was continuing to ensure that these were completed before the annual opinion which would be brought to the July meeting of the Committee. Attention was drawn to Section 5 of the report (page 20 of the agenda pack), which highlighted the reports published concluding a limited or no assurance opinion. Members raised questions in relation to cyber security, and it was explained that there were many effective processes in place to ensure security, but a key concern was that server operating system and application updates were not always being applied promptly to mitigate against known vulnerabilities. Members noted that there were now dedicated officers working in the area of cyber security and corrective actions had been agreed with responsible managers. Officers also explained other measures in place such as highlighting the importance of password strength to users, and increasing awareness to emails received from outside the organisation. Whilst these measures were in place, the importance of documenting and evidencing for audit purposes was emphasised. The issue around pay claims was discussed and it was noted that this focussed on ensuring that the correct people were paid the correct allowance, and it was explained that there was subsequent monitoring of this. A query was raised regarding pension issues in relation to allowances and officers explained the processes in place for monitoring this, and this was part of a wider piece of work which was ongoing in conjunction with the payroll department.

Members had some concerns around the number of limited assurances in the report and Officers explained that there had been significant changes in the organisation which could have contributed to this including staff changes, IT restructuring and the complexity of some of the issues. Officers were confident that with the right resources in places, and the position in a year’s time would be more positive. It was noted that all outstanding audit actions would be continually tracked until completion, and the Committee would be updated by means of a regular progress report brought to each meeting.

RESOLVED:

That the Standards and Governance Committee noted and will continue to monitor the progress in delivering the internal audit plan for 2018/19 and the outcomes to date.

71. HFRS REPORT ON MANAGEMENT ACTIONS

The Committee considered a report of The Chief Fire Officer on progress made towards the implementation of internal audit management actions (Item 7 in the Minute Book).

The report was introduced and it was highlighted that there were a number of high and medium priority actions which were currently outstanding beyond their agreed target date, and detailed at page 34 of the agenda pack. Members noted that in relation to safeguarding actions, resources had been allocated in relation to these, and that the scale and complexity of some of these issues had been underestimated, which had led to the delay in completion.

It was explained that in relation to the action of debt collection, that where instances had occurred which had resulted in overpayment, a stepped approach would be followed to enable this to be repaid over the same length of time that the initial overpayment had occurred. In response to a Member's query, officers would explore whether the issue of overpayments should be a generic issue relating to shared services, and whether this should be reported differently going forward. The initial management response in relation to each limited opinion was also explained to Members as set out in pages 36-37 of the agenda pack.

A discussion ensued around the proposal to increase the number of Standards and Governance Committees from two to four meetings a year. Members agreed to the proposals to increase the number of meetings and agreed that the Clerk would liaise with Members around the timing of these.

RESOLVED:

- i) That the Standards and Governance Committee noted the progress made towards the implementation of the internal audit management actions.
- ii) That the Standards and Governance Committee agreed to increase the number of future meetings from two to four a year, and for the Clerk to liaise with Members around the timing of these.

72. INTERNAL AUDIT CHARTER AND INTERNAL AUDIT PLAN 2019/20

The Committee considered a report of the Chief Internal Auditor regarding the Internal Audit Charter and Internal Audit Plan 2019/20 (Item 8 in the Minute Book).

Members were led through the report and it was heard that there had been no changes to the Internal Audit Charter for 2019/20 since the Committee last reviewed it in 2018, and there had been discussions with Managers in relation to areas for inclusion in the Audit Plan. Officers explained that the Plan was designed to validate the assurance and control framework within the Authority and Members attention was drawn to Appendix B of the report which provided detail of the scope of the Plan.

The importance of also focusing on areas of weaknesses was highlighted to ensure that these areas were properly addressed. Members noted the reference to the role of Director of Professional Services on page 47 of the agenda pack, and it was explained that this was in error and this role no longer existed.

It was also heard that there had been a change in the approach to providing assurance for the Integrated Business Centre under the International Standard on Assurance Engagements (ISAE 3402), and Ernst and Young had been appointed to provide this assurance going forward.

The Chairman of the Fire Authority extended his thanks to the Internal Audit Team for their reporting and clear approach going forward.

RESOLVED:

That the Standards and Governance Committee approved the Internal Audit Charter and the 2019/20 Internal Audit Plan for Hampshire Fire and Rescue Authority.

Chairman,

Hampshire Fire and Rescue
Authority
Audit results report

Year ended 31 March 2019
12 July 2019

Page 7



Private and Confidential

12 July 2019

Dear Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Standards and Governance Committee. This report summarises our preliminary audit conclusion in relation to the audit of the Hampshire Fire and Rescue Authority (the Authority) for 2018/19. We will issue our final report at the Audit Committee meeting scheduled for 23 July 2019.

We have substantially completed our audit of the Authority for the year ended 31 March 2019. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at section 3 before the 31 July 2019. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Standards and Governance Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 23 July 2019.

Yours faithfully

Maria Grindley

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



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

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

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

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

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



01

Executive Summary



Executive Summary

Scope update

In our audit planning report tabled at the January Standards and Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

Changes in materiality:

We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measurement bases, Our overall materiality assessment for the Authority remains unchanged from the value reported in the Audit Planning Report – £2m . In addition the Fire Pension Fund materiality has been updated to £353k (Audit Planning Report - £393k), Performance materiality, at 75% of overall materiality and thresholds for reporting misstatements at 5% of performance materiality have remained unchanged.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.

Page 11

Status of the audit

We have substantially completed our audit of the Authority's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the financial statements in the form which appears at Section 4. However until work is complete, further amendments may arise:

- Completion of procedures required regarding value for money;
- Conclusion on IFRS 9 and 16;
- Completion of payroll testing; creditors testing; income testing; police pensions top up testing; and reserves testing;
- Completion of our detailed review in certain areas of work and our final review and sign off;
- Review of the final version of the financial statements;
- Completion of subsequent events review;
- Receipt of the signed management representation letter; and
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

We expect to issue the audit certificate at the same time as the audit opinion.

We will provide an update on the status at the Standards and Governance Committee on 23 July 2019.

Executive Summary

Audit differences

At this stage of the audit, there is one adjusted audit difference that has arisen and no unadjusted audit differences. Details can be found in Section 4 Audit Differences

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of the Authority's financial statements. We summarise below our latest findings.

Significant Risk	Findings and Conclusions
Misstatements due to fraud or error	We have completed our testing and not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied.
Area of Audit Focus	Findings and Conclusions
Valuation of Land and Buildings	We have completed our testing and identified no issues to report.
Pension Liability Valuation	We are completing our review but await the outcome of the McCloud issue before concluding.
New Accounting Standards	There are conversations ongoing with management on IFRS 9 over the option to irrevocably elect to account for equity instruments at fair value through other comprehensive income (FVOCI) and specifically that the strategic pooled funds that PCC hold meet the definition of an equity instrument. This may have a material impact on the final numbers presented in the financial statements when concluded.

This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues;
- You agree with the resolution of the issue;
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Standards and Governance Committee.



Executive Summary

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

During the audit we identified scope for improving management's financial processes and controls as noted on page 29. We will issue a report at the Standards and Governance Committee setting out our observations.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties.

Whilst we have not yet concluded our procedures in respect of value for money, at this stage of the audit, we have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We are currently performing the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We will update you at the Committee meeting.

We have no other matters to report.

Independence

Please refer to Section 9 for our update on Independence.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

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 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.

What judgements are we focused on?

The risk of management override at the HFRA is mainly through the possibility that management could override controls and manipulate in-year financial transactions that have an impact on the General Fund's medium to longer-term projected financial position.

The risk is focused in non-routine transactions as they are not protected by system controls and the robust segregation of duties in routine transactions. These non-routine and estimation transactions are also more subjective and therefore more susceptible to management override. We are specific that at the Authority, this risk only manifests itself in any estimates and judgements that impact the General Fund.

What did we do?

We enquired of management about risks of fraud and the controls put in place to address those risks.

We gained an understanding of the oversight given by those charged with governance of management's processes over fraud.

We performed mandatory procedures, including:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- Assessing accounting estimates for evidence of management bias, and
- Evaluating the business rationale for significant unusual transactions.

We utilised our data analytics capabilities to assist with our work, including carrying out testing on the Income and Expenditure accounts, and journal entry testing. We assessed journal entries for evidence of management bias and evaluate for business rationale.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside of the Authority's normal course of business



Areas of Audit Focus



Valuation methods applied

What is the risk/area of focus?

Valuation of Land and Buildings

Land and buildings is one of the most significant balances in the Authority's Balance Sheet. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.

What did we do?

We have:

- Reviewed the instructions sent to, data used, and the report produced by, the in-house valuer;
- Challenged the assumptions used by the valuer by reference to external evidence;
- Reviewed managements assessment of assets not revalued in the year; and
- Tested the journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements.

Conclusion: We concluded that the valuation has been accurately processed and reflected in the financial statements.

Page 16

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 administered by Hampshire County Council. The Authority must also do similar in respect of the Firefighters Pension Fund. The Firefighters pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the respect balance sheet.

At 31 March 2019 these totalled £780 million.

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council and also the Firefighter 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 and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

We have:

- Liaised with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to HFRA;
- Assessed the work of the LGPS Pension Fund actuary (AoN Hewitt) and the Firefighters Pension actuary (also AoN Hewitt) including the assumptions they used by relying on the work of PWC - Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

Conclusion: Our work on the pension fund is still ongoing and we are still awaiting revised figures as a result of the McCloud ruling. No issues have been noted thus far in our testing to suggest that the valuation has not been accurately processed and reflected in the financial statements. We will provide an update to the Standards and Governance Committee on 23 July 2019.



Areas of Audit Focus



New Accounting Standards

What is the risk/area of focus?

IFRS 9 financial instruments

This new accounting standard is applicable from the 2018/19 financial year and will change:

- How financial assets are classified and measured;
- How the impairment of financial assets are calculated; and
- The disclosure requirements for financial assets.

Page 17
There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of Practice on Local Authority accounting provides guidance on the application of IFRS 9

IFRS 15 Revenue from contracts with customers

This new accounting standard is applicable from the 2018/19 financial year.

The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The impact on the Authority accounting was deemed at planning to likely be limited as large revenue streams like council tax and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

What did we do?

We have:

- Assessed implementation arrangements on the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Considered whether relevant assets have been appropriately classified and valued;
- Reviewed new expected credit loss model impairment calculations for assets; and
- Ensured that additional disclosure requirements have been met.

Conclusion: As noted on page 5, our work on IFRS 9 has not been concluded. There are conversations ongoing with management over the option to irrevocably elect to account for equity instruments at fair value through other comprehensive income (FVOCI) and specifically that the strategic pooled funds that the Authority hold meet the definition of an equity instrument. This may have a material impact on the final numbers presented in the financial statements when concluded.

We have:

- Assessed implementation arrangements on the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Considered the application to revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- Ensured that additional disclosure requirements have been met.

Conclusion: We have reviewed the impact assessment prepared by the Authority and concluded that the impact of IFRS 15 is not material and that revenue has been fairly recognised in the Financial Statements.



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAMPSHIRE FIRE AND RESCUE AUTHORITY

Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of Hampshire Fire and Rescue Authority for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement and the related notes 1 to 37; and
- Firefighters Pension Fund Account.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Hampshire Fire and Rescue Authority as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.



Audit Report

Our opinion on the financial statements

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibilities of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 13, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Audit Report

Our opinion on the financial statements

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Hampshire Fire and Rescue Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Hampshire Fire and Rescue Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the Hampshire Fire and Rescue Authority in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Hampshire Fire and Rescue Authority for our audit work, for this report, or for the opinions we have formed.

Maria Grindley (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
23 July 2019

The maintenance and integrity of the Hampshire Fire and Rescue Authority's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions



04 Audit Differences





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £100k which have been corrected by management that were identified during the course of our audit:

- Miscode Between Council Tax and NDR Income - £304k of council tax income was miscoded to NDR Income

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. Management have agreed to adjust these and we expect these to be updated upon receipt of the final draft of financial statements and will update the Standards and Governance Committee on 23 July :

Uncorrected disclosure misstatements

Cash Flow Statement - We identified that there is a new requirement in the 2018/19 CIPFA to present a reconciliation of liabilities arising from financing activities . This disclosure was not made in the first draft of the accounts.



