

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, 17th November, 2020 10.00 am	<i>The Castle, Winchester Hampshire SO23 8UJ</i>
<i>Place</i>	Virtual Teams Meeting - Microsoft Teams	
<i>Enquiries to</i>	<u>members.services@hants.gov.uk</u>	

FILMING AND BROADCASTING NOTIFICATION

This meeting will be broadcast live via the HFRS YouTube Channel

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 2019/20** (Pages 7 - 60)

For the Committee to receive the External Auditor's Audit Results Report for 2019/20.

7 **HFRA INTERNAL AUDIT PROGRESS REPORT 2020/21** (Pages 61 - 96)

To receive a report of the Chief Internal Auditor updating the Committee on the progress of internal audit work.

8 **INTERNAL AUDIT MANAGEMENT ACTIONS PROGRESS REPORT**
(Pages 97 - 102)

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

9 **ORGANISATIONAL RISK REGISTER** (Pages 103 - 124)

To receive a report of the Chief Fire Officer on the status of the Organisational Risk Register.

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.

Agenda Item 3

AT A MEETING of the HFRA Standards and Governance Committee held virtually via Microsoft Teams on Wednesday, 30th September, 2020

Chairman:

* Councillor Liz Fairhurst

* Councillor Sharon Mintoff

* Councillor Geoffrey Hockley

* Councillor Jonathan Glen

* Councillor Roger Price

*Present

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

115. **APOLOGIES FOR ABSENCE**

All Members were present and no apologies were noted.

116. **DECLARATIONS OF INTEREST**

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

No interests were declared.

117. **MINUTES OF PREVIOUS MEETING**

The minutes of the last meeting held on the 23 July 2020 were reviewed. It was confirmed that in relation to Minute 111 and reference 'Risk Assessment Champion', this was covered within Councillor Glen's Champion role, and the action was therefore resolved. Councillor Glen was content with this.

The minutes of the last meeting were therefore agreed.

118. **DEPUTATIONS**

There were no deputations for the meeting.

119. **CHAIRMAN'S ANNOUNCEMENTS**

There were no Chairman's announcements.

120. **EXTERNAL AUDIT RESULTS REPORT 2019/20**

The Committee received a report from the Chief Finance Officer (Item 6 in the Minute Book) which summarised the External Auditor's Audit Results report for 2019/20 which was appended to the report. Representatives from Ernst & Young (EY) introduced their report and outlined key issues. It was confirmed that the audit of the Authority was almost complete and given the challenges related to the impact of the Covid-19 pandemic, the audit was in a good position. Members attention was drawn to page 17 of the agenda pack which set out the impact that Covid has had on the audit, and a key outstanding item was 'Disclosures on Going Concern'. It was explained that EY have been working with Officers to obtain information on the impact of Covid, and a mandatory consultation process within EY would subsequently follow to ensure consistency and efficiency of the disclosure.

EY drew Members attention to page 19 of the agenda pack and confirmed that they were still considering the final form of the audit report and this was explained to Members. It was heard that a final judgement would be made when work was complete and it was emphasised that this was not a qualification to the External Audit opinion. It was noted that upon completion of work, EY would be able to sign the opinion on the accounts, however they may not be in a position to certify the full completion of the audit at that time as this depended on receiving instruction from the National Audit Office.

Members were taken through Section 2 of the report (page 23 of the agenda pack) which set out the key risks. It was heard that in relation to misstatements due to fraud or error, this was a risk identified in every audit engagement and was mandatory. EY concluded that they had not identified anything that would need to be drawn to Members attention in connection with fraud or error. The risk in relation to valuation of land and buildings was also explained, and it was noted that there was a material uncertainty clause in the Valuers report for this year as a result of Covid. It was heard that a difference of £600,00 had also been noted on assets revalued throughout the year, and this detail was explained to Members who noted that this would not impact the audit opinion.

Page 25 of the agenda pack detailed pension liability valuation which included looking at adjustments in respect to McCloud and Goodwin, and it was heard that there were no issues to report. Members noted that EY were yet to finalise testing in relation to IAS19, but expecting to conclude on that within days. A misprint was highlighted on page 25 of the agenda pack and it was noted that the first bullet point listed under 'What did we do' should read 'Hampshire Fire Authority' instead of 'Hampshire Constabulary'. In response to a Member query, it was confirmed that the government set the rules in relation to pensions but the valuation was undertaken by Actuaries, Aon Hewitt.

EY drew Members attention to page 34 in the pack which concluded no risks in relation to value for money, and page 37 highlighted a prior year adjustment with a difference of £11 million, but there would be adequate disclosure in the accounts for this. In conclusion EY emphasised their independence of the Fire Authority, and wished to record their thanks to Officers with their assistance in completing the audit during a challenging year.

In response to Member questions, it was confirmed that as the procedures were still to be completed, the final fee would be brought back in the final audit letter which would be considered at a subsequent meeting of the Committee. Officers also confirmed that the deadline for the Authority to publish final accounts had been extended to the 30 November due to Covid, and this was also the deadline for the completion of the audit.

The Chairman of the Authority was invited to speak and agreed with other Committee Members that this was a thorough audit report in difficult circumstances, and the Chairman of the Authority and Members of the Committee were content with the report.

The Chairman drew Members attention to an additional recommendation to consider whether there were any matters to refer to the Authority, and no matters were referred.

RESOLVED:

- a) That the HFRA Standards and Governance Committee considered whether there were any matters to refer to the Hampshire Fire and Rescue Authority.
- b) That the Committee received and noted the External Auditor's HFRA Audit Results Report for the year ended 31 March 2020.

121. ANNUAL ACCOUNTS 2019/20

The Committee received a report from the Chief Finance Officer (Item 7 in the Minute Book) regarding the Annual Accounts 2019/20. Members heard that the Covid pandemic had impacted on the timescales that Officers had been working to in producing the accounts, the valuations within the accounts and the growing concern statement. Members attention was drawn to the recommendation at paragraph 35 of the report which allowed for delegated authority to make changes to the statement of accounts if required. It was heard that this recommendation may be used because of the extension to the 30 November to publish final accounts, and also as the external audit was still in the process of completion, and Members of the Committee would be updated of any changes.

The Letter of Representations was highlighted, appended to the agenda pack, which detailed assurances to the External Auditor, and also the accounts which were appended at Appendix 1. It was noted that since publication of these, there would be some changes which would be picked up when the External Auditors sign off the final version of the accounts. It was noted that presently any changes identified were minor, and did no impact on the overall position for the accounts.

The Chairman invited the Chairman of the Authority to comment, and he expressed his content with the accounts and congratulated Officers on their work through very difficult circumstances. The Chairman of the Committee queried whether there would be a Government one year settlement and it was explained that the Government were keen for a three year settlement to give certainty

through difficult times. It was noted that the settlement wouldn't impact on the Authority's accounts, and it was expected sometime in November which would feed into the provisional local government finance settlement.

Members were content with the accounts and thanked Officers for their hard work.

RESOLVED:

- a) That the Statement of Accounts for 2019/20 attached at Appendix 1 be approved subject to any final amendments reported at the meeting.
- b) That the Chief Finance Officer be given delegated authority to approve any minor amendments to the Statement of Accounts if required.
- c) That the Letter of Representations be considered and signed by the Chairman on behalf of the Committee.

Chairman,



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Standards and Governance Committee

Purpose: Noting

Date 17 November 2020

Title **EXTERNAL AUDIT RESULTS REPORT 2019/20**

Report of Treasurer

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

SUMMARY

1. Attached to this report, in **Appendix A**, is the External Auditor's Audit Results report for the year ended 31 March 2020. It summarises the findings from the audit of the Authority's financial statements, and the work undertaken to assess arrangements in place to secure value for money in our use of resources and represents an update from the report issued in September.
2. The Auditor proposes to issue an unqualified audit report on the financial statements subject to concluding the matters listed in the draft report, and has concluded that we have proper arrangements for securing economy, efficiency, and effectiveness in the use of our resources.

BACKGROUND

3. The impact of Covid-19 has meant that the final date for the approval and audit of the 2019/20 accounts has been changed to 30 November 2020. However, it was agreed with Ernst & Young (EY) that we would attempt to sign off HFRA's accounts by the end of September.
4. Whilst a draft report was issued for September, there were several issues still outstanding. Many of these have now progressed and a revised Audit Results Report is now attached at Appendix A.
5. The results are basically the same as issued in September and once again are positive in that, subject to concluding the outstanding matters listed in the draft report, an unqualified opinion on the accounts is expected and EY have concluded that we have proper arrangements for securing economy, efficiency, and effectiveness in the use of our resources

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

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

CONSULTATION

7. No consultation is required for this report as it is based on historic information and is a purely factual document.

RESOURCE IMPLICATIONS

8. There are no direct resource implications contained within this report, but appropriate financial resources have been made available to fund the estimated cost of the 2019/20 audit fee, albeit this may be subject to proposed changes that would need to be agreed by the Authority or referred to the Public Sector Audit Appointments Ltd (PSAA) for consideration.

LEGAL IMPLICATIONS

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

PEOPLE IMPACT ASSESSMENT

10. There are no direct impacts on people as a result of this report.

OPTIONS

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

RISK ANALYSIS

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

CONCLUSION

13. The audit opinion and value for money conclusion are important elements in confirming that there is sound financial management within the Authority. The report from the auditors is positive and confirms that there are no material issues about which the Committee needs to be made aware, but certain

matters have been highlighted by the auditors in respect of some of the impacts on the accounts of Covid-19.

RECOMMENDATION

14. That the Committee receives and notes the latest External Auditor's HFRA Audit Results Report for the year ended 31 March 2020.
15. That the Committee considers any recommendations that it may wish to make to the full Authority in respect of the Annual Audit Letter.

APPENDICES ATTACHED

16. Appendix A – External Audit Results Report Year Ended 31 March 2020

BACKGROUND DOCUMENTS

Section 100 D - Local Government Act 1972 – background documents

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.

Final Accounts Report 2019/20 – HFRA 22 July 2020

NB: the list excludes Published works

Documents which disclose exempt or confidential information as defined in the Act:

None

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Hampshire Fire and Rescue Authority Audit results report

Year ended 31 March 2020

03 November 2020

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

Building a better
working world



03 November 2020

Dear Standards & Governance Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Standards & Governance Committee. This report summarises our preliminary audit conclusion in relation to the audit of The Hampshire Fire and Rescue Authority for 2019/20.

We have substantially completed our audit of The Hampshire Fire and Rescue Authority for the year ended 31 March 2020.

As set out on pages 5 and 6 a number of issues have arisen as a result of covid-19 which will impact on our audit opinion

We confirm that we expect to issue an unqualified audit opinion on the financial statements, which as part of those concluding procedures may contain emphasis of matter paragraphs relating to Property, Plant & Equipment Valuation and Going Concern, in the form at section 3 before the accounts publication date.

We 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 & 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 Standards & Governance Committee meeting on 17 November 2020.

Yours faithfully

Kevin Suter

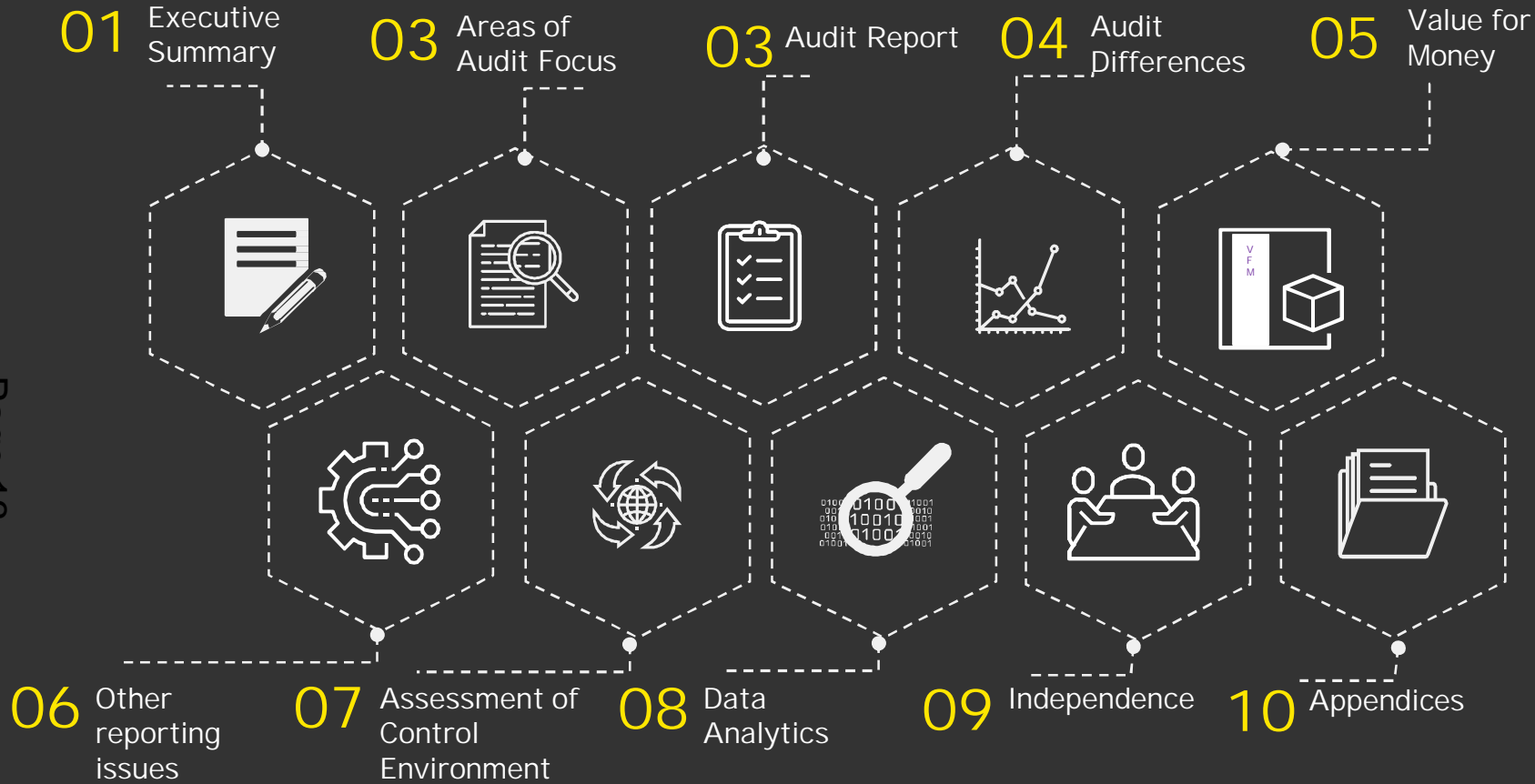
Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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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

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 presented at the 2 March 2020 Standards & 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, with the following exceptions:

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

As set out in our progress report shared with the Committee there were a number of changes to our risk assessment as a result of Covid-19 including:

- Valuation of Property Plant and Equipment - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Authority's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment.
- Disclosures on Going Concern - Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Local Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Authority's actual year end financial position and performance.
- Events after the balance sheet date - We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic may need to be disclosed. The amount of detail required in the disclosure needs to reflect the specific circumstances of the Local Authority and the events that may occur.
- Adoption of IFRS16 - The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. We therefore no longer consider this to be an area of audit focus for 2019/20.

Changes in materiality: In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £2m, with performance materiality, at 75% of overall materiality, of £1.5m, and a threshold for reporting misstatements (nominal amount) of £0.1m. We have considered whether any change to our materiality is required in light of Covid-19. Following this consideration we remain satisfied that the basis for planning materiality, performance materiality and our audit threshold for reporting differences reported to you in our Audit Planning Report remain appropriate.

The basis of our assessment has remained consistent with prior years at 2% of gross expenditure on services.



Executive Summary

Scope update

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19. The continued impact of the Covid-19 pandemic increases the risks to the material accuracy of financial statements and disclosures. To ensure we are providing the right assurances to the Authority and its stakeholders the firm has introduced a rigorous consultation process for all auditor reports to ensure that they include the appropriate narrative.

The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. We have set out the impact on our audit in the notes on page 38.



Executive Summary

Status of the audit

We have substantially completed our audit of HFRA's financial statements for the year ended 31 March 2020 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 Authority's financial statements in the form which appears at Section 4.

The outstanding items are:

- Review of the final version of the financial statements;
- Completion of subsequent events review;
- Receipt of the signed management representation letter
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

We do not expect to issue the audit certificate at the same time as the audit report due to the timing of the Whole of Government Accounts ("WGA") submission and assurance work, the instructions for which have yet to be provided by the NAO.

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Audit differences

We identified 4 audit differences in the draft financial statements which management have decided not to adjust due to materiality. We agree with management that in aggregate these are immaterial and can remain unadjusted. Details can be found in Section 4 Audit Differences.



Executive Summary

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of the Authority's financial statements. 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 "Key Audit Issues" section of this report.

Audit findings and conclusions: Misstatements due to fraud or error

- We have no findings to report to the Standards & Governance Committee

Audit findings and conclusions: PPE valuation

- We have noted an audit difference in respect of indexation of land and buildings not revalued in the year. The proposed misstatement increases the value of assets by £611k. This has not been adjusted by management due to materiality.
- In line with guidance by RICS, internal valuers have included a material uncertainty clause in their valuation report. We have ensured that this is appropriately disclosed in the financial statements.

Audit findings and conclusions: IAS 19 Pension Accounting

We have received the final results of the work performed by the Pension Fund Auditor. Their work notes a difference in the value of pension assets which would decrease the value held by the Authority by £206k. This has not been adjusted by management due to materiality.

We are satisfied that the actuary has taken into consideration the impacts of McCloud and that the impacts of 'Goodwin' would not be material on the Authority.

Audit findings and conclusions: New Accounting Standard

- As noted on page 5, the implementation of IFRS 16 has been deferred to 01 April 2021 and therefore no further procedures are required by EY for 2019/20.

Audit findings and conclusions: Going Concern

- We have concluded our procedures on going concern and suggested amendments to the disclosure in the financial statements which has been processed by management.

Audit findings and conclusions: PBSE

- We have reviewed the disclosures in the Statement of Accounts for HFRA to ensure they sufficiently disclose the impact of COVID-19.



Executive Summary

Areas of audit focus, continued

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 & Governance Committee.

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.

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. In our Audit Planning Report we reported that we had not identified any specific significant risks, this remains unchanged.

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 have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission. However Treasury has extended the reporting timetable for WGA so we may not certify completion of the audit at the same time as issuing the audit opinion.

We have no other matters to report.

Independence

Please refer to Section 10 for our update on Independence.



02 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 authorities, 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 tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- We reviewed accounting estimates for evidence of management bias; and
- We evaluated the business rationale for any significant unusual transactions
- We utilised our data analytics capabilities to assist with our work, including 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.

Our journal testing did not identify any journal entries without a valid business purpose.

We did not identify any other transactions during our audit which appeared unusual or outside the HFRA'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 HFRA'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:

- Considered the competence, capability and objectivity of the organisation's valuer;
- Considered the scope of the valuer's work;
- Ensured L&B assets have been revalued within a 5 year rolling programme as required by the Code;
- Ensured IP has been annually revalued as required by the Code;
- Considered if there are any specific changes to assets that should have been communicated to the valuer;
- Sample tested key inputs used by the valuer when producing valuations;
- Considered the results of the valuer's work;
- Challenged the assumptions used by the valuer by reference to external evidence;
- Tested journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements;
- Tested a sample of assets revalued in year to confirm that the valuation basis is appropriate and the accounting entries are correct; and
- Reviewed assets that are not subject to valuation in 2019/20 to confirm the remaining asset base is not materially misstated.
- Reviewed the disclosures to ensure they adequately disclose the material uncertainty caveat included in the valuers report as a result of COVID-19.

Conclusion: We noted a difference in our analysis of assets not revalued in the year that was above our nominal amount therefore we have recorded as a misstatement. The difference arises due to management performing an indexation exercise as at 01 April 2019. Our view is that this should be done as at the year end date, 31 March 2020. Management have not adjusted as their view is that this adjustment is immaterial.

In all other respects there are no findings to report.



Areas of Audit Focus



Valuation methods applied

What is the risk/area of focus?	What did we do?
<p>Pension Liability Valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council. The Authority must also do similar in respect of the Firefighter Pension Fund.</p> <p>HFRA's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the balance sheets.</p> <p>At 31 March 2020 this totalled £25m. The information disclosed is based on the IAS 19 report issued to HFRA 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.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Liaised with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Hampshire Fire & Rescue Authority; • Assessed the work of the LGPS Pension Fund actuary (AoN Hewitt) and the Firefighter 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 financial statements in relation to IAS19. • Reviewed the adjustments in respect of the McCloud ruling and determined the calculation was reasonable. • Reviewed the assessment by management that the latest rulings in relation to 'Goodwin' are not material to the Authority. <p>Conclusion: Work performed by the auditors of Hampshire Pension Fund noted a difference in value of pension assets held by the Authority. We have therefore raised an audit adjustment to reduce the value of the assets by £206k. Management have chosen not to adjust this difference as it is their view that this is immaterial.</p>



Areas of Audit Focus

What is the risk/area of focus?	What did we do?
<p>Going Concern ISA 570 was revised in September 2019. The revised standard increases the work we are required to perform when assessing whether an entity is a going concern and means UK auditors will follow significantly stronger requirements than those required by current international standards. Whilst the standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, EY have revised current audit procedures, recognising the importance of the forthcoming revisions.</p> <p>Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Local Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Local Authority's actual year end financial position and performance</p>	<p>We:</p> <ul style="list-style-type: none">• Obtained Management's going concern assessment and reviewed for any evidence of bias and consistency with the accounts;• Reviewed the financial modelling and forecasts prepared by the Authority. We considered and tested key assumptions, focusing on the reasonableness of the liquidity forecasts up to a date of 12 months after the signing date of the accounts and opinion. This assessment therefore needed to extend beyond the 2020/21 financial year, and into 2021/22;• Ensured that an appropriate going concern disclosure has been made within the financial statements;• Reviewing HFRA's approach to identifying and disclosing events after the balance sheet date; and• Considering the impact on our audit report and complied with EY consultation requirements. <p>Conclusion: Our work on going concern has concluded and we are satisfied that the disclosure within the financial statements is appropriate to the circumstances of the Authority, and the supporting evidence.</p> <p>We have concluded that there is no impact on our auditor's report.</p>



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

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

Opinion

We have audited the financial statements of the Hampshire Fire and Rescue Authority for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

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

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 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Hampshire Fire and Rescue Authority as at 31 March 2020 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 2019/20.

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 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 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 are independent of the authority in accordance with the ethical requirements for issue.

Other information

The other information comprises the information included in the narrative statement set out on pages 2 to 15, 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.

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



Audit Report

Draft audit report - example only

Our opinion on the financial statements

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, The Hampshire Fire and Rescue Authority, put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- 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

Responsibility of the Director of Chief Finance Officer

As explained more fully in the Statement of the Chief Finance Officer Responsibilities set out on page 17, 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 2019/20, 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



Audit Report

Draft audit report - example only

Our opinion on the financial statements

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 Authority's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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 C&AG in November 2017, as to whether the 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 C&AG 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 2020.

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 Hampshire Fire and Rescue 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 cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Use of our report

This report is made solely to the members of Hampshire Fire and Rescue Authority, as a body, 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



04 Audit Differences



Audit Differences

Summary of unadjusted differences

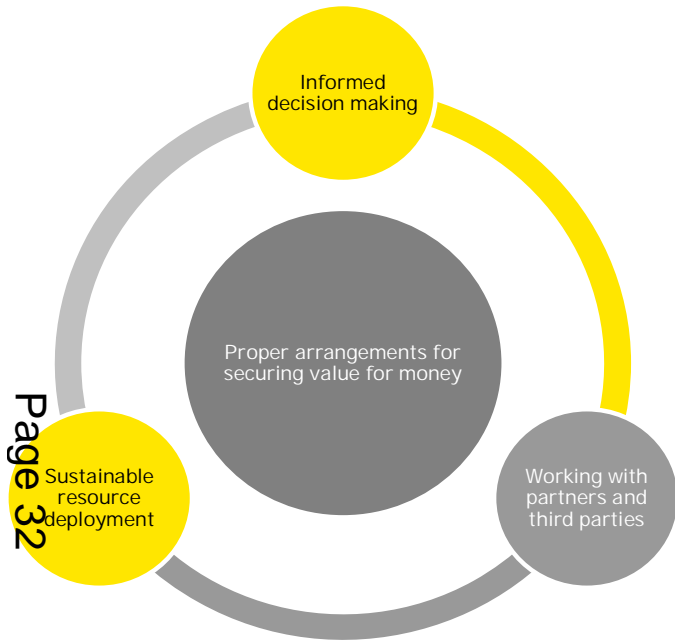
We highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that rationale as to why they are not corrected be considered and approved by the S&G Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2020 (£000)	Effect on the current period:	Balance Sheet (Decrease)/Increase				
	Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)	Equity components Debit/(Credit)
Known differences:						
Council tax income understatement	(374)	374				
• Business rates income overstatement	373	(373)				
• Pension Fund asset overstatement			(206)			206
Judgemental differences:						
• Land & Buildings Valuations – assets not valued in year			611			(611)
Balance sheet totals						
Income effect of uncorrected misstatements (before tax)	(1)	1	405			(405)



05

Value for Money



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Background

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

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

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

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

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

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.