05

Value for Money Risks





Background

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

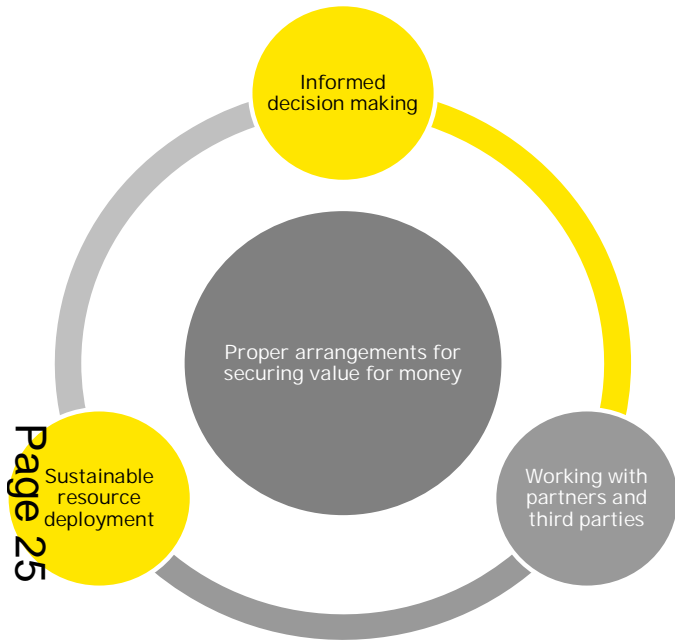
For 2018/19 this is based on the overall evaluation criterion:

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

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

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

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



Page 25

Overall conclusion

We did not identify any significant risks around these criteria

Although work is still to be concluded, we expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



06 Other reporting issues



Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2018/19 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Page
21

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters arising to the Standards and Governance Committee.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

page 28

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

To date there are no significant issues to report. We will update this on completion of our work.



07

Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority have put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware but we do raise one recommendation in respect of journal authorisation as can be seen on the next slide.

Page 30

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2018/19 audit (including IT controls)

	High	Moderate	Low	Total
Open at 01 April 2018	0	0	0	0
Closed during FY18/19	0	0	0	0
New points raised in FY18/19	0	0	1	1
Total open points as at 31 March 2019	0	0	1	1

- Key:
- A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
 - Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
 - Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

Assessment of Control Environment

Area	Journals	Rating	Low
Observation	<p>We note that there is no 'official' authorisation process in place when processing journals therefore a team member could post an erroneous/fraudulent journal which may not be identified.</p> <p>We are aware that 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>We recommend that Authority implement a journal approval process to reduce likelihood of inaccurate or inappropriate journals being processed.</p> <p>In addition we recommend that Authority put in place procedures to evidence the review the budget holders complete to enhance this control and in order to demonstrate it operates effectively.</p>		
Management comment			

Page 31

Reliance on internal audit

We have reviewed Internal Audit reports issued to management during the period to July 2019 and selected working papers to ensure that any financial statement risks identified are considered in determining the extent of our audit procedures.



08 Data Analytics



Use of Data Analytics in the Audit

Data Analytics

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2018/19, our use of these analysers in the Authority audit included testing journal entries to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.



Data Analytics

Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2018/19. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.

EY Helix - GLASS: Journal Entry Data Insights - 19 Hampshire Fire and Rescue Authority P1 to P12 - 31/03/2019





Journal Entry Testing

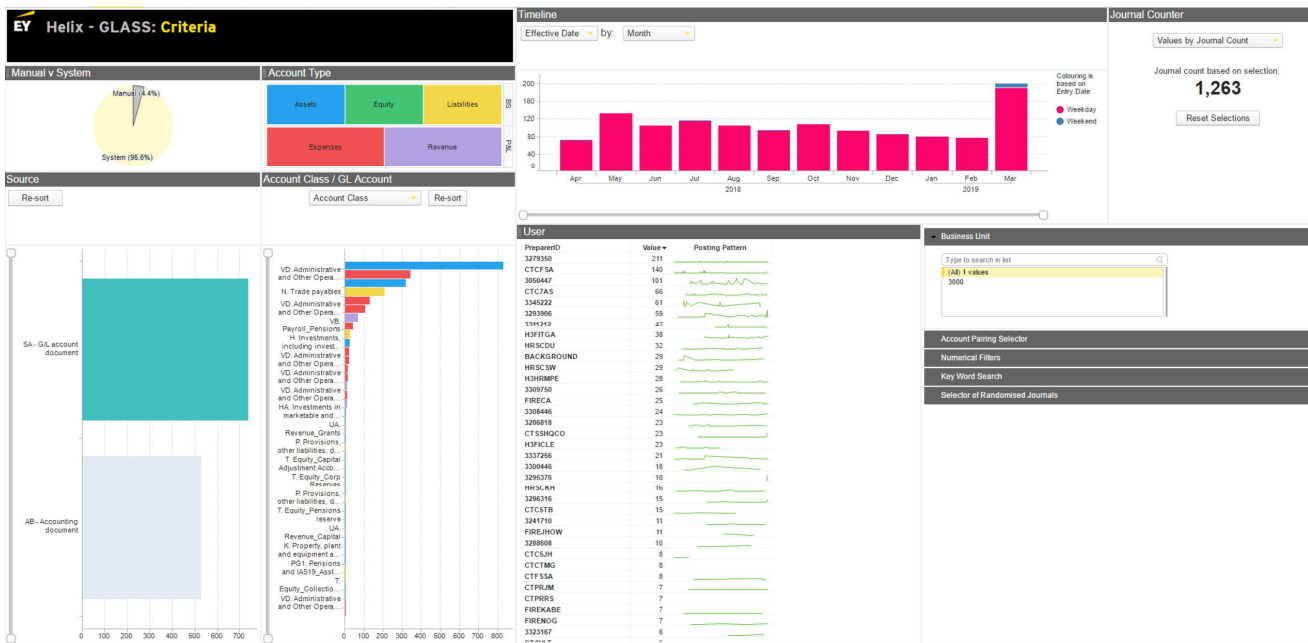
What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

Journal entry data criteria – 31 March 2019

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.



What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



Page 36



09 Independence

Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated January 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that the Standards and Governance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Standards and Governance Committee on 23 July 2019.

Independence



Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY), the PCC and CC, their directors and senior management and affiliates, including all services provided by us and our network to the PCC and CC, their directors and senior management and affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on 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 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements.

	Final Fee 2018/19	Scale Fee/ Planned Fee 2018/19	Final Fee 2017/18
	£	£	£
Total Audit Fee	27,893	27,893	36,225



10

Appendices

Audit approach update

We summarise below our approach to the audit of the balance sheet/s and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded

Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Page 40

Balance sheet category 	Audit Approach in current year 	Audit Approach in prior year 	Explanation for change 
Trade receivables	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	No change
Trade payables	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	No change
Tangible fixed assets	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Cash	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change

Appendix B

Summary of communications





Date 	Nature 	Summary 
January 2019	Report	The audit planning report, including confirmation of independence, was issued to the Joint Audit Committee.
January 2019	Meeting	The Associate Partner and Manager met with the Standards and Governance Committee and senior members of the management team to discuss the audit planning report.
July 2019	Meeting	Audit close meeting with the management team to discuss the preliminary findings of the audit.
July 2019	Management letter	The management team and the audit committee were provided details of internal control observations made in respect of the current year.
July 2019	Report	The audit results report, including confirmation of independence, was issued to the Standards and Governance Committee.
July 2019	Meeting	The Associate Partner and Manager, met with the Standards and Governance Committee and senior members of the management team to discuss the audit results report.

Page 41

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Required communications with the Authority

There are certain communications that we must provide to the Authority. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Authority 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.	Audit planning report presented at Standards and Governance Committee 31 January 2019
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report presented at Standards and Governance Committee 31 January 2019
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 planning report presented at Standards and Governance Committee 31 January 2019





Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit results report presented at the Standards and Governance Committee 23 July 2019
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	Audit results report presented at the Standards and Governance Committee 23 July 2019
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the Standards & Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	
Fraud	<ul style="list-style-type: none"> • Enquiries of the Authority and Standards & Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to the Authority and Standards & Governance Committee responsibility. 	Audit results report presented at the Standards and Governance Committee 23 July 2019

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> • 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 Authority 	Audit results report presented at the Standards and Governance Committee 23 July 2019
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>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report presented at Standards and Governance Committee 31 January 2019 and</p> <p>Audit results report presented at the Standards and Governance Committee 23 July 2019</p>
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. 	We have received all requested confirmations
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 the Authority and Standards & 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 Committee may be aware of. 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit. 	Audit results report presented at the Standards and Governance Committee 23 July 2019

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit results report presented at the Standards and Governance Committee 23 July 2019
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report presented at the Standards and Governance Committee 23 July 2019
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 presented at the Standards and Governance Committee 23 July 2019
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report presented at Standards and Governance Committee 31 January 2019 and Audit results report presented at the Standards and Governance Committee 23 July 2019

Management representation letter

Management Rep Letter

This letter of representations is provided in connection with your audit of the financial statements of Hampshire Fire and Rescue Authority (“the authority”) for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of Hampshire Fire and Rescue Authority as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority

Accounting in the United Kingdom that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented..

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Authority’s activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:

- Involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority’s financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority’s activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

Management Rep Letter

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Authority including Finance and General Purposes Committee and Standards and Governance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: **[list date]**.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

E. Subsequent Events

1. Other than the events described in Note [X] to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the narrative statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the fair value of property, plant and equipment and the IAS19 actuarial valuations of pension liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Pension Liability and PPE Valuation Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

J. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

Chief Finance Officer

Chairman of the Standards and Governance Committee

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2017 EYGM Limited.
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.
ey.com

Standards and Governance Committee

Purpose: Approval

Date: 23 July 2019



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Title: **Annual Internal Audit Report and Opinion 2018/19**

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 Fire and Rescue Authority, on the adequacy and effectiveness of the Authority's framework of risk management, internal control and governance operated for the year ending 31 March 2019.

BACKGROUND

2. In accordance with proper internal audit practices, the Chief Internal Auditor is required to provide a written report reviewing the effectiveness of the system of internal control and this provides evidence to support the production and review of the Annual Governance Statement.
3. The Annual Report for 2018/19 (attached at **Appendix A**) provides the Chief Internal Auditor's opinion on the system of internal control and summarises audit work from which that opinion is derived for the year ending 31 March 2019.
4. 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 2018/19.
 - The revised internal audit plan for 2018/19 has been substantially delivered.
 - In my opinion I can give 'limited assurance' over Hampshire Fire and Rescue Authority's framework of governance, risk management and management control from audit testing undertaken during the year.
 - 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.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

5. The Internal Audit annual report and opinion 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 2018/19 plan was prepared on the basis of audit need and agreed with senior managers and endorsed by Hampshire Fire and Rescue Authority, following comprehensive risk assessment. The cost is reflected in the Authority's budget.

ENVIRONMENTAL AND SUSTAINABILITY IMPACT ASSESSMENT

7. Proposals have no environmental or sustainability impacts.

LEGAL IMPLICATIONS

8. No identified legal implications result from the contents of this report.

EQUALITY IMPACT ASSESSMENT

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

RISK ANALYSIS

10. 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

11. The appendix outlines the internal audit opinion for 2018/19 and the key issues arising.

RECOMMENDATION

12. That the Standards and Governance Committee approves the Chief Internal Auditor's annual report and opinion statement for 2018/19.

APPENDICES ATTACHED

Appendix A - Internal audit annual report and opinion 2018/19

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

Annual Internal Audit Report & Opinion

2018 / 19

Hampshire Fire and Rescue Authority

Page 51

**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Contents

Section

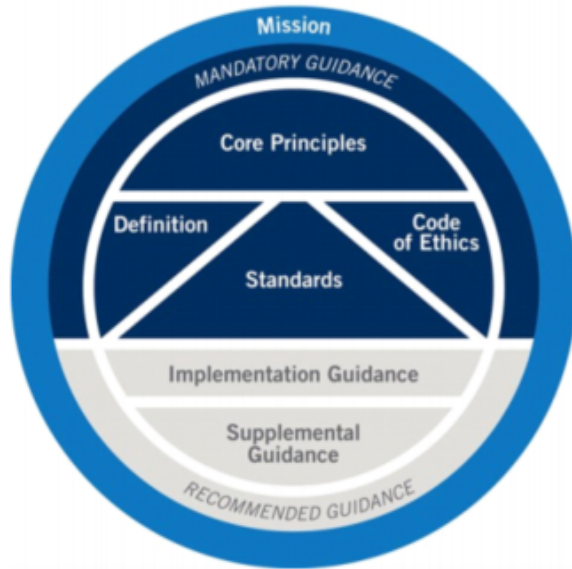
1. Role of Internal Audit
2. Internal Audit Approach
3. Internal Audit Opinion
4. Internal Audit Coverage and Output
5. Key observations – Hampshire Fire and Rescue Authority
6. Anti Fraud and Corruption
7. Quality Assurance and Improvement
8. Disclosure of Non-Conformance
9. Quality control
10. Internal Audit Performance
11. Acknowledgement

1. Role of Internal Audit

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

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

The standards for ‘proper practices’ in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2013 [the Standards], which were updated in 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 Fire and Rescue Authority is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising Hampshire Fire and Rescue Authority that these arrangements are in place and operating effectively.

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

2. Internal Audit Approach

To enable effective outcomes internal audit provide 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.