Impact of covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities’ response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor’s attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

Overall conclusion

We did not identify any significant risks around these criteria
We therefore expect to have 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 2019/20 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 2019/20 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 4 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. However, instructions are yet to be received.

Treasury has extended the reporting timetable for WGA so we may not certify completion of the audit at the same time as issuing the audit opinion.

We will report any matters arising to the Standards & Governance Committee.

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 reporting issues

Other matters

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;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Consideration of laws and regulations; and
- Group audits

We have no significant findings to communicate.

Prior year adjustments

In the course of the audit we noted 1 prior year adjustment.

Error 1 (identified by management):

Error in leases disclosure - In preparing for IFRS 16 implementation, management had noted for some leases they had included service costs which under the code they should not have included and these have subsequently been disclosed in the prior year comparatives. With a difference of £11m.

We have suggested amendments to the proposed disclosure to ensure there is sufficient detail for the reader to understand the adjustment. These have been processed by management.



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 has 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. As we have adopted a substantive approach (with some reliance on the ISAE 3402 report on the IBC), we have therefore not tested the operation of any controls.

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.

We considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment or effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention/details of issues noted.



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 2019/20 our use of these analysers in the Authority's 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.

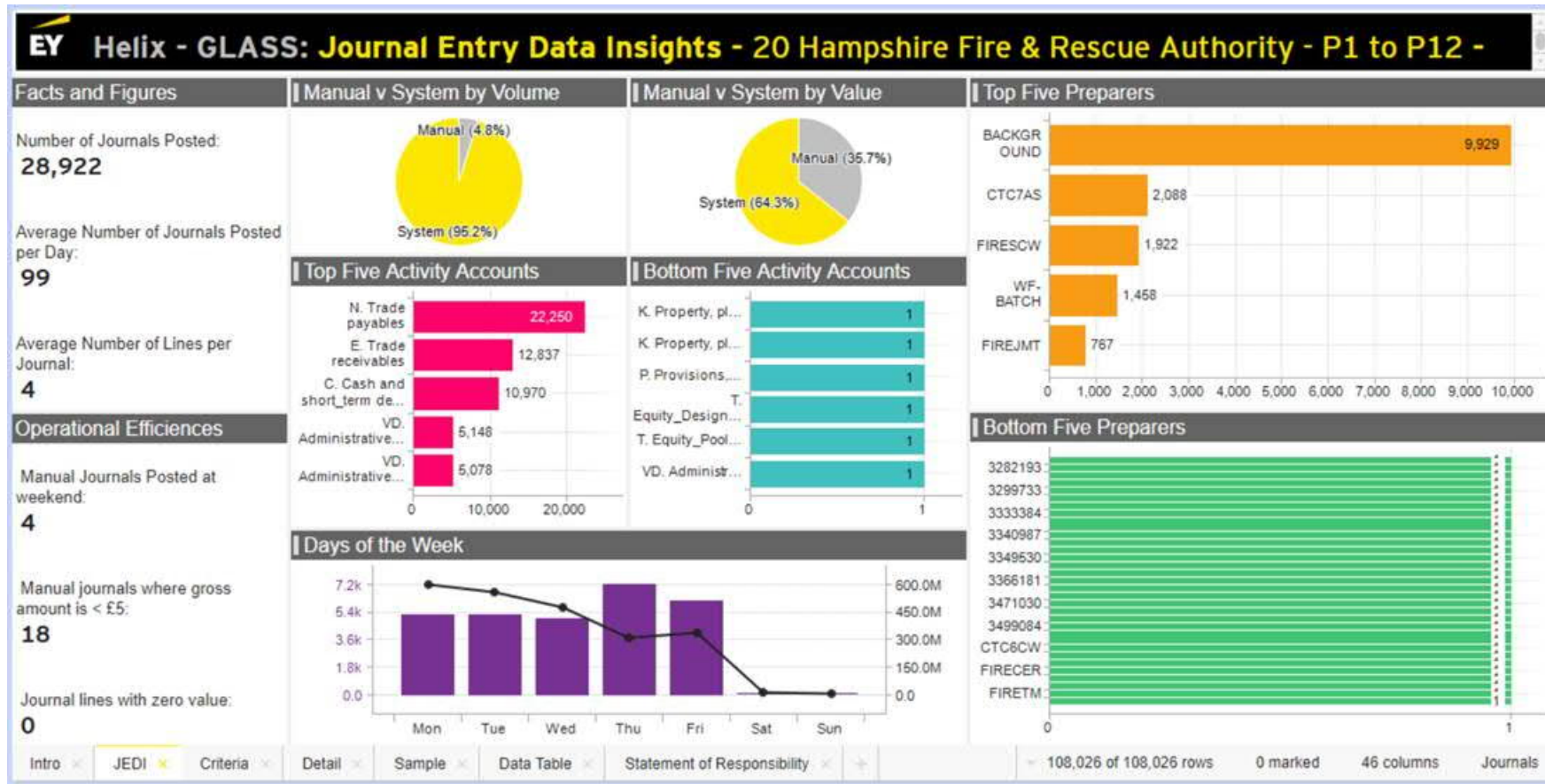


Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2019/20. 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.

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Journal Entry Testing

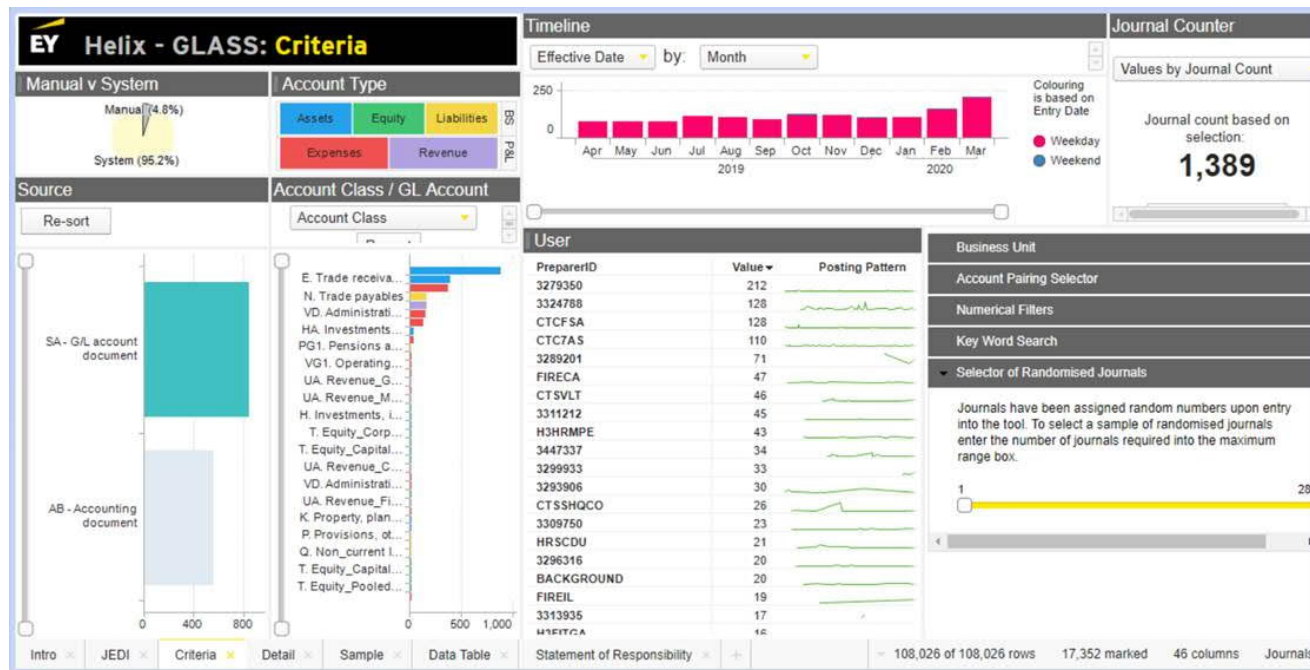
What is the risk?

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.

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.

Journal entry data criteria – 31 March 2020



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.



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09

Independence

Confirmation and analysis of Audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 28 January 2020.

We complied with the APB Ethical Standards. 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 that should be reviewed by both you and ourselves. It is therefore important that you and your Standards & Governance Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Standards & Governance Committee on 30 September 2020.

As part of our reporting on our independence, we set out below a summary of the fees you have paid us in the year ended 31 March 2020.

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Description	Final Fee 2018/19 £	Planned Fee 2019/20 £	Final Fee 2019/20 £
Total Audit Fee – Code work	28,692	27,893	TBC

2019/20 Fees:

We are not yet able to provide a final fee for the 2019/20 audit. This is for two reasons:


- The audit as not fully complete, as noted in the list of outstanding procedures set out on page 7 of this report.
- We have not been able to conclude our fee discussions with PSAA regarding the rebasing of the scale fee, as we have previously with management on 19 May 2020.

The areas in which we have completed additional work and as such we will be proposing a fee variation to the base scale fee are:

- PPE including RICS related material uncertainty related to COVID-19
- Going concern assessment and disclosure
- EY consultation on auditor's report on the statements involving EY professional practice directorate to ensure the auditor's report is appropriate.

Once we have completed the audit will we assess the final fee, discuss with management and provide an update to the Standards & Governance Committee.

Relationships, services and related threats and safeguards



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

There are no relationships from insert start of financial year to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements

An absolute prohibition on contingent fees.

Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.

Permitted services required by law or regulation will not be subject to the 70% fee cap.

Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.

- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

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Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales. We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2019

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf



10

Appendices

Audit approach update

We summarise below our approach to the audit of the balance sheet 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

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Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Trade receivables	We relied on the ISAE 3402 report on the IBC to rely on controls 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	The ISAE 3402 report was commissioned by the IBC for the first time for the year 31 March 2020.
Tangible Fixed Assets	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Trade payables	We relied on the ISAE 3402 report on the IBC to rely on controls 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	The ISAE 3402 report was commissioned by the IBC for the first time for the year 31 March 2020.
Cash, borrowings and investments	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Pension Liability	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change

Appendix B

Summary of communications





Date 	Nature 	Summary 
February 2020	Report	The audit planning report, including confirmation of independence, was issued to the S&G Committee.
March 2020	Meeting	The Associate Partner and Senior Manager met with the S&G Committee and senior members of the management team to discuss the audit planning report.
May 2020	Report	An audit progress report was issued to the S&G Committee
June 2020	Report	The Associate Partner and Senior Manager have met with senior members of the management team to discuss audit progress and the revised timetable for completion.
September 2020	Report	The audit results report, including confirmation of independence, was issued to the S&G Committee.
September 2020	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the S&G committee and senior members of the management team to discuss the audit results report.
November 2020	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the S&G committee and senior members of the management team to discuss the final audit results report.

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.