The approach to each review is determined by the Chief internal Auditor and will depend on the:

- level of assurance required;
- significance of the objectives under review to the organisation’s success;
- risks inherent in the achievement of objectives; and
- 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 Hampshire Fire and Rescue Authority on the framework of internal control, risk management and governance in operation and to stimulate improvement.



3. Internal Audit Opinion

The Chief internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by Hampshire Fire and Rescue Authority to inform its governance statement. The annual opinion 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 Hampshire Fire and Rescue Authority's audit need that has been covered within the period.

Annual Internal Audit Opinion 2018/19

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.

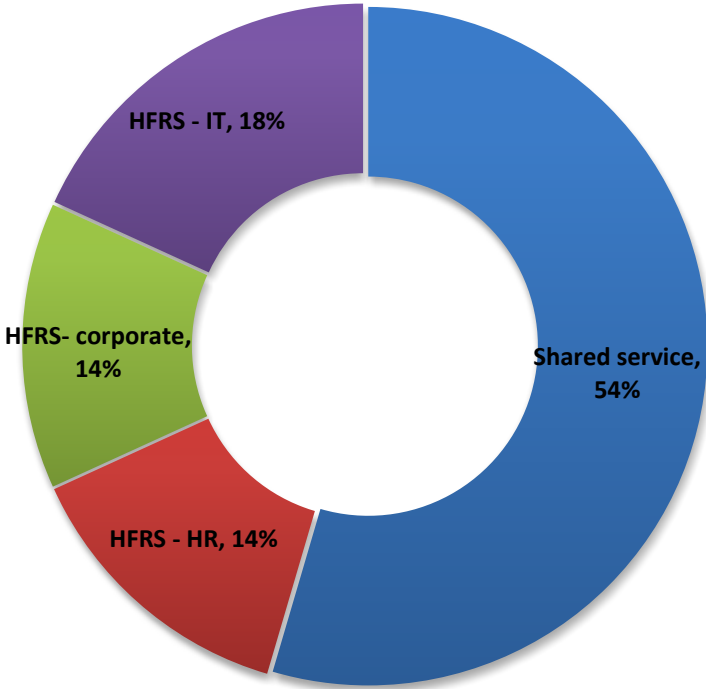
In my opinion I can give limited assurance over Hampshire Fire and Rescue Authority's framework of governance, risk management and management control from audit testing undertaken during the year.

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

4. Internal Audit Coverage and Output update chart

The annual internal audit plan was prepared to take account of the characteristics and relative risks of Hampshire Fire and Rescue Authority’s activities and to support the preparation of the Annual Governance Statement.

Internal audit reviews %



Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the internal control system is operating effectively.

The 2018/19 internal audit plan, approved by the Standards and Governance Committee in March 2018, 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.

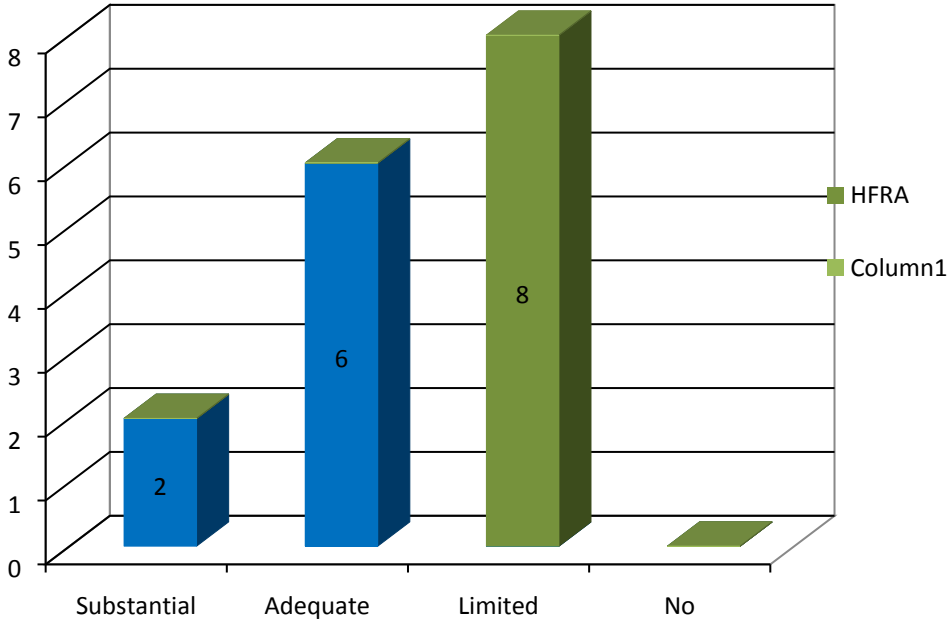
In delivering the Internal Audit opinion the Southern Internal Audit Partnership have undertaken 22 reviews in the year ending 31 March 2019.

The 2018-19 internal audit plan has been delivered with the following exception:

- Work remains in progress for three reviews which will be carried forward to be included in the 2019/20 annual internal audit opinion (Shared Services – ICT user access, sick pay and commercial waste contract management).

I do not consider these exceptions to have an adverse impact on the delivery of my overall opinion for the period. The opinion assigned to each internal audit review on issue of the final report is defined and summarised below:

Page 57



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

*Due to the nature of the work, three reviews did not result in an audit opinion (NFI, special investigation and advisory work)

In addition, follow up work was undertaken to assess the progress made in addressing the issues raised in the 2017/18 internal audit report where the areas were not already included in the 2018/19 internal audit plan. This related to Disclosure and Barring (DBS) checks, IT applications and systems governance and budgetary control. We found that progress had been made in addressing the issues raised with

ongoing work in progress to fully embed the revised approach to budgetary control throughout the Service and to ensure that DBS checks are in line with the requirements that have been identified for each role during the year.

Shared Services – Integrated Business Centre

The results of work completed as part of the Shared Services plan are included above, however the Head of Southern Audit Partnership has also produced a statement of assurance specifically for the Integrated Business Centre as outlined below. This includes the IT environment in which these systems operate and I have also taken this into account in forming my overall internal audit opinion.

Statement of Assurance 2018/19 – Integrated Business Centre (IBC)

“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 within the Integrated Business Centre.

In my opinion, the framework of governance, risk management and management control is ‘Adequate’ 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.”

There are no significant issues of concern to report from the outcomes of our audit work on the IBC during 2018/19.

International Standard on Assurance Engagements (ISAE 3402)

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.

ISAE 3402 provides for two types of report:

- Service Organisation Control (SOC) Type 1 Report - attestation of controls at a service organisation at a specific point in time
- Service Organisation Control (SOC) Type 2 Report - attestation of controls at a service organisation over a minimum six-month period.

In 2018/19 Hampshire County Council commissioned a Service Organisation Controls (SOC 1) report under International Standard on Assurance Engagement (ISAE) 3402. Assurance against the international standard was provided by Ernst & Young.

For the purposes of the Service Organisation Control (SOC) Type 1 Report standards require that the appointed auditor plan and perform their examination to obtain reasonable assurance about whether, in all material respects, based on the criteria in management's Assertion, the Description is fairly presented, and the controls were suitably designed to achieve the related Control Objectives as of 31 March 2019.

In forming their 'Opinion' the auditors (Ernst & Young) concluded:

In our opinion, in all material respects, based on the criteria described in the Integrated Business Centre's Assertion:

- a. The Description fairly presents the System that was designed and implemented as of 31 March 2019.*
- b. The controls related to the Control Objectives were suitably designed to provide reasonable assurance that the Control Objectives would be achieved if the controls operated effectively as of 31 March 2019 and if user entities applied the complementary controls assumed in the design of Integrated Business Centre's controls as of 31 March 2019.*

It is intended that a SOC Type 2 report is completed during 2019/20 the outcomes of which will be incorporated within the Southern Internal Audit Partnership's Statement of Assurance for 2019/20.

5. Key observations – Hampshire Fire and Rescue Authority

Internal audit provided limited assurance in 8 areas specific to Hampshire Fire and Rescue Authority during 2018/19, highlighting where either control needed to be strengthened and / or compliance with controls required improvement. In all cases, where our work identified risks that we considered fell outside the parameters acceptable to Hampshire Fire and Rescue Authority, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers. Implementation of the agreed actions is monitored by the Hampshire Fire and Rescue Service's Performance and Assurance team and reported to the Standards and Governance Committee. A summary of the key issues raised is summarised below:

Resource management – Stations are staffed in accordance with the Risk Review and staff competencies are logged on the Firewatch system, with the Resource Management Group maintaining oversight of establishment levels and any issues arising. However, there is no over-arching Workforce Planning Strategy in place to outline and support the future resource requirements. We also found opportunity to improve the coding and monitoring of overall staff costs and to ensure that there is evidence that due consideration has been given to the financial implications of filling resource gaps before decisions are made. HFRS also needs to ensure that there is effective oversight of the total numbers of hours a fire fighter has completed each week to ensure compliance with the EU working time directive.

Pay claims – Where allowance types are detailed within the Allowance handbook, guidance notes are clear and well documented and testing confirmed that at the time of initiation of the allowances, all had been correctly authorised. However, the Allowance Handbook does not detail all allowance types that can be made to staff and this, together with a lack of training, increases the risk of incorrect allowance types being applied. This in turn can affect the requirement for re-authorisation and lead to allowances remaining in place for longer than required. In addition, allowances are not being reviewed regularly to ensure they remain timely and relevant, neither are sample checks carried out.

Business continuity and disaster recovery IT – Whilst there are arrangements in place for the critical Control system through arrangements with other Fire Authorities, at the time of our review there was no documented disaster recovery plan in place to ensure the efficient and effective recovery of IT services generally in the event of a disaster. A number of technical issues were also highlighted which could affect timely recovery.

Cyber security - Remote access to HFRS IT systems is secured through the use of a virtual private network (VPN) to protect data in transit and two factor authentication to secure user's accounts from inappropriate access. There are also robust processes are in place to ensure that

anti-malware software is installed, configured, and kept up to date on all computers. The HFRS network is also being monitored to identify and protect against cyber security threats. However, server operating system and application updates are not always being applied promptly to mitigate against known security vulnerabilities; and there is no cyber security incident response plan in place to aid in the response to and efficient recovery from cyber security incidents. There are also opportunities to strengthen staff awareness and therefore defence against social engineering attacks such as phishing, by ensuring that all staff complete compulsory training.

IT strategy - There is no single document that articulates a full and detailed IT strategy, however many existing documents cover individual elements of this and the Infrastructure and Security Board 'Deliverables Tracker' demonstrates that activities and deliverables of the ICT department are aligned with the HFRS Service Plan. Bringing these elements together in addition to roadmaps for future strategic and technical developments would provide a good basis for a fuller, more complete IT strategy document for review by the relevant governance boards. We also found that there are no current Service Level Agreements (SLAs) in place and that no key performance indicators have been established to measure and demonstrate the success of the ICT department in delivering services.

IT Asset management – A satisfactory control framework is documented regarding the procurement, use and management of ICT assets. However, the review found that controls are not always complied with which has led to inaccuracies in the inventory records. The review also identified opportunities to strengthen the asset decommissioning process.

GDPR – A significant amount of work has been undertaken in this area since our review in 2017/18, particularly in relation to the completion of the information asset register. However there remain key elements which are not yet fully embedded, largely in relation to the completion of mandatory training for operational staff and documenting data sharing agreements.

Contract management - contracts may be procured via the Strategic Procurement Team (Shared Services) or locally, depending on value, and the requirements are clearly laid out in HFRS Standing Orders. Whilst the Strategic Procurement Team maintain a contracts dashboard of all contracts procured through them on behalf of HFRS, there is currently no contract register in place to record details of the contracts procured directly by HFRS. Reliance is therefore placed on the contract leads to monitor delivery of the contract as well as to anticipate the need to commence re-procurement activity. This limits the opportunity for strategic oversight and therefore resource planning. There is no training in place to support contract leads in discharging their responsibilities and this has affected the consistency and robustness of contract management activity, including the approach to contract performance monitoring and management.

We enjoy an open and honest working relationship with Hampshire Fire and Rescue Service. Our planning discussions and risk based approach to internal audit ensure that the internal audit plan includes area of significance raised by management to ensure that ongoing organisational improvements can be achieved. As Chief Internal Auditor, 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 2018/19 financial year.

6. Anti Fraud and Corruption

Hampshire Fire and Rescue 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 Authority's approach and commitment to the prevention and detection of fraud or corruption. Arrangements are also in place to enable staff to report any concerns.

Hampshire Fire and rescue Authority also continue to conform to the requirements of the National Fraud Initiative. The NFI matches data from 1,300 public sector and 77 private sector organisations, including audit bodies in Scotland, Wales and Northern Ireland, government departments and other agencies. It flags up inconsistencies in the information analysed that indicate a fraud, an error or an overpayment may have taken place, signalling the need for review and potential investigation.

Hampshire Fire and Rescue Authority submitted required data sets in October 2018 and received feedback on potential matches in January 2019. Work will be carried out during 2019/20 by Hampshire Fire and Rescue Service to review identified 'recommended matches'. No significant issues have been identified as a result of this work to date.

One investigation was carried out by internal audit during 2018/19 leading to a dismissal. The results of this investigation have also been taken into account in planning the internal audit work to be carried out in 2019/20 to provide assurance over the wider system of governance, risk management and control.

7. Quality Assurance and Improvement

The Quality Assurance and Improvement Programme (QAIP) is a requirement within 'the Standards'.

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a 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 both internal and external assessments: internal assessments are both on-going and periodical 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.

In September 2015 the Institute of Internal Auditors were commissioned to complete an external assessment of the Southern Internal Audit Partnership.

The assessment included review of a wide range of documentary evidence and interviews and surveys with representative stakeholders (including Chief Executives, Audit Chairs and S151 Officers) across existing partnering organisations in addition to members of the Southern Internal Audit Partnership staff.

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

"It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to all of the principles contained within the International Professional Practice Framework (IPPF), the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN).

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

In accordance with PSIAS, annual self assessments have been completed since the external inspection concluding that SIAP continues to comply with all aspects of the IPPF, PSIAS and LGAN.

8. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments] which requires ‘an external quality assessment to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation’ I can confirm 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 Hampshire Fire and Rescue Authority and maintains consistently high standards. In addition to the QAIP this was achieved in 2018/19 through the following internal processes:

- On-going regular 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 Public Sector Internal Audit Standards.

10. Internal Audit Performance

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

Annual performance indicators		
Aspect of service	2017-18 Actual (%)	2018-19 Actual (%)
Revised plan delivered	95	87
Compliant with the Public Sector Internal Audit Standards	Yes	Yes
Customer satisfaction *	96%	99%

*this is based on feedback

customer survey and as such reflects the perceptions across the Partnership, rather than those expressed specifically by Hampshire Fire and Rescue Authority. 18/19 actuals are based on the January 2019 questionnaire.

11. Acknowledgement

I would like to take this opportunity to thank all those staff throughout Hampshire Fire and Rescue Service with whom we have made contact in the year. Management have been responsive to the comments we made both informally and through our formal reporting.

Karen Shaw
Deputy Head of Southern Internal Audit Partnership
July 2019

This page is intentionally left blank

Purpose: Approval

Date: 23 July 2019

Title: **ANNUAL ACCOUNTS 2018/19**

Report of Treasurer



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

SUMMARY

1. The Accounts and Audit Regulations require the Authority's Statement of Accounts to be approved by 31 July following the year end. The Authority has delegated responsibility for the approval of the statement of accounts to the Standards and Governance Committee.
2. The Authority's draft Statement of Accounts was published by the statutory deadline of 31 May following the year end, and has been audited by Ernst and Young (EY). The conclusions of the audit are contained within the audit results report which is also on this agenda.
3. A report on the final accounts for 2018/19 was submitted to the Authority on 17 July and the Statement of Accounts is consistent with that report. The Annual Governance Statement, which forms part of the Statement of Accounts was approved by the Authority on 5 June.
4. This report presents for the Committee's approval of the Statement of Accounts 2018/19 and recommends that the Treasurer be given delegated authority to make any amendments if required prior to the issue of the audit opinion.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

5. The Statement of Accounts have been drawn up in the form prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom, which constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003.
6. The 2018/19 Code of Practice on Local Authority Accounting introduced some changes as a result of two new International Financial Reporting Standards (IFRS). IFRS 9 relates to how financial instruments are accounted for. These are now valued, depending upon the type of instrument, at amortised cost or fair value. The Authority has elected to account for its strategic pooled investment funds through other comprehensive income, which is in line with the advice received from its advisor, Arlingclose. As such changes in the fair value of these investments are transferred to a Financial Instruments Revaluation Reserve rather than the General Fund. Currently EY do not agree

with this treatment and the Authority is seeking further advice to determine an appropriate approach for further discussion with EY.

7. IFRS 15 sets out how revenue should be recognised from contracts with customers. This has not had any material impact upon, as the Authority's policy already was to record income in the correct period as the service is provided.

NARRATIVE STATEMENT

8. The narrative statement provides information about the key issues affecting the Authority, and reports on the Authority's financial and non-financial performance.
9. The narrative statement is designed to help readers understand the Authority, its operating environment, and to assist in the understanding and interpretation of the Statement of Accounts.

McCLOUD JUDGEMENT

10. At the time of publication of this report, our external auditor has not yet concluded the audit of the accounts, hence the accounts remain draft until conclusion of the audit.
11. One change which is likely to be made to the accounts is in relation to IAS19 (Employee Benefits). The IAS19 estimates are to be updated to account for an estimated change in pension liabilities following confirmation from the Supreme Appeal Court on the 27th June that the Government's request for leave to appeal against the Court of Appeal's judgement in the McCloud case had been denied. The Court of Appeal found in favour of judges and firefighters and ruled that the transitional pension arrangements that were introduced when the pension schemes changed in 2015 were unlawful on the grounds of discrimination.
12. Within the draft accounts, the IAS19 estimates took no account of the original McCloud judgement, as it was unclear what remedy would be put in place should the government lose its appeal, and therefore it was felt that a reasonable estimate of the impact could not be made. The draft accounts did however include a Contingent Liability note on the McCloud, and this was consistent with the guidance from CIPFA and our actuaries as to how the McCloud judgement should be reflected within the accounts.
13. Subsequently, the Government Actuaries Department (GAD), at the request of MHCLG, undertook work to estimate the potential cost of implementing a remedy to the McCloud judgement should the government lose its appeal against the Court of Appeals ruling.
14. In light of the Supreme Court's decision to dismiss the government's appeal, and further to discussions with EY as the external auditors, the actuaries

(AON) have been requested to provide updated IAS19 estimates for both the LGPS scheme and the Fire scheme based on work undertaken by GAD.

15. Should the revised numbers be materially different to those within the draft published accounts (which is expected to be the case), then the accounts will be updated accordingly.
16. Notwithstanding the comments above in relation to McCloud, and the outstanding resolution of the accounting treatment under IFRS 9 set out in paragraph 6, we are not currently aware of any other substantive issues or changes being required to the draft statement of accounts.

STATEMENT OF ACCOUNTS

17. The Statement of Accounts comprises a number of separate statements, the key features of which are summarised in the following paragraphs.

Statement of Responsibilities for the Statement of Accounts

18. This statement records the responsibility:
 - of the local authority to appoint an officer with responsibility for the proper administration of its financial affairs, the Treasurer within this Authority
 - of the Treasurer to prepare the accounts in accordance with proper practices as set out in the Code of Practice, and to certify that the accounts present a true and fair view of the Authority
 - of the Chairman of this Committee to confirm that the accounts have been considered and approved by the Committee.

Movement in Reserves Statement

19. This sets out the movement in the year on the different reserves held by the Authority, analysed into 'useable reserves' (those which can be applied to fund expenditure or reduce council tax) and 'unusable reserves' which are mainly used for accounting adjustments.

Balance Sheet

20. This shows the value of the assets and liabilities recognised by the Authority. The net assets of the Authority are matched by reserves; either useable or unusable.

Cash Flow Statement

21. The Cash Flow Statement is designed to demonstrate the changes that have taken place in the Authority's cash position over the year and to highlight the causes of that change.

Comprehensive Income and Expenditure Statement

22. This statement shows the accounting cost of providing services rather than the amount funded from taxation, and is presented using financial reporting headings. The taxation position is shown in the Movement of Reserves Statement.

Notes to the accounts

23. These comprehensive notes incorporate information to give the reader information to support the accounts. The accounting policies are incorporated within the notes.

Pension Fund Account

24. All Fire Authorities are required by legislation to operate a Pension Fund Account and the amounts paid into and out of it are specified by regulation. Members will be aware that the Authority pays an employer's pension contribution based on a percentage of pay into the pension fund account.
25. The Account is balanced each year to nil by receiving cash in the form of a pension top-up grant from the Government equal to a percentage of the amount by which the amount payable from the Account exceeded the amount receivable. This percentage is agreed on an annual basis and for 2018/19 was 100%.

Annual Governance Statement

26. In accordance with legislation, the Annual Governance Statement must accompany the Statement of Accounts. The Authority's Annual Governance Statement was considered for approval on 5 June.

LETTER OF REPRESENTATIONS

27. As part of the production and audit of the final accounts, the external auditors also require the Chief Financial Officer and Chairman of Standards and Governance Committee to provide a Letter of Representations which has been provided at Appendix B.
28. The letter provides additional assurance that all matters have been disclosed to the auditors and that no undue influence has been applied in producing the accounts that would prevent them giving a true and fair view of the Authority's financial position.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

29. Ensuring that funding is appropriately accounted for is vital for all public sector organisations and the annual accounts also provide information to gauge the financial health of the organisation, which underpins the achievement of the Service Plan.

RESOURCE IMPLICATIONS

30. There are no direct resource implications contained within this report as it is based on historic information and is purely a factual document.

ENVIRONMENTAL AND SUSTAINABILITY IMPACT ASSESSMENT

31. It is not believed that this report has any impacts to the environment or sustainability.

LEGAL IMPLICATIONS

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

EQUALITY IMPACT ASSESSMENT

33. This report is considered compatible with the provisions of equality and human rights legislation.

OPTIONS

34. This report deals with the approval of the annual accounts that have been

prepared in line with Code of Practice for Local Authority Accounting, there are therefore no options for consideration in this report.

RISK ANALYSIS

35. The statement of accounts is an important element of the Authority's corporate governance arrangements. It has been prepared in accordance with the appropriate statutory code. Together with the Budget Book and the report on the final accounts for 2018/19, it provides evidence to the public that the Authority's financial affairs are being properly managed and in accordance with proper accounting practice.

CONCLUSION

36. The presentation and approval of the annual accounts is an important part of the overall governance framework for the Authority and this Committee is therefore requested to consider and approve the accounts alongside the report of the external auditors.

RECOMMENDATION

37. That the attached Statement of Accounts for 2018/19 be approved subject to any amendments reported at the meeting.
38. That the Treasurer be given delegated authority to approve any minor amendments to the Statement of Accounts if required.
39. That the Letter of Representations contained in Appendix B is considered and signed by the Chairman on behalf of the Committee

APPENDICES ATTACHED

Appendix A – Statement of Accounts and Annual Governance Statement 2018/19

<https://www.hantsfire.gov.uk/how-were-performing/our-performance/budget-accounts-and-regulations/statement-of-accounts/>

Appendix B – Letter of Representations

BACKGROUND PAPERS

40. Section 100 D - Local Government Act 1972 – background documents
41. The following documents discuss facts or matters on which this report, or an

important part of it, is based and have been relied upon to a material extent in the preparation of this report.

42. Final Accounts Report – Hampshire Fire and Rescue Authority 17 July 2019
NB: the list excludes Published works Documents which disclose exempt or confidential information as defined in the Act:
43. None

Contact:

Rob Carr, Chief Finance Officer, Rob.Carr@hants.gov.uk,

This page is intentionally left blank



Maria Grindley
Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE

Rob Carr
Head of Finance
Finance Service
Leigh Road
Eastleigh
Hampshire
SO50 9SJ

Your reference:

12 July 2019

Dear Ms Grindley,

Letter of Representations

This letter of representations is provided in connection with your audit of the financial statements of Hampshire Fire and Rescue Authority (“the authority”) for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of Hampshire Fire and Rescue Authority as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and are



free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, that are free from material misstatement, whether due to fraud or error.
5. Subject to the final conclusion of the audit, there are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Authority including Standards and Governance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: 17 July 2019.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

E. Subsequent Events

1. Other than the events described in the notes to the accounts in respect of the McCloud judgement, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the narrative statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the fair value of property, plant and equipment and the revised IAS19 actuarial valuations of pension liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Pension Liability and PPE Valuation Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, other than those in respect of the McCloud judgement.

J. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

Chief Financial Officer

Chairman of the Standards and Governance Committee

This page is intentionally left blank

Standards and Governance Committee

Purpose: Approval

Date: 23 July 2019



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

**Title: FIRE PENSION BOARD ANNUAL
REPORT (2018/19) AND PROPOSED CHANGES TO THE PENSION
BOARD TERMS OF REFERENCE**

Report of Chief Finance Officer

SUMMARY

1. This is the annual report from the Fire Pension Board to the Standards and Governance Committee. The report summarises the work of the Board for the 2018/19 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 during the 2018/19 financial year. Three meetings were held during the year:
 - (a) 5 July 2018
 - (b) 19 October 2018
 - (c) 8 January 2019
4. The meeting in July 2018 saw the re-election of Stew Adamson to Chairman and Richard North 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 2019.
5. The Fire Pension Board received two resignations at the January 2019 meeting. Tom Simms and Alex Rhodes were thanked for their work. Dan Tasker has been ratified as the new Employer representative. It is anticipated that a new Scheme representative will be confirmed in time for the July 2019 Fire Pension Board meeting.
6. 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) Deferred pensioners
 - (b) Injury pension reviews
 - (c) Temporary Promotions and Additional Pension Benefits

- (d) IDRPs
- (e) Communication and engagement
- (f) Surveys
- (g) Annual Benefit Statements
- (h) Annual and Lifetime Allowance
- (i) Voluntary Scheme Pays
- (j) Legislation updates
- (k) Terms of reference review
- (l) Work plan

7. The pension board status and other associated reports can be found in **APPENDICES A – I.**

DEFERRED PENSIONERS

8. It was reported to the Pension Board how Hampshire Pension Services keeps in touch with deferred members of the scheme. These are members who have left the scheme but are not yet able to have their pension paid to them.
9. Depending on which scheme the member was in, will depend on when these benefits can come into payment which can be from age 60. All benefits have to come into payment by age 75 to avoid it becoming an unauthorised payment, which is subject to tax charges.
10. There are a small number of members with whom Hampshire Pension Services have lost contact with and when the deferred pension becomes due for payment, they will pass the details to Target, this is a company that they use for tracing members with whom they have lost contact.

INJURY PENSION REVIEWS

11. There is a legislative requirement, which Hampshire Fire and Rescue Authority (HFRA) has not previously actioned, to review the degree of disablement awarded in respect of injury pensions. HFRA made a policy in March 2017 that it would carry out such reviews when injury pension payments had been in payment for a period of between three and five years.
12. During 2018/19 some progress was made with regard to the injury pension reviews. The board heard how the process had been agreed in principle, which would mean that initially a letter would be sent to the individual asking them to confirm whether or not the disablement from their qualifying injury has substantially changed or not.
13. For HFRA, there will only be two or three cases that will need to be reviewed.
14. This project is being led by the HR department, it was hoped that the review process would be implemented in September 2018 but there have been some

setbacks mainly due to HR resourcing issues and some complexities around the process itself. This will now be implemented in 2019/20.

INJURY PENSION AND DWP BENEFIT REVIEWS

15. When a retired member receives an injury pension award, the member is asked to confirm what relevant additional benefits they are receiving from the Department of Work and Pensions (DWP). This is because any additional benefits that the member is receiving must be deducted from any injury pension awarded.
16. A regular review of these benefits should take place to ensure that the correct level of benefits is being paid to the member, but HFRA had not previously carried out any such review.
17. It was reported to the Pension Board that the Employer Pension Manager had written to all 89 recipients of an injury pension in November 2018 asking them to confirm the DWP benefits that they were receiving.
18. At the January 2019 meeting, the Board heard how 62 members had already responded and that the remaining 27 members would receive a more strongly worded letter during January 2019.
19. Subsequent to this, all replies have been received and the Employer Pension Manager was able to determine that the correct level of benefits were being paid to all members and therefore no amendments to any injury pension payments were necessary.

TEMPORARY PROMOTIONS 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. HFRA took the decision to make temporary promotions within the 1992 and 2006 schemes pensionable, which meant that Fire Fighters would now earn an Additional Pensionable Benefit (APB) whilst on Temporary Promotion.
22. It was reported to the Board that further work had been undertaken to review the position of the pensionable status of temporary promotions for members of the 1992 and 2006 schemes; and whether this was a beneficial decision for the member.
23. Through the regional Fire Pension Officer Groups, FRAs were asked to respond to some questions regarding their approach to temporary promotions.

24. Of those that responded, the results showed that there was a 50/50 split over whether temporary promotions had been made pensionable or not. The four main reasons cited for not making them pensionable were
- (a) Cost;
 - (b) Pressure on cost cap;
 - (c) Limited benefit to firefighters;
 - (d) Administrative complexity.
25. Illustrative examples of pension contributions paid out versus APB awarded have been produced, these include the estimated time taken for the employee to recover the pension contribution costs after retirement. The illustrations can be found in **Appendix A**.
26. The timescales for an individual to recover their contribution costs will be reduced in two ways
- (a) The APB will increase each year in line with Consumer Price Index (CPI) and
 - (b) If the member elects to commute, then some of the clawback will occur immediately
27. Because a member can earn back their additional contributions in around six years and as the feedback from the Unions was that they are in favour of keeping temporary promotions pensionable; The Board endorsed the decision to keep temporary promotions as a pensionable payment.

INTERNAL DISPUTE RESOLUTION PROCEDURES (IDRP)

28. The Board heard how the process for the receipt of IDRPs had now been clearly defined, meaning that there is now one single route for an IDRP to be received. The process can be found in **Appendix F**.
29. Prior to the introduction of this new process, there was no central log of IDRPs and it was very difficult to identify how many cases had occurred. The revised process now enables a central log of all IDRPs across all schemes and partners to be recorded. This will ensure that any common themes are being identified and addressed.

COMMUNICATION AND ENGAGEMENT

30. The Board heard that various communications have been published during the year in Routine Notice. The aim of this is to generally raise awareness of pensions and to make it easier for members to find information.
31. There have been changes made to the Fire intranet homepage portal as there is now a Pensions button on the homepage, which links directly to the Employer Pension Web Pages.

EMPLOYER GROUPS

32. The Employer Pension Manager has continued to hold Employer Pension Group meetings which pull together representatives from HR, Finance, Hampshire Pension Services and IBC Pensions Admin. There are three employer groups; one for LGPS, one for Police and one for Fire; along with a Pensions Administration group.
33. Due to significant improvements, we are able to move into more of a forward planning and continual improvement position, the groups are now meeting every other month and keep track of pension related issues and legislation, provide updates as well as discussing upcoming items that may require communications to members or a more detailed piece of work.
34. These groups enable a complete overview of pensions, across all schemes and partners and ensure a level of consistency. They have also been instrumental in improving internal communications and collaborative working.

OTHER MEETINGS

35. HFRA has been represented at several meetings during the year. The Employer Pension Manager regularly attends the regional Fire Pension Officer Group and the Fire Technical Group. There was also attendance at two conferences put on by the Scheme Advisory Board (SAB), the annual Fire Pension conference and the Police & Fire Local Pension Board Governance conference.
36. The Employer Pension Manager was asked by the Local Government Association (LGA) to participate in a forecasting workshop along with representatives of other FRAs.
37. Every FRA is required to provide forecasting to the Home Office, which among other things includes details about predicting retirements and likely pension and lump sum amounts. It is necessary to provide an accurate forecast to the Home Office to facilitate the Office of Budget Responsibility (OBR) to have accurate information about the cost of the scheme.
38. Hampshire has a very robust and accurate way of forecasting and it is hoped that best practice can be shared to improve the forecasting nationally.

PRESENTATIONS

39. It was reported to the Board that the Employer Pension Manager has delivered several presentations on Fire pensions. The table below shows the number of presentations delivered in 2018/19:

Presentation	Number
Pre-retirement courses	4
Mid-career (visits to Cosham, Basingstoke, Southsea and Rushmoor stations)	8

40. The presentations include information on all four Fire Pension Schemes and cover how the schemes work, examples of how benefits are calculated, along with a brief explanation of Annual and Life Time Allowances and HMRC maximum benefits.
41. The Board heard how these presentations have been very well received and well attended, with lots of questions and engagement from those that attended.

MEMBER PORTAL

42. It was reported to the Board how Hampshire Pension Services had received the necessary upgrade to their administration system to allow Member Portal for online access to Fire Pension Scheme members.
43. The Employer Pension Manager attended two employer focus groups in year which showed the Member Portal with new enhancements including:
 - (a) Email verification for registration to Member Portal;
 - (b) Ability to view and amend personal details;
 - (c) Ability to view and amend death grant nominations;
 - (d) Ability to view Annual Benefit Statements.
44. The Board heard how Hampshire Pension Services planned to implement this in December 2018. This was unfortunately delayed and went live for Fire Pension Scheme members in April 2019.
45. Despite the improvements to the member portal, sign up across all schemes continues to be lower than expected for such an important personal topic.

SURVEYS

46. It was reported to the Board that the Employer Pension Manager had completed the Annual Scheme Returns issued by The Pension Regulator (TPR) by the deadline of 6 November 2018. 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.
47. As at 31 March 2018, the scheme numbers reported to the TPR were as follows:

Member status	1992 Scheme	2006 Scheme	2015 Scheme	Total
Active	151	87	931	1,169
Deferred	85	460	270	815
Pensioner	954	100	3	1,057
Total	1,190	647	1,204	3,041

48. The Board noted that in December 2017, there was a review of membership of the pension schemes and it was reported that 96 fire-fighters were not in any Fire Pension Scheme; this represents approx. 9% of grey book employees.
49. Upon further review of these 96 fire-fighters, most were found to be either solely employed on an RDS contract, or where there were on a whole time contract, this was either a temporary or fixed term contract.
50. TPR also asked for the first time, additional questions to assess the state of common and scheme specific conditional data that is held. Guidance for these types of data can be found in **Appendix C**.
51. Data for all Fire Pension Schemes was measured in October 2018 by Hampshire Pension Services and they assessed the percentage of data to be present and accurate as 95% or above for each data type and scheme.
52. The scoring for the scheme specific conditional data has been compiled by Hampshire Pension Services from a variety of reports as there is no national agreement of what data to measure as there is for common data.
53. It was also reported to the Board that the Employer Pension Manager had completed the annual TPR Administration survey 2018. To be able to complete this accurately, the Employer Pension Manager consulted with The Pension Board chair and vice-chair, Hampshire Pension Services and other representatives. She also consulted with the Scheme Manager delegate. The Scheme Manager for Hampshire Fire Pensions is the Standards and Governance Committee and they have delegated the day to day Scheme Manager responsibilities to the Head of Finance.
54. The Employer Pension Manager consulted with the Head of Finance in his role as the delegatee Scheme Manager, The Pension Board chair and vice-chair, Hampshire Pension Services and other representatives.

BENCHMARKING

55. The Board heard that Aon had been commissioned by the Scheme Advisory Board (SAB) to benchmark the costs of running the Fire Pension Scheme, which had never been done before.

56. Aon issued surveys to the Administrator and the Employer for completion by 31 December 2018. The Employer Pension Manager completed these, after consultation with the Scheme Manager, Hampshire Pension Services and the Finance Teams.
57. Aon hope to be able to answer four main questions from the results of the survey
 - (a) How effective is scheme administration?
 - (b) What are the costs of running the scheme?
 - (c) Are there any themes or patterns?
 - (d) Whether anything could be done differently or better.

ANNUAL BENEFIT STATEMENTS

58. The statutory deadline for issuing Annual Benefit Statements (ABS) is 31 August each year. It was reported to the Board that the 2018 deadline was met and that ABS' were issued to home addresses.
59. The Employer Pension Manager has been involved with providing feedback to Hampshire Pension Services with regard to improvements, wording and consistency for the 2019 statements, which will be provided on-line through the new Member Portal for the first time.

ANNUAL AND LIFE TIME ALLOWANCE

60. The statutory deadline to provide Pension Savings Statements is 6 October each year.
61. A Pension Savings Statement is automatically sent to a member where they have exceeded the Annual Allowance in the year but can be sent to any member upon request; for 2017/18 12 Pension Savings Statements were issued to members of the Hampshire Fire Pension Schemes.
62. The issues around Annual Allowance (AA) and Life Time Allowance (LTA) are very complex and the Board were in favour of the proposal to hold seminars for those that might be affected by the AA or LTA issue.
63. Seminars were held in October and November 2018 and a number of members attended the sessions; these were put on as part of a joint training programme with two other FRAs.
64. In 2017/18 The Board had endorsed a factsheet that the Employer Pension Manager had drafted on Annual Allowance. the Board were pleased to note that a factsheet for Life Time Allowance had also now been drafted.

65. It was reported to the Board that both these factsheets would be published on the Employer Pension Web Pages so that they could provide a useful tool for members and employers.

VOLUNTARY SCHEME PAYS

66. Where a member has exceeded their Annual Allowance in the year and it has resulted in a tax charge. The member may elect to use the Scheme Pays option. This enables HFRA to pay the tax charge to HMRC on behalf of the member and there is a permanent offset made against their pension, called a Scheme Pays Debit.
67. There is Mandatory Scheme Pays and Voluntary Scheme Pays. Mandatory Scheme Pays is legislated for, but Voluntary Scheme Pays is not and requires a decision from each FRA as to whether they will allow it.
68. For most members, that have a tax charge as a result of exceeding the Annual Allowance, they will fall into the Mandatory Scheme Pays criteria which are:
- (a) The tax charge must be greater than £2,000;
 - (b) The Pension Savings must be greater than the standard Annual Allowance in that year;
 - (c) The Annual Allowance must be exceeded wholly in one scheme;
 - (d) The election to use Scheme Pays is made within the relevant deadlines.
69. Where one of these criteria is not met, then the tax charge must be treated as Voluntary Scheme Pays. The main issues with Voluntary Scheme Pays are that
- (a) The timescales for paying the tax to HMRC are much shorter;
 - (b) It is not legislated for in the same way that Mandatory Scheme Pays is.
70. The Local Government Association (LGA) has sought legal advice over whether FRAs can utilise Voluntary Scheme Pays. If an FRA decides not to allow Voluntary Scheme Pays, the member would have to pay the tax charge directly to HMRC themselves, which could be a large sum.
71. The LGA's interpretation of this advice is that an FRA can offer Voluntary Scheme Pays to members, but it is up to each FRA to make their own decision. HCC Legal Services have confirmed that the advice provided from the LGA is reasonable.
72. The Board have supported the recommendation to allow Voluntary Scheme Pays to affected members. The Standards and Governance Committee are also asked to approve this recommendation, to ensure that should Hampshire Pension Services have any cases which fall under Voluntary Scheme Pays that they have the authority to offer this option to the member.