Appendix C

Required communications with the Standards & Governance Committee

There are certain communications that we must provide to the Audit Committees of UK clients. 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 standards & governance committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies	
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report dated 10 February 2020	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report dated 10 February 2020	
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 	This Audit results report	

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 	<p>This Audit results report</p> <p>No conditions or events were identified, either individually or together to raise any doubt about the HFRA’s ability to continue for the 12 months from the date of our report</p>
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 	<p>This Audit results report</p>
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the S&G committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	<p>Attending S&G Committee – November 2020</p>
Fraud	<ul style="list-style-type: none"> • Enquiries of the S&G 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 S&G Committee responsibility. 	<p>Formal enquiry letter sent and response received from Chair of S&G Committee. and This Audit results report</p>

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 	This Audit results report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>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 dated 10 February 2020 and</p> <p>This Audit results report</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 audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit 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

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	This Audit results report
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 	This Audit results report
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 	This Audit results report
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	This Audit results report
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 dated 10 February 2020 and This Audit results report
Certification work	<ul style="list-style-type: none"> Summary of certification work 	Certification Report

Management representation letter

Management Representation Letter – to be finalised on completion of all outstanding audit procedures

Ernst & Young LLP

Grosvenor House,
Grosvenor Square,
Southampton SO15 2BE,
United Kingdom

This letter of representations is provided in connection with your audit of the financial statements of the Fire and Rescue Authority for the year ended 31 March 2020. 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 2020 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 2019/20.

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 2019/20.
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 2019/20. 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 2019/20, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and therefore we have not corrected these differences.
6. 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 disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Authority (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance

Management representation letter

Management Rep Letter

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 all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic
3. have made available to you all minutes of the meetings of the Hampshire Fire and Rescue Service and Standards & Governance Committee 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 year 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.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate

Management representation letter

Management Rep Letter

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.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 20 to the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. There have been no events subsequent to period end, including events related to the COVID-19 pandemic, 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 Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and in generating the IAS19 pension disclosures 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.

H. 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 CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the significant assumptions used in making valuation of assets and IAS19 disclosure 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, including the effects of the COVID-19 pandemic on the valuation of assets and IAS19 disclosure and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

Management representation letter

Management Rep Letter

I. 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.

Signed on behalf of Hampshire Fire and Rescue Authority

I confirm that this letter has been discussed and agreed by the Standards and Governance Committee

Signed:

Position: Chief Finance Officer

Date:

Signed:



Position: Chairman of the Standards & Governance Committee

Date:

Accounting and regulatory update

Accounting update



Since the date of our last report to the Standards & Governance Committee, a number of new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on HFRA 
IFRS 7/IFRS 9 – Financial Instruments [hedge accounting]	<ul style="list-style-type: none"> Amendments regarding pre-replacement issues in the context of the Interest Rate Benchmark (IBOR) reform 	<ul style="list-style-type: none"> Effective for periods beginning on or after 1 January 2020

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Future accounting developments



Since the date of our last report to the Standards & Governance Committee, there have been a number of exposure drafts, discussion papers and other projects issues. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on HFRA 
IFRS 16	<ul style="list-style-type: none"> The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. 	<ul style="list-style-type: none"> Management should resume impact assessment for year ended 31 March 2021 ahead of adoption on 01 April 2021.

Appendix H

Regulatory update

Since the date of our last report to the Standards & Governance Committee, there have been a number of regulatory developments. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on XYZ plc 
Code of Audit Practice 2020	<ul style="list-style-type: none"> The updated Code of Audit Practice issued by the National Audit Office has introduced some significant changes to the requirements regarding auditors' work on the value for money conclusion, which will be applicable from 2020/21. 	<ul style="list-style-type: none"> The NAO are currently updating the Auditor Guidance Notes which will set out how the new Code of Audit Practice should be applied when carrying out value for money work. As such, the impact remains to be confirmed. Further updates will be provided when possible.
Going Concern - ISA (UK) 570 (Revised September 2019)	<ul style="list-style-type: none"> The standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, however EY expects to early-adopt the revised standard for all of our audits of periods ending on or after 30 June 2020. This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. 	<ul style="list-style-type: none"> Practice Note 10, which sets out how the auditing standards are applied in a public sector context, is currently being revised, including in light of the updated standard for Going Concern. As such, the impact is not clear at this stage. Further updates will be provided when possible.

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.

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ED None

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**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Standards & Governance Committee

Purpose: Noted

Date: 17 November 2020

Title: **INTERNAL AUDIT PROGRESS REPORT 2020/21**

Report of the Chief Internal Auditor

SUMMARY

1. The purpose of this paper is to provide the Standards and Governance Committee with:
 - an overview of internal audit work completed in accordance with the approved audit plans;
 - an overview of the status of 'live' reports;
 - the outcomes of the recent External Quality Assessment of the Southern Internal Audit Partnership.

BACKGROUND

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

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

3. In accordance with proper internal audit practices and the Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to the Standards and Governance Committee, summarising:
 - the status of 'live' internal audit reports;
 - an update on progress against the annual audit plans;
 - a summary of internal audit performance, planning and resourcing issues; and

- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.
4. The report attached at Appendix A summarises the activities of internal audit for the period ending October 2020.

IMPACT OF COVID-19

5. As reported in July 2020, although the challenges presented by Covid-19 have slowed our progress, due in part to the request to delay any reviews impacting on operational staff, we have continued to work remotely. The plan remains under review in our regular liaison meetings with officers to ensure it remains appropriate and relevant and to assess changes that are needed to the timing of reviews or to incorporate new risks areas arising from Covid-19. As a result of these discussions, a focused review of Risk Assessments relating to Covid-19 has been completed, resulting in a substantial assurance opinion.

EXTERNAL QUALITY ASSESSMENT

6. During September 2020, the Institute of Internal Auditors undertook an External Quality Assessment of the Southern Internal Audit Partnership which considered our conformance with the International Professional Practices Framework, Public Sector Internal Audit Standards and the Local Government Application Note. This was a significant undertaking and involved interviews and surveys with a wide range of stakeholders, including Audit Committee Chairs, Chief Executives and S151 Officers from across our Partners and clients, in addition to review of our policies, procedures and practices. The final report from the IIA is attached as Appendix B and concludes that we conform with all aspects of the IPPF, PSIAS and LGAN and have been assessed against their 'internal audit maturity matrix' as:

Excellent in our:

- Reflection of the Standards
- Focus on performance, risk and adding value
- Quality Assurance and Improvement Programme

Good in our:

- Operating with efficiency
- Coordinating and maximising assurance.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

7. The Internal Audit Plan is designed to validate the assurance and control framework which exists in the Authority and across the Service. Secure

management processes including risk and performance management are important in ensuring that the Authority's plans are achieved.

RESOURCE IMPLICATIONS

8. The 2020/21 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.
9. The audit plan will remain fluid to enable us to react to the changing needs of Hampshire Fire and Rescue Authority.

IMPACT ASSESSMENTS

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

LEGAL IMPLICATIONS

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

OPTIONS

12. The options are that the progress in delivering the internal audit plan for 2020/21 and the outcomes to date are noted, or not noted, by Hampshire Fire and Rescue Authority Standards and Governance Committee.

EVALUATION

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

RISK ANALYSIS

14. 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

15. The appendices outline the progress made in delivering the internal audit plan for 2020/21 and the issues arising to date; as well as the outcomes of the recent External Quality Assessment of SIAP.

RECOMMENDATION

16. That the progress in delivering the internal audit plan for 2020/21 and the outcomes to date be noted by Hampshire Fire and Rescue Authority Standards and Governance Committee.
17. That the outcomes of the External Quality Assessment of SIAP, and the assurance that provides over the quality of internal audit work be noted by Hampshire Fire and Rescue Authority Standards and Governance Committee.

APPENDICES ATTACHED

Appendix A: Internal Audit Progress Report 2020/21.

Appendix B: External Quality Assessment (EQA) Report for: Southern Internal Audit Partnership

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

Internal Audit Progress Report

November 2020

**Hampshire Fire and Rescue Authority:
Standards and Governance Committee**

**Southern Internal
Audit Partnership**



Assurance through excellence
and innovation

Contents:

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1. Role of Internal Audit

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

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

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

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

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

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

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

2. Purpose of report

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

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

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

CIPFA have recently released a paper which examined the case for standardising the terminology and definitions used in internal audit engagements across the whole of the public sector and has subsequently recommended a standard set of opinions and supporting definitions for internal audit service providers to use.

To ensure we continue to conform to the best practice principles, we will be adopting the standard definitions for our 2020/21 work and moving forwards. The assurance opinions are categorised as follows:

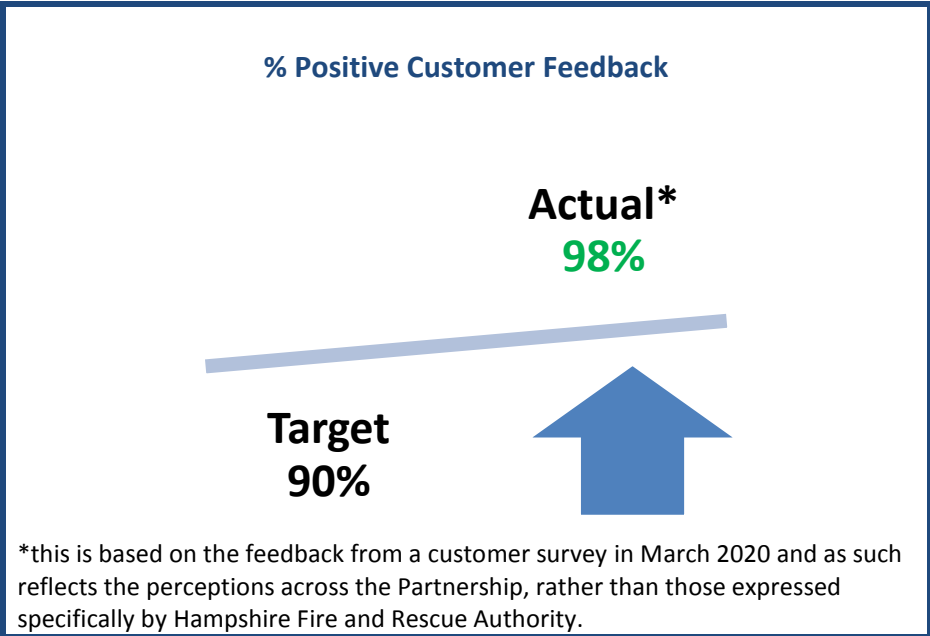
- | | |
|--------------------|--|
| Substantial | A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. |
| Reasonable | There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. |
| Limited | Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited. |

No


Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

** Some reports listed within this progress report (pre 2020-21 audit plan) refer to categorisations used by SIAP prior to adoption of the CIPFA standard definitions, reference is provided at page 14*

3. Performance dashboard



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Compliance with Public Sector Internal Audit Standards / Local Government Application Note	
	<p>An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded: <i>'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance</i></p>

with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

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

Audit Review	Report Date	Audit Owner	Exec Sponsor	Assurance Opinion	Management Actions ('High Priority')				
					Reported	Not Accepted	Pending	Cleared	Overdue
2015/16									
Business Continuity	7.6.16	H of P&P	DCFO	Limited	12 (3)	0 (0)	0 (0)	12 (3)	0 (0)
2018/19									
Pay Claims	16.05.19	H of F	CFO	Limited	17 (0)	0 (0)	0 (0)	13 (0)	4 (0)
2019/20									
Procurement Processes	08.04.20	H of F	CFO	Limited	11 (3)	0 (0)	3 (3)	8 (0)	0 (0)
Academy Training Quality Assurance	08.04.20	H of A&OD	H of P&OD	Limited	26 (6)	0 (0)	3 (0)	23 (6)	0 (0)
IT Business Continuity and Disaster Recovery	26.06.20	H of ICT	D of CS	Adequate	5 (2)	0 (0)	2 (0)	3(2)	0 (0)
2020/21									
Budgetary Control	28.07.20	SFBP	H of F	Reasonable	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)

Audit Review	Report Date	Audit Owner	Exec Sponsor	Assurance Opinion	Management Actions ('High Priority')				
					Reported	Not Accepted	Pending	Cleared	Overdue
Health and Safety Risk Assessments (COVID)	05.10.20	H&SM	DCFO	Substantial	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)

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

No limited or no assurance reports have been issued since our last progress report.

6. Planning & Resourcing

The internal audit plans for 2020/21 were approved by the Hampshire Fire and Rescue Service Executive Group, and the Standards and Governance Committee in March 2020.

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

As reported in July 2020, although the challenges presented by Covid-19 have slowed our progress, due in part to the request to delay any reviews impacting on operational staff, we have continued to work remotely to complete the remaining 2019/20 reviews and commence work on the reviews scheduled for 2020/21. The plan remains under review in our regular liaison meetings with officers to ensure it remains appropriate and relevant and to assess changes that are needed to the timing of reviews or to incorporate new risks areas arising from Covid-19. The impact of delays on our own resources for the remainder of the year also continue to be assessed.