LEGISLATION UPDATE

73. The Board heard how during the year, HFRA and Hampshire Pension Services have been involved with one consultation on Regulation amendments, which then also came into effect. They have also dealt with the introduction of the General Data Protection Regulations and the changes to the SCAPE discount rate, which were announced in the budget in October 2018.
74. The Scheme Advisory Board (SAB) levy for 2018/19 was £7.69 per active fire-fighter. The levy enables costs savings for Fire Authorities by reducing duplication and undertaking guidance and communications centrally.
75. The levy enables SAB to provide invaluable support to FRAs in a number of ways including
 - (a) The continuous updating of the <http://www.fpsregs.org> website, which is a very useful resource on Fire Pension Scheme legislation
 - (b) Provision of guidance, forms and templates
 - (c) The issue of monthly bulletins, containing all legislative updates and other useful information
 - (d) Training sessions, workshops and conferences throughout the year on various subjects

CONSULTATIONS

76. The Home Office launched a consultation on 16 April 2018 regarding;
 - (a) Changes to survivors' benefit arrangements in the 2006 scheme. This was in relation to the Supreme Court judgement in the case of Brewster.
 - (b) A number of unrelated minor amendments to the legislation for all schemes to ensure that certain limited aspects of the schemes work as originally intended.
77. This consultation was issued to the Employer Pension Manager as a member of the Fire Technical Group, and then taken to the Fire employer Group for discussion. This is an important role of the Fire Employer Group in ensuring that up-coming legislative changes are communicated to the relevant parties so that the necessary action can be taken. This will hopefully aid HFRA in avoiding missing any regulation changes as they did with Temporary Promotions.

AMENDMENT LEGISLATION

78. The Police and Firefighters' Pension (Amendment) Regulations 2018 (SI 2018/997) were laid on 13 September 2018 and came into effect on 8 October 2018.

79. These regulations brought into effect the items of the consultation mentioned in paragraph 69 and the Local Government Association issued a Technical Note with guidance and actions that needed to be completed as a result of the implementation of this legislation.
80. The 2018 Amendment legislation provided clarity that the first pension amount calculated under the Two Pension Rule (Split Pension) is to be indexed by an amount “equivalent” to Pensions Increase. This was important distinction because the qualifying condition of the Pensions Increase Act do not permit payment of Pensions Increases until the members 55th birthday.
81. It was reported to the Board that Hampshire Pension Services had identified four cases that needed reviewing after this clarification. These four cases had used the Two Pension Rule and had retired before age 55.
82. The Board also heard about the 2018 legislation changes for co-habiting members of the 2006 scheme. The amendment meant that there was no longer a requirement to complete a co-habiting nomination form, which would enable their partner to receive a pension in the event of their death.
83. The Board were pleased to note that this had been communicated in Routine Notice and as a news item on the Fire portal homepage. The communication had happened within the three months allowed under the Member Disclosure Regulations.

GENERAL DATA PROTECTION REGULATION (GDPR)

84. GDPR came into effect on 25 May 2018. This primarily concerns the privacy notices and confirming how personal data will be used. HFRA are the data controllers and Hampshire Pension Services are the data processors.
85. It was reported to the Board that HFRA was compliant with GDPR and that privacy notices had been published in respect of the Fire Pension Schemes.

SCAPE DISCOUNT RATE

86. The Board heard how in the budget on 29 October 2018, a change to the SCAPE discount rate was announced, reducing it from 2.8% to 2.4% pa above CPI. This meant that a number of factors used in various pension calculations would now all be reviewed and possibly amended.
87. All pension calculations were affected as they all use factors of one sort or another. The Government Actuary Department (GAD) issued new tables of factors for all calculations (such as commutation, transfers, cash equivalent transfer values and early retirement reduction factors) between October 2018 and January 2019.

88. The Board also heard how the change the SCAPE discount rate would mean a significant increase to employer contributions from 1 April 2019.
89. The Treasury made a commitment to fund all costs nationally to FRAs above £10m for 2019/20 and the Government has confirmed that for 2019/20 they will be providing specific grant funding to cover approx. 95% of additional costs to FRAs.
90. Whilst this funding is welcome, it does not cover the full additional costs to the Authority (which for Hampshire is £3.7m) and as yet there is no certainty that this funding will continue beyond 2019/20.

OTHER ITEMS

91. At the July meeting, the Board reviewed the Risk Register which can be found in **Appendix B**. The Board concluded that there were no amendments necessary.
92. At the October meeting, the Board also received a report of the Pension Administrator which can be found in **Appendix E**.

TERMS OF REFERENCE REVIEW

93. Members of the Standards and Governance Committee are asked to agree minor amendments to the Terms of Reference (ToR) of the Firefighters' Pension Board (attached at **Appendix I**).
94. The ToR's for the Firefighters' Pension Board, together with the Code of Conduct were agreed by Hampshire Fire and Rescue Authority on 20 February 2015 at the same time as the Board was formally constituted. The responsibility of "Scheme Management" to Standards and Governance (S&G) Committee was approved by the Authority at its Annual General meeting on 9 June 2016. Responsibility for "Scheme Management" previously resided with the former Finance and General Purposes (F&GP) Committee.
95. The ToR was reviewed at the Firefighters' Pension Board on the 8 January 2019 (attached at **Appendix H**), with a view to changes being approved at a future meeting of the Standards and Governance Committee.
96. Changes to the overall HFRA constitution were agreed at the Annual General Meeting (AGM) of the Authority on the 5 June 2019. These included references to "Director of Professional Services" which were replaced with "Chief of Staff" in the Firefighters Pension Board ToR, and in the overall constitution. It was agreed at the Authority on the 5 June 2019 that any further amendments to the ToR would be delegated to The Clerk for approval at the next Standards and Governance Committee.

97. The current ToR states that the employer representatives will be appointed by the Authority at its AGM (as set out in 3.5 of Appendix I).
98. To allow for flexibility in appointing to the Board, it is proposed that the current ToR are amended to remove the requirement for employer representatives to only be appointed at the AGM of the Authority. The amended wording is set out in 3.5 of Appendix I.
99. To also allow for flexibility in appointing scheme member representatives, it is proposed that the current ToR are amended to reflect that scheme member representatives can be appointed at any time in the year by the Authority (as set out in 3.6 of Appendix I).
100. With regard to the appointment of Chairman/Vice-Chairman of the Board, these are elected by the Board at the first meeting of the Board following the AGM of the Authority (as set out in 3.2 and 3.3 of Appendix I). It is therefore proposed that 3.11 of Appendix I is deleted.
101. With regard to 3.12 of Appendix I, this is a duplication of 3.6 of Appendix I, and it is therefore proposed that this is deleted.

WORK PLAN

102. At the July meeting, the Chairman put forward a structured plan for the content at future meetings. With this in mind, there are naturally some items which will fall into different parts of the year and can be reported on accordingly.
103. Each Pension Board Status Report will contain standing items and any relevant additional items. Depending on the timing of meetings, this may alter when these items can be reported.
104. There will also be a legislation and Local Government Association (LGA) update report for each meeting. This will include all the Fire Pension Scheme (FPS) bulletins issued by the LGA, any other communications that they have issued along with any legislation updates.
105. The key headings for each report for each meeting are shown in Appendix F. The Board endorsed this approach to future reports and meetings.

FUTURE ISSUES

106. The report has identified significant progress across a number of areas; this is largely due to the dedicated resource of the Employer Pension Manager, which have now been made permanent. The focus for the 2019/20 year includes:
 - (a) Re-assessment using the TPR self-assessment tool;
 - (b) Training for Pension Board members;
 - (c) Rolling programme of pension communications;

- (d) Injury pension reviews;
- (e) Implementation of Member Portal (access to pensions online);
- (f) Work towards the Combined Fire Authority;
- (g) Potential impact from McCloud judgement and the cost cap.

CONCLUSION

107. As set out in this report, substantial progress has been made across all areas of fire pensions during 2018/19; in particular around governance and control, together with significant improvements in the quality and range of pension information that is available to firefighters.
108. Much of this has only been possible due to the employment of Claire Neale as the Employer Pension Manager, who has been instrumental in managing the multitude of activities throughout the year. In many authorities this level of resource cannot be justified or afforded, but the shared services arrangement within Hampshire means that this role can work across three different partners and pension schemes and can undertake an effective liaison role with Hampshire Pension Services who is the administrator across all three schemes.
109. For 2019/20 the year will be more about a period of continuous improvement and building on the foundations that have been put in place that will continue to be orchestrated by the Employer Pension Manager.

RECOMMENDATION

110. That the Standards and Governance Committee **approves** the recommendation to allow Voluntary Scheme Pays as set out in paragraphs 66-72.
111. That the Standards and Governance Committee agrees the amendments to the Firefighters' Pension Board Terms of Reference as set out in paragraphs 93-101 and in Appendix I.
112. That the contents of this report are received and noted by the Standards and Governance Committee
113. That the Standards and Governance Committee provides any feedback to the Fire Pension Board on previous work or on future areas of priority.

APPENDICES ATTACHED

114. APPENDIX A – Fire Pension Board report 5 July 2018, [Report](#), [Appendices 1](#), [Appendices 2](#), [Appendices 3](#)
115. APPENDIX B – Risk Register review report 5 July 2018, [Report](#), [Appendix](#)
116. APPENDIX C - Fire Pension Board report 19 October 2018, [Report](#), [Appendices](#)
117. APPENDIX D – Legislation and Local Government Association (LGA) Update report 19 October 2018, [Report](#), [Appendices](#)
118. APPENDIX E – Pension Administration update report, [Report](#)
119. APPENDIX F – Fire Pension Board report 8 January 2019, [Report](#), [Appendices](#)
120. APPENDIX G – Legislation and Local Government Association (LGA) Update report 8 January 2019, [Report](#), [Appendices](#)
121. APPENDIX H – Terms of Reference report 8 January 2019, [Report](#), [Appendix](#)
122. APPENDIX I – Proposed amendments to Terms of Reference

Contact:

Claire Neale, Employer Pension Manager, claire.neale@hants.gov.uk,

This page is intentionally left blank

Terms of Reference for the Pension Board of the Hampshire Firefighter's Pension Scheme

1. Introduction

- 1.1. Hampshire Fire and Rescue Authority (HFRA) has established a Pension Board in accordance with the requirements of the Public Service Pension Act 2013.

2. Role and Powers of the Hampshire Firefighter's Pension Board

- 2.1. The role of the Board is to:

- Assist HFRA as the administering authority of the Hampshire Firefighter's Pension Scheme (HFFPS):
 - to secure compliance with the Firefighter's Pension Scheme (FFPS) Regulations and any other legislation relating to the governance and administration of the FFPS.
 - to secure compliance with requirements imposed in relation to the FFPS by the Pensions Regulator.
- To ensure the effective and efficient governance and administration of the HFFPS by the Authority.
- To consider how discretionary and other pension related issues are being addressed from an operational viewpoint.
- To present an annual report to the Authority on the exercise of its functions.

- 2.2. The Board shall have the power to do anything which is calculated to facilitate or is conducive or incidental to the discharge of any of its functions.

3. Members of the Hampshire Firefighter's Pension Board

- 3.1. The Board shall initially consist of 6 members and be constituted as follows:

- 3 employer representatives;
- 3 scheme member representatives;

- 3.2. The Chairman of the Board will be elected by the Board, from amongst its number at the first meeting of the Board following the Annual General Meeting of the HFRA in each year.
- 3.3. With regard to 3.4, the Vice Chairman of the Board will be elected by the Board from amongst its number at the first meeting of the Board following the Annual General Meeting of the HFRA in each year.
- 3.4. If the Chairman is a scheme representative then the Vice Chairman will be an employer representative and vice versa.