Other than changes to the timing of reviews, there have been two variations into the plan. A focused review of Risk Assessments relating to Covid-19 has been completed and a review of claims against the Local Government Compensation Scheme is about to commence.

7. Rolling Work Programme

Audit Review	Audit Owner	Exec Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⌚ Delay)	Comment
Fire Audit Plan 2019/20 carry forward										
Follow up – general and IT			✓	N/A	✓	✓	05.08.20	N/A		
Shared Services Audit Plan 2019/20 carry forward										
These are Shared Service audits with no direct Hampshire Fire and Rescue Service Audit Owner and Exec Sponsor; however overarching accountability for HFRS Shared Services activity sits with the HFRS Director of Corporate Services and Head of Strategic Relationships										
Governance Arrangements	Shared Services		✓	✓	✓				⌚	Testing complete
IR35	Shared Services		✓	✓	✓	✓	04.09.20	Adequate		
Disclosure and Barring Service	Shared Services		✓	✓	✓	✓	13.08.20	Adequate		
Master Data Team	Shared Services		✓	✓	✓	✓	25.08.20	Adequate		

Audit Review	Audit Owner	Exec Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⌚ Delay)	Comment
Payroll-Pensions Admin	Shared Services		✓	✓	✓				⌚	Close of audit held
Building Term Contract Management	Shared Services		✓	✓	✓	✓	03.09.20	Adequate		
Fire Audit Plan 2020/21										
Health and Safety	H&S M	D of P&P								Q4
Working Time Regulations	HR BP	H of P&OD								Q4
Budgetary Control	SFBP	H of F	✓	✓	✓	✓	28.07.20	Reasonable		
Disaster Recovery and Business Continuity	H of P&P	D of P&P								Q3
Local Management of Shared Service Processes	SRM	D of CS	✓						⌚	Deferred from 19/20

Audit Review	Audit Owner	Exec Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule R Delay)	Comment
Health and Safety Risk Assessments (COVID)	H&S M	DCFO	✓	✓	✓	✓	05.10.20	Substantial		
Local Government Compensation Scheme										Variation into the plan
Assurance of the competence of operational response capability	H of A&OD	D of O								Planned for Q1 Delayed to Q4 due to Covid
Proactive fraud work		D of P&A								Delivery of general fraud awareness training has been agreed. Delivery scheduled for late Q3 and into Q4.
NFI		D of P&A								Q3

Audit Review	Audit Owner	Exec Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ↻ Delay)	Comment
ICT Policy & Procedures	H of ICT	D of CS	✓	✓	✓					
ICT Contract Management	H of ICT	D of CS								Q3 scoping Oct
ICT Strategy Follow-Up	H of ICT	D of CS								Q3 scoping Oct
Shared Services Audit Plan 2020/21	These are Shared Service audits with no direct Hampshire Fire and Rescue Service Audit Owner and Exec Sponsor; however overarching accountability for HFRS Shared Services activity sits with the HFRS Director of Corporate Services and Head of Strategic Relationships									
Governance Arrangements	Shared Services		✓	✓	✓					Q2 – delayed due to delay in 19/20 review
Casual Staff	Shared Services									Q3
Recruitment - Success Factors	Shared services									Q4
Pre-Employment Checks	Shared Services		✓							Q3
Good Work Plan	Shared Services									Q3

Audit Review	Audit Owner	Exec Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule R Delay)	Comment
Occupational Health – Information Management	Shared Services		✓							Q3. Scoped and moved to Q4
Procurement (General)	Shared Services									Q4

Assurance opinions and definitions used by SIAP prior to adoption of the CIPFA standard definitions (Prior to 2020/21)

- Substantial** A sound framework of internal control is in place and 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
- No** Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives.

Key to abbreviations:	
CFO	Chief Fire Officer
DCFO	Deputy Chief Fire Officer
H of F	Head of Finance
D of CS	Director of Corporate Services
D of P&P	Director of Policy and Planning
H&S M	Health and Safety Manager
H of P&OD	Head of People and Organisational Development
HR BP	HR Business Partner
D of P&A	Director of Performance and Assurance
D of O	Director of Operations
H of P	Head of Performance
H of ICT	Head of ICT
H&S Mgr	Health and Safety Manager
H of P&P	Head of Policy & Planning
SFBP	Senior Finance Business Partner
SRM	Strategic Relationship Manager
H of A & OD	Head of Academy and Organisational Development
N/A	Not applicable

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Setting the standards **together**



Chartered Institute of
Internal Auditors

External Quality Assessment (EQA)

Report for:

Southern Internal Audit Partnership

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**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Prepared by John Chesshire, Bethan Jones
and Liz Sandwith
approved reviewers for
The Chartered Institute of Internal Auditors
14 September 2020

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1.1 Background and Scope

The internal audit service provided by Southern Internal Audit Partnership (SIAP) delivers internal audit services to one strategic Partner (Hampshire County Council), 17 key stakeholder partners (including county, district, borough and city councils, police, fire and rescue and related bodies) and 10 external clients.

The Head of Partnership (supported by the Assistant Head) and two Deputy Heads fulfil the Chief Internal Auditor (CIA) roles for their respective client portfolios. They report functionally to Audit Committees in the partner and client organisations. In addition, the Head of Partnership reports strategically to the Key Stakeholder Board.

SIAP seeks to bring together the professional discipline of internal audit across partnering organisations, pooling expertise and enabling a flexible, responsive and resilient service to our partner and client portfolio. To help achieve this, SIAP follows the IIA's Mission for internal auditing and the International Professional Practices Framework (IPPF) and the Public Sector Internal Audit Standards (PSIAS).

The Chartered Institute of Internal Auditors previously undertook an external quality assessment (EQA) of SIAP in 2015. We are delighted that SIAP commissioned us to undertake this current EQA once again.

Our review included a thorough validation of the SIAP's self-assessment, a significant number of interviews with key stakeholders across the partner and client organisations, SIAP team members, as well as an extensive customer survey.

Given the pandemic, we conducted this EQA remotely.

1.2 Key Achievements

SIAP is an established and effective internal audit service, valued by key stakeholders in its partner and client organisations.

The governance framework over SIAP is mature, with a well-established Key Stakeholder Board and Audit Committee oversight, regular meetings, reporting and performance monitoring.

A very experienced Head of Partnership leads the SIAP team, supported by three senior managers. Engagement with key stakeholders is regular and effective, with the Head of Partnership viewed as a trusted, independent and respected leader.

SIAP team members have diverse professional backgrounds, qualifications, experience and skills, making them a flexible and effective service. They can tackle a wide range of assurance, consulting and investigatory challenges. The team also contains IT audit and counter fraud specialists. The Head of Partnership could procure additional external support if needed through a budget for co-sourcing. SIAP operates a matrix management approach to team operation and deployment.

Our stakeholder survey results were also positive. Individual comments were very supportive, with very few areas for improvement identified. We also received positive responses to our questions from the key stakeholders we interviewed. Individuals particularly welcomed the SIAP team's overall professionalism, objectivity, engagement, planning and reporting. Suggested areas for improvement were minimal.

The team's Audit Charter is comprehensive, up to date and supported by an appropriate internal audit methodology. The team have developed and delivered annual risk-based audit plans for each of their clients and are moving to a more flexible quarterly

approach. Key stakeholders are actively engaged in the design of these plans. The SIAP team document progress and the Head of Partnership and senior colleagues report on this at regular Audit Committee meetings.

SIAP managers actively monitor performance, the Head of Partnership measures and reports on a small number of KPIs, and a thorough, documented Quality Assurance and Improvement Programme is in place. The team make good use of MKI audit management software. They are also making progress on implementing a more data analytics-driven approach to some internal audit engagements but acknowledge that they need to undertake more work in this area.

We believe that the supporting operational SIAP team processes, documentation and associated templates are fit for purpose. SIAP managers have detailed these in a variety of key documents.

Our file reviews showed appropriate compliance with the team's methodology and evidence of appropriate scope, objectives, testing, evidence, supervision and review.

1.3 EQA Assessment Conclusion

We are pleased to report that the SIAP team meet each of the Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the Public Sector Internal Audit Standards (PSIAS) and the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing.

To summarise, we are delighted to report that the SIAP team are excellent in their:

- Reflection of the Standards
- Focus on performance, risk and adding value
- Quality Assurance and Improvement Programme

We believe that the SIAP team are good in their:

- Operating with efficiency
- Coordinating and maximising assurance

In conclusion, this is an excellent result and the Head of Partnership and SIAP team should be justifiably proud of their service, its approach, working practices and how key stakeholders' value it.

It is therefore appropriate for the function to say in reports and other literature 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'.

1.4 Conformance Opinion

The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards.

There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles.

It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. This is summarised in the table below.

Summary of Conformance	Standards	Generally Conforms	Partially Conforms	Does not conform	Not relevant	Total
Definition of IA and Code of Ethics	Rules of conduct	12				12
Purpose	1000 - 1130	8				8
Proficiency and Due Professional Care (People)	1200 - 1230	4				4
Quality Assurance and Improvement Programme	1300 - 1322	7				7
Managing the Internal Audit Activity	2000 - 2130	12				12
Performance and Delivery	2200 - 2600	21				21
Total		64				64

As a result, we make no formal recommendations for improvement.

We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.

The Chartered Institute regards conformance to the IPPF as the foundation for effective internal audit practice. However, our EQA reviews also seek feedback from key stakeholders and we benchmark each function against the diversity of professional practice seen on our EQA reviews and other interviews with heads of internal audit, summarised in an internal audit maturity matrix.

We then interpret our findings into suggestions for further development based upon the wide range of guidance published by the Chartered Institute.

It is our aim to offer advice and a degree of challenge to help internal audit activities continue their journey towards best practice and excellence.

In the following pages we present this advice in three formats:

- A SWOT analysis to recognise the accomplishments of the team and to highlight potential threats and opportunities for development. [\(See 2.1\)](#)
- A matrix describing the key criteria of effective internal audit, highlighting the level SIAP has achieved and the potential for further development, recognising that effective internal audit goes further than purely conformance with internal auditing standards. [\(See 2.2\)](#)
- A series of improvement opportunities and suggestions which the internal audit team could use as a basis for an action plan. [\(See 2.3\)](#)

2.1 SWOT Analysis

What works well (Strengths)

- An experienced, diverse and professional team, with a broad mix of qualifications, backgrounds and specialisms, including IT and counter fraud
- The Head of Partnership is well-respected, independent, confident and knowledgeable
- Move to quarterly planning demonstrates greater agility and responsiveness to a volatile, changing environment
- Very positive staff and stakeholder survey results
- The 'added value' section in the internal audit reports usefully highlights good practice and improvement opportunities
- Training and Development Plan developed, particularly in response to recruitment and expansion. Well-received training sessions delivered at the start of the pandemic
- SIAP governance is clearly documented (Charters, Plans, Audit Methodology and flowcharts, the QAIP etc.) and the audit methodology, including action follow up, works well
- Client relationship management - effective relationships with key stakeholders, both councillors and officers
- Stakeholders value the sharing of best practice and emerging issues across the sector and between organisations

What could be done better (Weaknesses)

- Lengthy elapsed time for some internal audit engagements

What could deliver further value (Opportunities)

- Virtual/remote working 'lessons learned' and implementation, coupled with a more agile-focused mindset
- Progressing the implementation of enhanced data analytics would enable more comprehensive testing and reliable, insightful conclusions and reporting
- MKI Upgrades likely to enhance functionality and improve the internal audit methodology and working practices, potentially including automated action tracking and reviewer sign off
- Further emphasis on assurance mapping, coupled with placing reliance on assurance providers in the second line
- Continue with the ongoing development of quarterly planning enabling new business areas, emerging areas of risk and changing business processes are adequately
- Increasing visibility and awareness of SIAP by an appropriate presence on each partner website and/or intranet site
- Increased sharing of lessons, benchmarking and good practice would demonstrate further added value
- The Staff Survey highlighted some desire for improved intra-team communications and better celebration of success. Communication of successes from internal audit engagements could be motivational and help embed lessons and good practices across the wider SIAP service
- Rotating managers more frequently between clients can ensure fresh perspectives and help avoid over-familiarity