- 3.5. The employer representatives will be appointed by the Authority at any time during the year. ~~HFRA at its Annual General Meeting.~~
- 3.6. Scheme member representatives will be appointed by the Authority at any time during the year, in accordance with the recruitment policy agreed by the relevant Committee with responsibility for Scheme Management. They must be active, deferred or pensioner members of the FFPS.
- 3.7. The term of office of the Chairman and Vice Chairman will be one year, but either can be re-elected by the Board up to a maximum of four years.
- 3.8. Each employer representative and scheme member representative so appointed shall serve for a fixed four year period which can be extended for a further period of four years.
- 3.9. Employer representatives and scheme member representatives will remain as members of the Board during their appointed term of office unless they become incapable of acting, cease to represent their constituency, resign by giving written notice to the Chairman of the HFRA or are removed from the Board pursuant to Paragraph 4 of the Board's Code of Conduct.
- 3.10. Employer representatives and scheme member representatives may also be removed from office during their term of appointment by a majority decision of a quorate meeting of the HFFPS Board if they do not comply with the requirements of paragraph 3.9. The removal of any Board member also requires the agreement of the HFRA.
- ~~3.11. The Chairman and employer representatives will be appointed by the HFRA at the Annual General Meeting and may be replaced at any time during the year by the HFRA.~~
- ~~3.12. Any vacancies arising for the scheme member representatives will be recruited in line with the recruitment policy approved by the relevant Committee with responsibility for Scheme Management and will be formally appointed by HFRA at any time during the year.~~
- ~~3.13.~~3.11. Each Board member should endeavour to attend all Board meetings during the year and is required to attend at least half of the meetings held in each year.

4. Quorum

- 4.1. Half of the members of the Board will represent a quorum for Board Meetings.
- 4.2. In the absence of both the Chairman and the Vice-Chairman the members of the Board shall appoint a Chairman for that meeting who shall while presiding have any power or duty of the Chairman in relation to the conduct of the meeting.

5. Advisers to the Board

- 5.1. The Board will be supported in its role and responsibilities by officers of the HFRA and it will consult with such officers to help better perform its duties. In the event that specialist professional advice is not available from the officers of the HFRA then the Board may ask the Chief of Staff to seek independent professional advice through the appointment of advisers on their behalf, subject to financial and legal considerations.

6. Knowledge and Skills

- 6.1. A member of the Board must be conversant with:
- The legislation and associated guidance of the FFPS.
 - Any document recording policy about the administration of the FFPS which is for the time being adopted by the HFRA.
- 6.2. A member of the Board must have knowledge and understanding of:
- The law relating to pensions, and
 - Any other matters which are prescribed in regulations.
- 6.3. A member of the Board representing employers or scheme members must have the relevant experience and capacity to represent employer and scheme members respectively on the Board.
- 6.4. Notwithstanding the requirements set out above, it is anticipated that training will be given to Board Members to help them fulfil their role and to keep them updated on changes in the FFPS.

7. Board Meetings

- 7.1. Meetings of the Board will be conducted in accordance with the Standing Orders of the HFRA and for all purpose including but not limited to notice of meetings, publication of agendas and reports, recording and publication of minutes of meetings and consideration of urgent items meetings of the Board shall be treated as if they were a meeting of a Committee of the HFRA.
- 7.2. There will be a minimum of two Board meetings a year and the Chairman of the Board, with the consent of the Board may call additional meetings. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone or video conferencing and e-mails.

8. Voting

- 8.1. Each member of the Board will have an individual vote and items will be decided by a simple majority of members attending the meeting but it is expected the Board will as far as possible reach a consensus. The Chairman shall determine when consensus has been reached.

- 8.2. Where consensus is not achieved, this should be recorded by the Chairman who shall then have a casting vote.
- 8.3. In support of its core functions, the Board may make a request for information from the Scheme Manager, with regard to any aspect of the scheme manager's function. Any such request should be reasonable complied with in both scope and timing.
- 8.4. In support of its core functions the Board may make recommendations to the Scheme Manager which should be considered and a response made to the Board on the outcome within a reasonable period of time.

9. Standards of Conduct

- 9.1. The role of Board members requires the highest standards of conduct and therefore the 'seven principles of public life' apply to all Board members, these are:
 - Selflessness
 - Integrity
 - Objectivity
 - Accountability
 - Openness
 - Honesty
 - Leadership
- 9.2. The Code of Conduct for Board Members set out in Annex A shall apply to all members of the Board. Members of the Board who are also a member of other authorities also remain bound by the Member's Code of Conduct of their own authority.

10. Publication of Pension Board Information

- 10.1. Up to date information will be posted on the Authority's website showing:
 - The names and information of the Board members.
 - How the scheme members are represented on the Board.
 - The responsibilities of the Board as a whole.
 - The full terms of reference and policies of the Board and how they operate.
 - The Board appointment process.
 - Who each individual Board member represents.
 - Any specific roles and responsibilities of individual Board members.

11. Accountability

- 11.1. The Board will be collectively and individually accountable to the relevant Committee with responsibility for Scheme Management and the Authority.

12. Reporting Breaches

12.1. Any potential or actual Breach that comes to the attention of the Board shall be dealt with in accordance with the Protocol for Reporting Breaches agreed from time to time between the Board and the Authority.

13. Expense Reimbursement

13.1. No basic allowance is payable to Board members although employer and scheme member representatives shall be entitled to claim Travelling Allowances on the terms set out in the then current Member's Allowance scheme, or HFRS employees scheme as appropriate.

14. Definitions

14.1. The undernoted terms shall have the following meaning when used in this document:

<i>Breach</i>	Means non-compliance with a duty relevant to the administration of the FFPS which is likely to be of material significance to the Pensions Regulator in the exercise of any of its functions
<i>'Hampshire Firefighter's Pension Board', 'Fire Pension Board', 'Pension Board' or 'Board'</i>	Means the Pension Board of Hampshire Fire and Rescue Authority for the Hampshire Firefighter's Pension Scheme as required under the Public Service Pensions Act 2013.
<i>'HFFPS', 'FFPS' or Regulations</i>	The Firefighter's Pension Scheme as constituted by the Firefighter's pension scheme 1992, as amended, the Firefighter's Pension Scheme 2006, as amended and the Firefighter's Pension Scheme Regulations 2014 as amended.
<i>'Scheme'</i>	Means the Firefighter's Pension Scheme as defined under 'HFFPS' above.
<i>'Scheme Member'</i>	Means active, deferred or pensioner members of the Firefighter's Pension Scheme

15. Interpretation

15.1. Any uncertainty or ambiguity or interpretation required relating to any matters contained in this document shall be resolved by reference to the Authority's Monitoring Officer.

Code of Conduct for Members of the Hampshire Firefighter's Pension Board Members

1. Introduction

This Code of Conduct for the Hampshire Firefighter's Pension Board has been adopted by the HFRA pursuant to its statutory duty to appoint a Pension Board for the HFFPS.

This Code applies to members of the Hampshire Firefighter's Pension Board when acting in their capacity as members of the Board. For the avoidance of doubt, members of the Board who are also members of other authorities also remain bound by the Member's Code of Conduct of their own authority.

This Code is based on and is consistent with the principles of;

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty and
- Leadership

2. Obligations of Members of the Board

As a Member of Hampshire Firefighter's Pension Board, your conduct will address the principles of the Code of Conduct by:

- a. Not allowing other pressures, including the financial interests of yourself or others connected to you, to deter you from pursuing the interests of the HFFPS, or the good governance of the HFFPS in a proper manner.
- b. Exercising independent judgement and not compromising your position by placing yourself under obligations to outside individuals or organisations who might seek to influence the way you perform your duties.
- c. Listening to the interests of all parties, including relevant advice from statutory and other professional officers of the HFRA (or those acting on their behalf), taking all relevant information into consideration, remaining objective and making decisions on merit.

- d. Being accountable for your decisions and co-operating when scrutinised internally and externally.
- e. Contributing to making the Board's decision-making processes as open and transparent as possible.
- f. Restricting access to information when the wider public interest, the Board's Terms of Reference or the law requires it.
- g. Valuing your colleagues and Officers of the HFRA and engaging with them in an appropriate manner.
- h. Always treating all people with respect and propriety.

3. Conflicts of Interest

- a. No member of the Board may participate in any business of the Board if they have a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board (this does not include a financial or other interest arising merely by virtue of membership of the Scheme or any connected Scheme) ('Conflict of Interest').
- b. All Board members must before becoming a member of the Board declare any potential Conflict of Interest to the Monitoring Officer of the HFRA.
- c. After appointment all Board members must within 14 days of becoming aware of any new potential Conflict of Interest declare that potential Conflict of Interest to the Monitoring Officer of the HFRA.
- d. A member of the Board must at any time provide the Monitoring Officer of the HFRA with such information as he or she requires for the purpose of establishing whether or not the Board member has a Conflict of Interest.
- e. A Board member should disclose any Conflict of Interest in any business of the Board either at the commencement of the meeting, the commencement of the consideration of the item or when the Conflict of Interest becomes apparent.
- f. If a Board member has a Conflict of Interest in any business of the Board then that Member may not participate in any discussion of, vote on or discharge any function in relation to the matter. In addition, the Board member should withdraw from the room where the meeting is being held.

4. Non-Compliance with the Code of Conduct

Any alleged non-compliance with this Code of Conduct shall be referred to the relevant Committee with responsibility for Scheme Management for consideration. In the event that the Committee find that a member of the Board has failed to comply with the provisions of this Code then the Committee may determine that the Member is to immediately cease to be a member of the Board or take such other action as the Committee regard as appropriate. This can include but is not limited to requiring the member to apologise or requiring the member to undertake such training as they feel is appropriate.

Standards and Governance Committee

Purpose: Noted

Date: 23 July 2019

Title: **HMICFRS ACTION PLAN PROGRESS REPORT**

Report of Chief Fire Officer



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

SUMMARY

1. This report provides the Standards and Governance Committee with an overview of the progress that the Service has made in respect of the Action Plan resulting from the findings of the 2019 Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) inspection report.
2. The Action Plan submitted to HMICFRS is being progressed by accountable organisational leads through business as usual activities. The monitoring of progress is being managed through the Performance and Assurance Directorate and assured via the Performance and Assurance Board.
3. As the Action Plan submitted to HMICFRS covers activities with completion dates ranging from within three months of the Action Plan submission (30 June 2019) to 31 March 2020, Members will be updated on progress toward imminent completion dates and/or outstanding completion.

ORGANISATIONAL APPROACH

4. The HMICFRS Action Plan follow-up and monitoring process is an important element in our overall approach to continuous improvements within the Service and evidence of our performance in respect of efficiency, effectiveness and looking after our people. When an activity has been incorporated into the Action Plan to address an area for improvement identified by inspectors, it is important that the activity is then implemented as planned.
5. The Action Plan, whilst submitted to HMICFRS, will not be routinely tracked by the Inspectorate. However, they will maintain an interest in, and oversight of, our progress, particularly in areas that were a "cause for concern". Furthermore, the expectation is that on future inspections all activities that HFRS are committed by that point in time will have been completed.
6. Hampshire Fire and Rescue Service (HFRS) have appointed Strategic Leads in respect of each of the diagnostic areas as accountable owners for

progression of improvement work. These Strategic Leads (all Directors) have assigned Action Owners, typically at a department head level, to progress specific actions. A comprehensive underpinning recording system has been created to enable progress of each diagnostic and their actions to be tracked accurately. This system will also enable early escalation where progress towards a specific activity is at risk, and provide the opportunity for Action Owners to submit updates on their progress.

7. A dashboard has been created to enable reporting to the HFRS Performance and Assurance Board and the Standards and Governance Committee. Progress is also discussed by our Executive Group.

CURRENT DIAGNOSTICS

8. **There is only one diagnostic, containing one action, due to be completed by 30 June 2019, and it is now complete.**
9. *“The service should assure itself that its commitment to the trading arm does not conflict with its main protection responsibilities or its public service duties.”*

HFRS has taken several steps to provide clarity for staff and the community on its relationship with the trading arm. Following commissioned legal advice on its position, steps have been taken and are documented within the HFRA meeting on 5 June 2019. These include a new policy position on a) The Trading Arm’s Board structure and b) how the Trading Arm undertakes Fire Risk Assessments. These changes will be included in the development of the 2020 Integrated Risk Management Plan (IRMP).

‘CAUSE FOR CONCERN’ UPDATE

10. *“The Service does not do enough to be an inclusive employer”*

Under the leadership of the Chief Fire Officer and the Head of People and Organisational Development, a comprehensive programme of work encompassing six areas has been initiated to address this action, which was identified by HMICFRS as a cause for concern. The six areas are as follows:

1. Embed a programme to ensure that inclusion, fairness, equalities and professional development are priorities for the service;
2. Ensure that its recruitment activities are open and accessible to all of Hampshire's communities;
3. Treat employees according to their needs so they feel valued;
4. Ensure that each person's potential can be developed so they can perform to their very best;
5. Ensure that the chief officer team leads the programme, promoting the values of the organisation; and
6. Ensure that everyone knows how they contribute to the values.