What could stand in your way (Threats)

- Partner and client funding cuts would threaten internal audit delivery, resourcing, resilience and the ability of the Head of SIAP to provide evidence-based annual opinions
- Client data quality may limit the opportunity to benefit from enhanced data analytics
- Second line functions may need to mature more fully. Unless this happens, the SIAP team will be unable to place further reliance on them, or coordinate their work more effectively, with them
- Excessive staff turnover and unfilled vacancies, could threaten service delivery
- A potential second wave of COVID could impact service delivery - not everything can be audited remotely - and threaten the ability of the CIA to deliver an annual opinion

2.2 Internal Audit Maturity Matrix

Assessment	IIA standards	Focus on performance, risk and adding value.	Coordination and maximising assurance	Operating with efficiency	Quality Assurance and Improvement Programme
Excellent	Outstanding reflection of the IIA standards, in terms of logic, flow and spirit. Generally Conforms in all areas.	IA alignment to the organisation's objectives, risks and change. IA has a high profile, is listened to and is respected for its assessment, advice and insight.	IA is fully independent and is recognised by all as the 3rd line. The work of assurance providers is coordinated with IA reviewing reliability of.	Assignments are project managed to time and budget using tools/techniques for delivery. IA reports are clear, concise and produced promptly.	Ongoing efforts by IA team to enhance quality through continuous improvement. QA&IP plan is shared with, and approved by, AC.
Good	The IIA Standards are fully integrated into the methodology – mainly Generally Conforms.	Clear links between IA engagement objectives to risks and critical success factors, with some acknowledgement of the value-added dimension.	Coordination is planned at a high-level around key risks. IA has established formal relationships with regular review of reliability.	Audit engagements are controlled and reviewed while in progress. Reporting is refined regularly, linking opinions to key risks.	Quality is regarded highly, includes lessons learnt, scorecard measures and customer feedback with results shared with AC.
Satisfactory	Most of the IIA Standards are found in the methodology, with scope to increase conformance from Partially to Generally Conform in some areas.	Methodology requires the purpose of IA engagements to be linked to objectives and risks. IA provides advice and is involved in change, but criteria and role require clarity.	The 3 lines model is regarded as important. Planning of coordination is active and IA has developed better working relationships with some review of reliability.	Methodology recognises the need to manage engagement efficiency and timeliness, but further consistency is needed. Reports are informative and valued.	Clear evidence of timely QA in assignments with learning points and coaching. Customer feedback is evident. Wider QA&IP may need formalising.
Needs improvement	Gaps in the methodology with a combination of Non-conformances and Partial Conformances to the IIA Standards.	Some connections to the organisation's objectives and risks, but IA engagements are mainly cyclical and prone to change at management request.	The need to coordinate assurance is recognised but progress is slow. Some informal coordination occurs but reviewing reliability may be resisted.	Multiple guides that are slightly out of date and form a consistent and coherent whole. Engagements go beyond deadline and a number are deferred.	QC not consistently embedded across the function. QA is limited / late or does not address root causes.
Poor	No reference to the IIA Standards, with significant levels of non-conformance.	No relationship between IA engagements and the organisation's objectives, risks and performance. Many audits are ad hoc.	IA performs its role in an isolated way. There is a feeling of audit overload, with confusion about what various auditors do.	Lack of a defined methodology with inconsistent results. Reports are usually late with little perceived value.	No evidence of ownership of quality by the IA team.

2.3 Improvement Opportunities

This section of the report details additional feedback and observations which, if addressed, could strengthen the impact of Internal Audit. These observations are not conformance points but support Internal Audit's ongoing development.

These suggestions do not require a response; they will not form part of any subsequent follow up if undertaken.

Opportunity A

Elapsed time on internal audit engagements - there is a long, elapsed time from start to finish for some of the engagements carried out across the partner organisations. There is no single reason for this, but SIAP economy, efficiency and effectiveness would be improved if elapsed time was reduced. The Head of Partnership and the SMT have recognised this as an area for improvement and will explore more agile ways of working and assess good practices employed across the SIAP team to help reduce this.

Suggestion: We believe that the Head of Partnership and the SMT could usefully revisit SIAP engagement delivery to better assess the root causes of delays, and pilot solutions. Potential solutions may certainly include employing a more agile 'site audit' approach and mindset on some engagements, deploying task-based teams on specific engagements (rather than solo personnel), closer engagement with the audit client to ensure availability for short duration intense engagements, or undertaking additional identical audits using the same team members across several partner organisations, to increase pace and efficiency. We support the intention to focus on improving this area.

Opportunity B

Data Analytics - the SIAP team have begun to employ data analytics in relevant assurance engagements but have been hampered by poor quality data in some areas to date. The Head of Partnership and the SMT want to expand the use of data analytics and recognise the benefits this will bring the service.

Suggestion: We believe that the Head of Partnership and the SMT should consider how best to increase and embed the use of data analytics more rapidly across SIAP to enhance the depth and breadth of assurances provided. Some leading internal audit teams have moved to a methodology position of having to justify why data analytics should not be employed on an engagement. The expectation is that use of data analytics is the default position for every engagement. Other internal audit teams have developed a strategy covering a roadmap to roll out and embed a data analytics capability and mindset over a three-year horizon.

Opportunity C

Audit Management Software - The SIAP team are currently awaiting further enhancements to their MKI software application.

Suggestion: We believe that team efficiency could be further enhanced if they requested an upgrade to the way in which evidencing management review of audit work occurs, perhaps through working paper 'date stamp' functionality. We found the current review process to be cumbersome and time-consuming. Additionally, to further ongoing initiatives to automate the action tracking process, seek to enable the system to automatically email action owners at regular intervals. This would also enhance team efficiency and reduce the need for manual intervention.

Opportunity D

Remote working and the future - what the internal audit working environment of the future will look like is unclear. The extent to which a mixed economy of office and remote working is here to stay is uncertain. However, the SIAP team have responded well to pandemic-driven changes, and a comment in the recent staff survey highlights that "in terms of flexible working, the strategy is being completed collaboratively in consultation with staff". Whatever happens, pressure on the SIAP's key stakeholders, managers and staff is likely to increase, available time will decrease and this may challenge aspects of the internal audit process and relationships.

Suggestion: We believe that the Head of Partnership and the SMT could usefully undertake a lessons learned review of what has worked well over the last six months, where improvements are required, what the key 'ways of working' learning points are and how the SIAP approach, ethos and methodology may need to adapt to ensure continued stakeholder buy-in, effective relations, the acceptance of the need for internal audit engagements and the timely implementation of any ensuing actions, in a changed and challenging environment.

Opportunity E

Coordination and reliance on other assurance providers - further emphasis on assurance mapping, coupled with placing reliance on assurance providers in the second line (where it is right to do so) may increase the effectiveness of assurances to senior management and the audit committee(s).

Suggestion: We believe that the Head of Partnership should continue to develop a robust, reliable and value-adding approach to assurance mapping and reliance, to enhance efficiency and effectiveness.

Opportunity F

Periodic Planning - the move to a more flexible and responsive quarterly planning, engagement allocation and delivery model is a welcome development and appropriate for the current volatile and changing environment.

Suggestion: We support the Head of Partnership in continuing to ensure that new business teams, innovative or revised services, emerging areas of risk and changing partner and client governance, strategies and delivery models are adequately covered in the SIAP risk assessment and reflected in these quarterly internal audit plans. This will help ensure the team remain insightful, proactive, and future-focused, providing professional assurance over new and emerging areas of organisational risk. Continued oversight of evolving areas of internal audit practice from research, networking and professional events will assist this approach.

The following rating scale has been used in this report:

Generally Conforms (GC)	<p>The reviewer has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.</p>
Partially Conforms (PC)	<p>The reviewer has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.</p>
Does Not Conform (DNC)	<p>The reviewer has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. They may also represent significant opportunities for improvement, including actions by senior management or the board.</p>

Often, the most difficult evaluation is the distinction between general and partial. It is a judgement call keeping in mind the definition of general conformance above. The reviewer must determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices does not reduce a "generally conforms" rating

Stakeholder Interviews

We interviewed the following individuals as part of the review. We also sent out stakeholder surveys to 38 senior managers and Audit Committee members across the partner organisations. We are pleased to have received 19 completed survey responses from the 38 requests. We have shared the anonymised survey results with the Head of Partnership.

Stakeholders	Title / position	Internal Audit team	Title / position
Cllr Nigel Dennis	Chair Regulation, Audit and Accounts Committee, West Sussex County Council	Neil Pitman	Head of Partnership
Gill Kneller	Chief Executive, Havant Borough Council and East Hampshire District Council	Karen Shaw	Deputy Head of SIAP
Cllr Margot Power	Chair Audit Committee, Winchester City Council	Nat Jerams	Assistant Head of SIAP
Katharine Eberhart	Director Finance and Support Services, West Sussex County Council	Ant Harvey	Deputy Head of SIAP
Melvyn Neate	Chair, Hampshire Joint Audit Committee	Abbas Alimohamed	Auditor
Nick Gray	Deputy Chief Executive and S151 Officer, Mole Valley District Council	Chris Benn	Senior Auditor
Cllr Allan O'Sullivan	Chair Audit Committee, New Forest District Council	Bev Davies	Audit Manager
Carolyn Williamson	Director of Resources and Deputy Chief Executive (S151), Hampshire County Council		
Paul Burden	Chair, Sussex Joint Audit Committee		

Lydia Morrison	S151 Officer, Havant Borough Council and East Hampshire District Council
John Coughlan	Chief Executive, Hampshire County Council
Cllr Keith Evans	Chair Audit Committee, Hampshire County Council
Richard Croucher	Chief Finance Officer, Hampshire Constabulary and Deputy Chief Finance Officer Hampshire Fire and Rescue Authority
Pat Main	S151 Officer, Reigate and Banstead Borough Council
Bob Jackson	Chief Executive, New Forest District Council
Elaine Jackson	Acting Chief Executive, Tandridge District Council
Cllr Briggs	Chair of Governance, Audit and Finance Board, Havant Borough Council
Lisa Kirkman	Strategic Director Resources, Winchester City Council

Acknowledgement

We would like to thank the SIAP team for their time, assistance and support during this review and all those who took part in the review for their co-operation together with their open and honest views.

Feedback from stakeholder interviews and surveys

Working with the business

“The service is very proactive and accessible. They keep me regularly informed of progress and any issues they have”. Stakeholder Survey feedback.

“The SIAP team have a very good relationship with the senior management team - this makes life so much easier when issues arise”. Stakeholder interview.

“The team are proactive and responsive”. Stakeholder interview.

“Those being audited feel that SIAP are undertaking the audit ‘with’ them not ‘to’ them”. Stakeholder interview.

Communication

“Their reports are about right – clear, straightforward and an appropriate length”. Stakeholder interview.

“The team are exceptionally professional, and sensitive, and have developed confidence in the staff, which ensures the accuracy of the audit is underpinned”. Stakeholder Survey feedback.

“They deliver good, professional presentations to the Executive Board”. Stakeholder interview.

“It is very apparent in Audit Committee meetings that Neil is a very independent voice”. Stakeholder interview.

“SIAP engagement reports are short, sharp and to the point”. Stakeholder interview.

“The SIAP lead is knowledgeable, experienced and briefs the committee clearly and constructively”. Stakeholder interview.

Internal audit plans and coverage

“We collectively put together the programme of internal audits and it’s a really useful management tool for us”. Stakeholder interview.

“If we have any cause for alarm, they are very responsive and will do deep dives where necessary”. Stakeholder interview.

“We get sufficient input to internal audit plans and certainly have the opportunity to ask for work”. Stakeholder interview.

“The Audit Committee is fully consulted in developing the plan and has good sight of its evolution and delivery through regular progress reports”. Stakeholder interview.

Value

“We genuinely value the service.” Stakeholder interview.

“I like the fact that they see what is happening in other organisations and share what other local authorities are doing.” Stakeholder interview.

“The staff are all very professional, approachable and are always looking for solutions to issues they come across. This gives me confidence”. Stakeholder Survey feedback.

“The SIAP team work well. I’m very happy. They represent value for money and deliver a good service.” Stakeholder interview.

“I can honestly say SIAP are the best Internal Audit provider I have ever come across.” Stakeholder interview.

“I am happy that the team do try to focus on providing added value at all times”. Stakeholder Survey feedback.

Disclaimer: This review was undertaken in September 2020 by John Chesshire, Bethan Jones and Liz Sandwith on behalf of the Chartered Institute of Internal Auditors. This report provides management and the SIAP Audit Committees with information about Internal Audit as of that date. Future changes in environmental factors and actions taken to address recommendations may have an impact upon the operation of Internal Audit in a manner that this report cannot anticipate.

Considerable professional judgment is involved in evaluating. Accordingly, it should be recognised that others could draw different conclusions. We have not re-performed the work of Internal Audit or aimed to verify their conclusions. This report is provided on the basis that it is for your information only and that it will not be quoted or referred to, in whole or part, without the prior written consent of the Chartered Institute of Internal Auditors.

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**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Standards and Governance Committee

Purpose: Noted

Date: 17 November 2020

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

Report of Chief Fire Officer

SUMMARY

1. The purpose of this paper is to provide the latest update on the management actions that have not been completed within their target date and their status. The Standards and Governance Committee has a key scrutiny role in monitoring the implementation of internal actions.

BACKGROUND

2. The HFRS Organisational Assurance team maintains a record of audits against the current Internal Audit Plan, noting whether they are in progress or have been completed. The respective managers are responsible for the delivery of actions that fall within their areas of responsibility.
3. Once a final audit report has been issued, the agreed management actions are recorded along with:
 - the priority of the recommendation;
 - the target date for implementation; and
 - the person responsible for the action.
4. The Organisational Assurance team will ask for confirmation and evidence that an action has been implemented, or if not, when it is expected to be. Any management actions that continue to remain outstanding are referred to the relevant Director. Our internal Integrated Performance and Assurance Board (IPAB) also provides an overview of outstanding recommendations, and they are also monitored regularly by the Director of Performance & Assurance and the Head of Performance.

MANAGEMENT ACTIONS

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

Internal Audit Management Actions			
Proactive Pay Claims			
The intention is to remove the ability to submit paper claims in future. Initially the Resource Management Team (RMT) will handle the processing of all allowance changes.	December 2019 date revised to September 2020 – proposed revision to late 2021 in line with Availability project.	M	HFRS are implementing a new availability and training software solution. It is intended that this will remove much of the existing manual processing of claims. This is being considered along with the changes already agreed. The new Availability & Training solution is not expected to go live before late 2021.
Intention is to either remove the "miscellaneous payment" wage type for HFRS personnel or, as a minimum, limit it substantially to prevent potential misuse.	June 2019 date revised to April 2021	M	This has been impacted by the work around wage types in preparation for the new CFA in April 2021, with a decision taken that it is more efficient to update wage types once (in preparation for CFA).
It is intended that managers will be given guidance and instruction to regularly monitor and review allowances in payment for their teams. Managers will be expected to carry out regular checks and if payment errors are subsequently identified then both the individual affected and their line manager may be subject to disciplinary action.	September 2019 date revised to April 2021	M	The IBC and HFRS teams are working on the agreed changes needed to the existing HFRS wage types. This work is targeted for completion before the end of 2020/21, ready for the CFA go-live on 1 st April 2021. This will be implemented on 1 st April 2021 and monitored throughout 2021/22 with corrective action taken against individual firefighters on an ongoing monthly basis.
As a one-off exercise all managers and HFRS personnel will be required to certify that all allowances in payment are correct or flag up those that they believe may be	March 2020 date revised to	M	The new SAP configuration of allowances that is currently under development with HCC IT and is due to be placed into production in time for the CFA go-live on 1 April 2021. Once we have HCC IT

incorrect for appropriate corrective action.	August 2021	confirmation that the SAP IT changes will be enabled we will formally issue the new Allowances Handbook that will contain details of the wage types and eligibility criteria for all allowances. Subsequently, by August 2021, this one-off exercise will be carried out.
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BUSINESS CONTINUITY

6. A recent internal audit position statement concluded that once fully embedded across HFRS, the business continuity framework will provide a robust control framework and address the risks identified in the previous audit. Furthermore, a more comprehensive internal audit in this area is planned for Q3 2020/21.
7. The current COVID-19 situation has demonstrated our strong business continuity response in various areas – both externally (e.g. feeding into the Local Resilience Forum and leading on various cells/workstreams, such as for logistics and business continuity, in support of the Strategic Coordination and Tactical Coordination Groups; and hosting the Strategic Coordination Centre) and internally (enacting business continuity plans and resilience activity, enabling us to operate and maintain our core statutory functions, despite the need to work remotely and as a result of effective implementation of our pandemic and departmental business continuity arrangements).
8. The Business Continuity Policy and Procedure have been utilised throughout the Covid-19 response alongside the HFRS Health and Pandemic Plan; and we have implemented a department reporting process (into our Pandemic Coordination Group), whereby each department completes a regular business continuity report on delivery of critical services, supply chain issues and resumption of service activity in relation to Covid-19.
9. We have produced an interactive BC Package on Moodle that includes training on how to complete a Business Impact Assessment and produce a Business Continuity Plan, an overview of the different plans we have in place, exercising requirements and a number of case studies including the Covid-19 response with timeline. This is now ready to go live.
10. Furthermore, we have plans to develop those department BC champions and assist departments and stations in the development of their BC Plans incorporating the significant learning. A full day training package is being developed to support these BC Champions. A full review of risk specific plans is also underway.

MANAGEMENT COMMENTARY

11. Despite the ongoing challenges of COVID-19, we continue to make progress in various ways: in terms of progressing and completing internal audit management actions; in the progress of the 2020/21 internal audit plan; and in our risk-based planning for the 2021/22 audit planning. 2021/22 audit planning is taking into account the Isle of Wight Fire and Rescue Service and the work associated with the new Combined Fire Authority.
12. The recently commissioned 2020/21 internal audit focused on COVID-19 Health and Safety risk assessments is a particular example of our risk-based approach to audit planning (and assurance more widely). While this review was focused on Health and Safety, a wide range of information was collected from various teams across the Service, in order to provide a robust assessment. This audit concluded that we have 'substantial' assurance in place meaning that a sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives. The report highlighted various examples of good practice (including around governance, reporting, risk management, risk assessments and our capability), and there were no management actions for the Service.
13. Furthermore, we have made significant progress in reducing the number of open management actions (including those of high, medium and low priority), from 38 in July 2020 to 10 as at October 2020. This demonstrates our clear improvement in responding to internal audit management actions.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

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

COLLABORATION

15. The Southern Internal Audit Partnership provide internal audit on behalf of all partners within Shared Services and many other public service organisations.
16. The MoU agreed in 2019 outlines how HFRS and SIAP will work together effectively.

RESOURCE IMPLICATIONS

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

IMPACT ASSESSMENTS

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

LEGAL IMPLICATIONS

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

OPTIONS

21. The options for the Committee are to note, or not note, that, despite the impact of COVID-19, significant progress continues to be made towards the implementation of the internal audit management actions.

RISK ANALYSIS

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

EVALUATION

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

CONCLUSION

24. Significant progress continues to be made to complete the management actions from previous audits and current. Management actions will be undertaken in respect of the specific audits themselves and more widely in respect of internal control issues and how they are managed across the Service. As outlined in the MoU, management actions are owned by an Executive Sponsor and a COG lead, who work with their teams to ensure progress is made.

RECOMMENDATION

25. That the Standards and Governance Committee notes that, despite the impact of COVID-19, significant progress continues to be made towards the implementation of the internal audit management actions.
26. That the Standards and Governance Committee specifically notes the positive findings of SIAP's Covid Health and Safety Risk Assessments audit.

Contact:

Shantha Dickinson, Assistant Chief Fire Officer,
Shantha.dickinson@hantsfire.gov.uk, 07918887986



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Standards and Governance Committee

Purpose: Approval

Date: **17 November 2020**

Title: **ORGANISATIONAL RISK REGISTER**

Report of Chief Fire Officer

SUMMARY

1. Following the paper and recommendations on the Organisational Risk Register that went to the full Authority on 3 June 2020, this paper is the inaugural 6 monthly report to the Committee on the status of our Organisational Risk Register (Appendix A) that delivers upon the service risk management approach, as set out within the Risk Management Policy agreed by HFRA on 19 February 2020.
2. To embed and strengthen our risk management governance, this report provides the opportunity for scrutiny and assurance of the Organisational Risk Register, via delegated authority to the Standards and Governance Committee.
3. The Organisational Risk Register is part of the governance of the Hampshire and Isle of Wight Fire and Rescue Services' Safety Plan, to continually manage those strategic risks and emerging threats to our ability to deliver against our priorities.

BACKGROUND

4. The Organisational Risk Register was introduced as part of the revised Risk Management Framework. In developing the new risk register, previous Strategic Risk Register risks were reviewed and transferred as necessary. Both the previous Strategic Risk Register and the new Organisational Risk Register were presented to HFRA on 3 June 2020, where a decision was made for the Standards & Governance Committee to provide scrutiny and assurance of the Organisational Risk Register on an ongoing basis.
5. This risk management approach enables the integration of our external risks and our internal risks through the Hampshire and Isle of Wight Fire and Rescue Service Safety Plan, therefore ensuring our risk management culture is far more proactive.

6. Within the Risk Management Policy, it is stated that the Fire Authority will identify, prioritise and manage community risks via the Hampshire and Isle of Wight Fire and Rescue Service Safety Plan. Internal risks, such as the risks threatening the organisation's ability to deliver the Safety Plan, will be identified, prioritised and managed by the Chief Fire Officer through the Executive Group who will be responsible for the Organisational Risk Register.
7. The Chief Fire Officer is supported in that accountability by each directorate maintaining and monitoring their own Directorate Risk Registers which, when appropriate, can escalate a risk to the Organisational Risk Register.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

8. The Organisational Risk Register ensures we remain focussed on delivery against our priorities, as these drive our activities:
 - **Our communities** – We work together to understand different community needs and deliver accessible, local services which build safer places.
 - **Our people** – We look after each other by creating great places to work and promoting the health, wellbeing and safety of our people.
 - **Public value** – We plan over the longer term to ensure our decisions and actions deliver efficient and effective public services.
 - **High performance** – Our diverse teams are trusted, skilled and feel equipped to deliver a leading fire and rescue service today and into the future.
 - **Learning and improving** – We have the support of policy and guidance with the freedom to use our discretion to do the right thing, learning from ourselves and others.
9. Our planning processes, performance management framework and audit processes are an integral part of our arrangements to identify new and emerging risks and issues which could impact on delivery. The identification of risks and issues through the planning process also provides a focus for developing new organisational priorities and objectives to mitigate those risks.

RESOURCE IMPLICATIONS

10. There are no specific financial implications from the contents of this paper. Any financial impacts of future control measures would need to be assessed against the related risks and opportunities. Any plans with financial implications will be subject to appropriate review and governance.

ENVIRONMENTAL AND SUSTAINABILITY IMPACT ASSESSMENT

11. There will be no negative environmental impacts associated with the adoption of this paper. The Organisational Risk Register ensures we consider emerging issues through changes in climate, and these are accounted for in our prevention and response controls.

LEGAL IMPLICATIONS

12. The requirement for each Fire and Rescue Authority to have an Integrated Risk Management Plan is set out within the National Framework for Fire and Rescue Services, made under the Fire and Rescue Services Act 2004.
13. The Organisational Risk Register, as part of our Risk Management Framework, will ensure our integrated risk management process is driving our priorities.

PEOPLE IMPACT ASSESSMENT

14. The implementation of the Organisational Risk Register will have no negative impact. However, through a more effective approach to identifying, assessing and mitigating risks to our communities, a positive impact will be achieved through better understanding of protected characteristics within our communities.

RISK ANALYSIS

15. It is essential that there is a consistent and robust approach to the identification, analysis and treatment of internal and external risks. This, in turn, ensures that major threats and opportunities are considered and managed appropriately with adequate control measures implemented.
16. The internal audit report on risk management arrangements within Hampshire Fire and Rescue Service (HFRS) 2015/16, highlighted limited assurance. As a result of implementing the revised arrangements a Final Position Statement was provided by Internal Audit in June 2020, which concluded:

“Good progress has been made in addressing the risks identified in our 2015/16 audit report on Risk Management. With the introduction of the Safety Plan, the new policy and governance arrangements, along with the improved formatting of risk registers, significant work has taken place.