11. Significant work has taken place since the 'cause for concern' was identified, identifiable examples being the visible leadership of Principal Officers in the Service Inclusion and Diversity groups, successful positive action being used in the recruitment campaign with the 35% of new recruits being female and the move of the Inclusion and Diversity team into the People and Organisational Development Directorate to integrate inclusion in a position within the Service where it will have greater reach. A review into the 2019 recruitment campaign has been commissioned so that key learning including inclusion can be identified and developed. A new People and Organisational Development strategy has been developed and is set to be published by the end of July 2019.
12. A draft framework of values and behaviours has been developed by the Chief Officers Group based on findings from the cultural survey. These will be shared with the organisation in July and followed by a period of staff consultation and engagement to ensure everyone can shape the Service's values.
13. **The activity that has taken place thus far, along with the planned future activity, demonstrates that work to address this 'cause for concern' is on track. The Service will continue to closely measure performance in this area, and action plan progress more widely, through the PAB and Executive Group.**

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

14. Delivery of the HMICFRS Action Plan assists the Authority in the improvement planning process, performance management framework, and in compliance with its governance arrangements. This, in turn, assists the Authority in achieving its aim for HFRS to be the best fire and rescue service in the country through delivery against the HMI pillars of efficiency, effectiveness and looking after people.

RESOURCE IMPLICATIONS

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

ENVIRONMENTAL AND SUSTAINABILITY IMPACT ASSESSMENT

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

LEGAL IMPLICATIONS

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

EQUALITY IMPACT ASSESSMENT

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

OPTIONS

19. The options are to note the progress towards completion of the HMICFRS Action Plan or to not note the progress. Noting the progress will ensure that HFRA receive assurance on the Service's performance and are able to scrutinise the Service on behalf of Hampshire's communities.

RISK ANALYSIS

20. Failure to deliver actions committed to within the HMICFRS Action Plan leaves the Authority exposed to the risk of a Fire and Rescue Service with declining organisational performance.
21. The HMICFRS Action Plan is a key element of ensuring that the Service continues to improve and to deliver benefits to communities in Hampshire. The updates on progress of the Action Plan ensure that Members are fully aware of any problems associated with addressing the issues raised and the priority given to driving down or eliminating specific risks.

CONCLUSION

22. The Service has created a robust monitoring and assurance process to support progress of all activities within the HMICFRS Action Plan. The one diagnostic due in June 2019 is completed, and therefore closed. The activities for the forthcoming quarter have sufficient resource dedicated to them that they remain on track for completion in September 2019.

RECOMMENDATION

23. That the progress made towards the delivery of the HMICFRS Action Plan is noted by the Standards and Governance Committee.

Contact:
Shantha Dickinson, Assistant Chief Fire Officer

Standards and Governance Committee

Purpose: Noted

Date: **23 JULY 2019**



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Title: **INFORMATION COMPLIANCE REPORT 2018-2019**

Report of Chief Fire Officer

SUMMARY

1. The Information Compliance Report 2018-2019 demonstrates Hampshire Fire and Rescue Service's (HFRS) commitment to information compliance and its activities, including an update on the implementation of the General Data Protection Regulation (GDPR) and Data Protection Act (DPA) 2018.
2. This report includes a performance summary of:
 - Subject Access Requests (SARs);
 - Freedom of Information (FOI) and Environmental Information Regulations (EIR) Requests;
 - Data Protection breaches;
 - Complaints management (in compliance with HFRS Policy).
3. This report is presented to the Standards and Governance Committee for noting the Service's performance demonstrated within this report and its commitment to information compliance.

BACKGROUND

4. The General Data Protection Regulation came into effect on 25 May 2018.
5. HFRS Executive Group are accountable for the Service's information compliance obligations. The HFRS Senior Information Risk Owner (SIRO) is an Executive Group member and accountable to establish information risk strategy.
6. The GDPR introduces a duty for the organisation to appoint a Data Protection Officer (DPO). HFRS appointed a DPO in March 2018 to monitor internal compliance while also informing and advising on data protection obligations.
7. The Governance and Compliance team is responsible for the overall management of information compliance, and the DPO monitors compliance and provides risk-based advice.

GENERAL DATA PROTECTION REGULATION (GDPR) AND DATA PROTECTION ACT (DPA) 2018

8. The Service has reviewed its activities and compliance with regulation and legislation. A number of improvement workstreams have been identified, including the establishment of an Information Asset Register. This register details all the information assets held by HFRS. To establish this register, the DPO has engaged with all departments, increasing information compliance awareness, and providing support and advice.
9. Completing Data Protection training is a mandatory requirement for all staff. It is important for staff to understand the responsibility as an individual and as a Service for protecting personal data. The Service identified challenges with the completion rate and through escalation and engagement has seen significant improvement in its completion rates. Following staff feedback, the DPO led the development of a new concise online package, providing staff with an understanding of Data Protection Legislation.
10. Furthermore, following feedback from operational teams, the delivery of training will be adapted for watch managers, crew managers and firefighters. Crew managers and watch managers will have the responsibility to arrange the training to be completed for their crews and update the competency training records for their teams.
11. As part of our learning culture, the DPO working in collaboration with the Media and Communications Team is developing a Communications Strategy to raise further awareness around GDPR and data protection.

DATA PROTECTION BREACHES

12. A personal data breach means a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data. This includes breaches that are the result of both accidental and deliberate causes. It also means that a breach is more than just about losing personal data.
13. Members will note (as detailed in the table below), there has been an 100% increase in reported data breaches in comparison to the previous year. This rise correlates with the success of the Service's monitoring of internal compliance and awareness of GDPR and DPA 2018. In particular, engagement with departments of the requirement to promptly report any potential breaches to the Governance and Compliance Team.

Financial year	2017/2018	2018/2019	Notes
Data protection breaches	22	44	Variance 100%
Reported to ICO	0	5	3 ICO closed no action 2 ICO investigated (1 with remedial actions recommended and closed)

14. From those reported data breaches, 5 (11%) were notified to the Information Commissioner's Office (ICO) based on risk. The ICO confirmed investigation of 2 reported data breaches, of which, 1 has been completed and the ICO provided actionable recommendations that have now been delivered.

SUBJECT ACCESS REQUESTS

15. A Subject Access Request (SAR) is the term used to describe a request from an individual concerning their personal data held by the Service.
16. GDPR provides data subjects the following eight rights; the right to be informed on how their data is being used; the right to access their data; the right to rectify their data; the right to request erasure of their data; the right to restrict the processing of their data; the right to obtain and reuse their personal data for their own purposes across different organisations; the right to object to their data being processed and rights around automated decision making such as the right to request human intervention or challenge a decision if it has been made by an automated process or as a result of profiling.
17. With these increased rights and more general awareness of these rights, HFRS has seen an increase in the number of SAR requests received.

Financial year	2017/2018	2018/2019	Notes in relation 2018/2019
Subject Access Requests	13	16	Variance 23% 13 deadline 1 month 3 "complex" deadline 3 months

18. For the financial year 2018-2019 there were 16 Subject Access Requests (SARs), which is an increase of 3 (23%). Three of the SARs were "complex", creating a significant pressure on resources.
19. SARs are required to be completed within 1 month, unless due to significant volume of information, it is deemed "complex". In these circumstances the completion deadline is extended to 3 months.

20. Response deadlines were met for 100% of the SARs.
21. The Team experienced great success with processing and meeting response deadlines for the SARs due to establishing a robust SAR Plan Template, using bespoke software for redaction, and ensuring effective engagement with relevant colleagues, for accuracy and speed of completion within deadline.

FREEDOM OF INFORMATION (FOI) & ENVIRONMENTAL INFORMATION REGULATIONS (EIR) REQUESTS

22. The Freedom of Information Act 2000 provides public access to information held by public authorities, and the Environmental Information Regulations 2004 provide public access to environmental information held by public authorities. This access is achieved in two ways; public authorities are obliged to publish certain information about their activities and proactively publish environmental information; and members of the public are entitled to request information and environmental information from public authorities.
23. For the financial year 2018-2019 there were 170 information requests. A total of 13 requests required clarification prior to the team being able to action them, however for 9 of these requests no clarification was received and therefore were closed in accordance with internal procedure.

Financial year	2017/2018	2018/2019	Notes in relation 2018/2019
Information Requests received	153	170	9 closed due to no response to clarification.
Information Requests processed	148	161	Deadline 20 working days 144 (90%) deadline achieved 17 (10%) deadline missed

24. For the remaining 161 information requests. The response deadline (20 working days from the day after the request is received providing a full response, either supplying the information requested, or explaining why HFRS cannot supply it), was achieved for 90% of the information requests. Unfortunately, 17 (10%) of the requests were responded to outside of the legislative deadline. This is an improvement of 8% from the previous financial year when 82% were responded to within the deadline.
25. In respect of the 17 requests completed outside of the required deadline, these have been reviewed, the root cause identified and mitigations considered for safeguarding and continued improvement of the responses within the required deadline.

26. The Governance and Compliance Team are working with the Media and Communications Team to develop FOI and EIR awareness training to be delivered across the Service.

COMPLIMENTS AND COMPLAINTS

27. The Governance and Compliance Team receive compliments and process complaints made about the Service. These complaints can be both internal and external complaints. The deadline for responses to complaints is 20 working days.
28. The Service received 112 compliments during the period. These were related to performance at incidents, community activities and general compliments to the Service.
29. In the financial year 2018-2019 a total of 65 complaints were received. 48 of these complaints were closed within the response deadline of 20 working days which is set by organisational policy.

Financial year	2017/2018	2018/2019	Notes in relation 2018/2019
Complaints Received	80	65	3 still ongoing
Complaints Processed	78	62	48 were closed within the response deadline. 7 (41%) were delayed due to the Team waiting on the information from the investigating officer, 5 (29%) were delayed due to being a complex investigation taking longer to complete than 20 working days, 4 (24%) were delayed due to a lack of available resource within the Team, and 1 (6%) was delayed due to uncertainty around which department to allocate the investigation.

30. The Governance and Compliance Team are working with the Media and Communications Team to develop Complaints awareness training to be delivered across the Service.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

31. The information contained within this report supports the Service Plan and priorities. Remaining informed of national legislation and good practice guidance ensures that we maintain robust and transparent operations and protects the reputation of the organisation.
32. HFRS is committed to making Hampshire safer. HFRS takes the responsibility bestowed on us to process personal information very seriously and has made monitoring compliance with data protection legislation one of our priorities.

COLLABORATION

33. The Governance and Compliance Team continue to collaborate with Hampshire County Council, the Office of Police and Crime Commissioner, Networked Fire Service Partnership (NFSP), Hampshire Constabulary, and National Fire Chief Council (NFCC) colleagues to exchange expertise and discuss complex issues in relation to information compliance.

RESOURCE IMPLICATIONS

34. The Information Compliance Report has no resource implications and no additional cost to the Service. The work is currently carried out within existing resource and budgets.

ENVIRONMENTAL AND SUSTAINABILITY IMPACT ASSESSMENT

35. The proposals in this report are compatible with the environment and sustainability.

LEGAL IMPLICATIONS

36. HFRS have a statutory obligation to comply with Data Protection legislation as detailed in this report. The ICO can take regulatory action and fine the Service for non-compliance. Additionally, affected individuals can take legal action against HFRS if we are found to be non-compliant with data protection legislation.

EQUALITY IMPACT ASSESSMENT

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

RISK ANALYSIS

38. Failure to comply with data protection legislation will put the Service at risk of incurring significant financial penalties, and reputational damage, both

with our staff and the public. Furthermore, compensation can be given to those individuals whose information has been compromised or unlawfully released.

EVALUATION

39. All data breaches, information requests and SARs will continue to be monitored by the Service as part of business as usual reviews. All non-compliance with legislative deadlines will be investigated and safeguards implemented.
40. HFRS will continue to summarise and report to the Standards and Governance Committee of Hampshire Fire and Rescue Authority on the compliance and performance of data breaches, information requests and SARs.

CONCLUSION

41. This report has detailed the performance and compliance of HFRS in relation to data protection legislation and information compliance.
42. Data Protection training for all staff is ongoing and being met with positive feedback.
43. The increase in reporting and recording personal data breaches is encouraging and indicative of successful implementation of data protection legislation across the Service and its commitment to operating in an open and transparent environment.
44. Furthermore, the ICO have not issued any enforcement actions against the Service in relation to the investigations they have conducted.
45. Demonstrating compliance with data protection legislation ensures staff and public confidence in the way the Service handles personal information, and information requests; with transparency and integrity.
46. The report demonstrates, notwithstanding the increased pressures on resources (due to increased volume of information requests and strict deadlines, the challenges of preparing for and embedding new data protection procedures), the Service's performance has increased from the previous financial year due to its dedication to information compliance activities.

RECOMMENDATION

47. That the Service's performance demonstrated within this report and its commitment to information compliance be noted by the Standards and Governance Committee.

Contact:

Matt Robertson, Chief of Staff, matt.robertson@hantsfire.gov.uk,