There is further work to be done but, once complete and fully embedded across HFRS, the proposed risk management framework should provide robust controls and fully address the issues identified in the previous audit review”. (Internal Audit 10/6/2020).

EVALUATION

17. The Organisational Risk Register will provide the appropriate prioritisation of risk management and ensure risks are well managed and governance of plans and activities undertaken. The day to day management of those risks through the Executive Group, and accountability through Directorate Plans, ensures a risk management culture that will be overseen and scrutinised by HFRA in accordance with the Constitution.
18. Additional assurance on our approach to risk management is also provided by our Policy and Planning directorate who work with our Organisational Assurance Team, including on, but not limited to, assurance mapping to inform our understanding of risks across Directorates.

RECOMMENDATION

21. That Hampshire Fire and Rescue Authority Standards and Governance Committee notes the Organisational Risk Register status under the delegated management of the Chief Fire Officer.

APPENDICES ATTACHED

22. [Appendix A – Organisational Risk Register](#)

Contact: Steve Apter, Deputy Chief Fire Officer, steve.apter@hantsfire.gov.uk, 07918 888057

Organisational Risk Register



HAMPSHIRE
FIRE AND
RESCUE
SERVICE



ISLE OF WIGHT
FIRE AND
RESCUE
SERVICE

Ref Number	Risk Area	Residual Risk	Trend				
			Newest			Oldest	
1	Insufficient staff available for BAU	8				↔	↔
2	Death of an employee at work in the course of their duties	10				↔	↔
3	Successful cyber-attack resulting in catastrophic loss of stability and/or access of our ICT infrastructure.	12				↔	↓
4	Emerging changes to legislation (post Grenfell)	9				↑	↔
5	Future financial planning uncertainty	12				↑	↑
6	Firefighter contamination	12				↔	↔
7	Covid 19 related wellbeing and safety	8				↔	↑

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Our Priorities:

1. **Our Communities.** We work together to understand different community needs and deliver accessible, local services which build safer places.
2. **Our People.** We look after each other by creating great places to work and promoting the health, wellbeing and safety of our people.
3. **Public Value.** We plan over the longer-term to ensure our decisions and actions deliver efficient and effective public services.
4. **High Performance.** Our diverse teams are trusted, skilled and feel equipped to deliver a leading fire and rescue service today and into the future.
5. **Learning and Improving.** We have the support of policy and guidance with the freedom to use our discretion to do the right thing, learning from ourselves and others.

Criteria for inclusion of risks:

- Could the risk result in a serious or significant impact on the delivery of Our Priorities.

Rank

- Risks are ranked in the summary table according to overall Residual Risk.

Inherent and Residual Risk

- Inherent risk is the risk level that exists without any controls applied.
- Residual risk is whatever risk level remains after additional controls are applied.

Risk Trend

The risk trend shows whether the risk has increased or decreased recently. The direction arrow indicates whether the risk is stable ↔ rising ↑ or reducing ↓

Organisational Risk Register

Ref Number 1		Our Priority	Risk Scores			Recent Trend					Risk Owner
Risk Area	Description and Impact		Likelihood	Severity	Risk	Newest		Oldest			
Political	Insufficient staff available for BAU	1,2,3,4	Inherent Risk Level:			↔	↔	↔	↔	↔	Steve Apter
	Impact: Fewer appliances available		Likelihood	Severity	Risk						
			3	5	15						
	Poorer response times		Residual Risk Level:								
			Likelihood	Severity	Risk						
	Overtime for staff not taking industrial action		2	4	8						
Management - staff and inter-staff relations											
Administrative burden – wage / pension changes											
Causes / Sources	Mitigations	Progress and Ownership of Mitigation								Effectiveness – Commentary	
Unplanned significant absence	Contingency plan arrangements to deploy to all incident types.	Degradation plan with progressive arrangements involving capability and deployment procedures – Stew Adamson								Decision log framework regarding crewing arrangements.	
	Centralised monitoring and deployment of staff	Resource management currently operating between Fire Control and Emergency Staff Cell. Long term resource management arrangements to be developed and enabled – Stew Adamson									

Organisational Risk Register

Industrial Action due to National Terms and Conditions changes including pensions:	Engagement with NFCC, local, regional and national rep body personnel, local and central government politicians	Neil Odin engaged within national discussions and applying influence on behalf of our services (NFCC Steering Group member and Chair of NFCC Prevention Co-ordination Committee)	Measures last used 2015
	Prior planning for industrial action Establish Emergency Management Group	NFCC annual IA return completed now aligns industrial action planning, with our degradation response plans, for both Hampshire and the IOW which provides our mitigation measures against reduced resources as a result of IA – Steve Apter	
Industrial Action due to local issues:	Effective local trade union relationships maintained.	Joint Trade Union Meeting on monthly frequency with escalation process – Molly Rowland	Tested plan, reviewed after use 2015.
	Contingency plan arrangements	Industrial action plan – Stew Adamson	
	Prior planning for industrial action. Establish Emergency Management Group	IA aligns industrial action planning, with our degradation response plans, for both Hampshire and the IOW which provides our mitigation measures against reduced resources as a result of IA – Steve Apter	
Pandemic/Covid-19	Follow PHE guidance for staff welfare	Independent C19 Health & Safety audit completed to ensure that Risk assessments, are now operating across the organisation. Clear communications plan to ensure that communication is maintained across both organisations. Wellbeing Portal established – Steve Apter	Situation is now managed. Service will monitor local outbreaks and national policy to mitigate impacts to Service Delivery. Independent C19 Health & Safety audit
	Reduce/cease non-essential activities	Independent C19 Health & Safety audit completed to ensure that Risk assessments, are now operating across the organisation. Clear communications plan to ensure that communication is maintained across both organisations. Business Continuity Policy, Procedure and plans are now in place and tested – Steve Apter	
	Dedicated team to manage	EMG and PCG is a flexible structure that mirrors SCG requirements and allows a flexible resourcing model dependant on demand. This has been assured through LRF debrief process. Staff cell has now been resourced to centrally manage internal impacts. – Steve Apter	

Organisational Risk Register

Ref Number 2		Our Priority	Risk Scores			Recent Trend					Risk Owner
Risk Area	Description and Impact					Newest		Oldest			
Societal	Death of an Employee at work in the course of their duties		2	Inherent Risk Level:			↔	↔	↔	↔	
		Likelihood		Severity	Risk						
		3		5	15						
		Residual Risk Level:									
		Likelihood		Severity	Risk						
	Impact: Mental health and wellbeing of staff and family Organisational reputation Operational due to reduced staffing – watch off the run, inquiry to staff Legal – liabilities HSE / Police investigation Financial										

Organisational Risk Register

Causes / Sources	Mitigations	Progress and Ownership of Mitigation	Effectiveness – Commentary
Death in work time	Implement mental health strategy	Live and ongoing – Molly Rowland	Mental health provisions and awareness improving throughout Service
	Support for physical health and fitness	Live and ongoing – Molly Rowland	
	Procedures/guidance followed	Our procedures align to the 'Death in work protocol' and these have been exercised in 2018– Steve Apter	PPG Framework now live
	Organisational reputation	Our procedures align to the 'Death in work protocol' and these have been exercised in 2018– Steve Apter	Demonstrated compliance 2010
	Legal – liabilities	Our procedures align to the 'Death in work protocol' and these have been exercised in 2018– Steve Apter	Demonstrated compliance 2010
	HSE / Police investigation	Our procedures align to the 'Death in work protocol' and these have been exercised in 2018– Steve Apter	Demonstrated compliance 2010
	Financial	Reserves of around £30m and revenue contributions built into the budget of over £6m available to balance the budget in the short term if required – Rob Carr	Reserves are well established

Organisational Risk Register

Ref Number - 3												
Risk Area	Description and Impact	Our Priority	Risk Scores			Recent Trend					Risk Owner	
			Likelihood	Severity	Risk	Newest				Oldest		
Technological	<p>Successful cyber-attack on our ICT infrastructure</p> <p>Impact: Catastrophic loss of stability and/or access to our ICT infrastructure.</p> <p>Loss of personal data resulting in breach to GDPR requirements</p> <p>Reduced functioning of all departments</p>	1,2,4	Inherent Risk Level:			↔	↔	↔	↔	↓		Matt Robertson
			Likelihood	Severity	Risk							
			4	4	16							
			Residual Risk Level:									
			Likelihood	Severity	Risk							
3	4	12										
Causes / Sources	Mitigations	Progress and Ownership of Mitigation									Effectiveness – Commentary	
External Cyber attack	Staff training to reduce chances of malicious emails being opened.	Annual training in place with routine testing of staff established; monitoring of staff knowledge and compliance through externally facilitated penetration testing directs interventions by ICT Department. – Matt Robertson									No successful cyber-attack since measures have been in place.	
	Firewall and other cyber security measures established.	Industry standard (for the sector) Firewall in place, regularly monitored with enhanced cyber security software which monitors and reports performance of Firewall in real-time. – Matt Robertson										
	Network software updated and maintained to manage ongoing threat of cyber-attacks.	Regular patching of devices and network connections in place. Large update to all hardware devices to further enhance security patching work planned for Winter 2020/21. – Matt Robertson										

Organisational Risk Register

Malicious system user	Effective monitoring of network use.	Use of ICT systems monitored, daily reports assessed by cyber security team. Unusual activity on accounts is regularly investigated. – Matt Robertson	No loss of system functionality due to malicious internal system use.
	Internal access/security systems have clear procedures and terms of use.	All ICT Policies and Procedures are updated, with clear guidance provided to staff on the use of ICT systems and equipment. – Matt Robertson	

Risk Area	Description and Impact	Our Priority	Risk Scores			Recent Trend					Risk Owner
						Newest Oldest					
Legal	Legislative changes to buildings and requirements of FRS Impact: New risks identified to responding Increased capacity and capability needs for Fire inspection staff.	1,4,5	Inherent Risk Level:			↑	↔	↔	↔	↔	Stew Adamson
			Likelihood	Severity	Risk						
			4	3	9						
			Residual Risk Level:								
			Likelihood	Severity	Risk						
4	1	4									
Causes / Sources	Mitigations	Progress and Ownership of Mitigation								Effectiveness – Commentary	
New risks identified to responding to high rise buildings	High rise procedure development.	<ul style="list-style-type: none"> New high rise procedures published. Webinar to introduce awareness and training to Operational staff complete. Specialist Fire Safety team responding to incidents (Building Environment Response Officer BERO Team) - complete Review of response arrangements for specialist roles (BERO) - planned Practical training to all staff – planned Exercise testing – planned - Stew Adamson 								Grenfell outcomes recommendations progress report	
Increased capacity and capability needs	New High Rise Residential Building Team	HRRB procedure for Protection complete Recruitment of inspectors – ongoing – Stew Adamson								Grenfell outcomes recommendations	
	National fire safety competency framework	Academy adoption of framework – complete									

Organisational Risk Register

for Fire inspection staff.		Upskill programme for all fire safety inspectors to Level 5 – ongoing Supervisory managers (station based) trained to Level 3 of framework – planned – Stew Adamson	progress reporting.
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Ref Number – 5											
Risk Area	Description and Impact	Our Priority	Risk Scores			Recent Trend					Risk Owner
						Newest		Oldest			
Economic	Future financial planning uncertainty and potential reduced funding Impact: Inability to balance the budget and continue to deliver services in usual manner	1,2,3,4	Inherent Risk Level:			↑	↑	↔	↔	↔	Rob Carr
			Likelihood	Severity	Risk						
			4	4	16						
			Residual Risk Level:								
			Likelihood	Severity	Risk						
4	3	12									
Causes / Sources	Mitigations		Progress and Ownership of Mitigation								Effectiveness – Commentary
Reduced central government funding	Sufficient reserves and revenue contributions to reserves built into core budget		Reserves of around £30m and revenue contributions built into the budget of over £6m available to balance the budget in the short term if required – Rob Carr								Reserves are well established Degradation plan in existence
	Contingency planning for reduced operating costs whilst maintaining appliance availability		Developing contingency plans for reduced operating costs, working with director of Ops in scenario planning for future safety plan development. – Steve Apter								
	Contingency planning for further reduced operating costs with reduced appliance availability		Developing contingency plans for reduced operating costs, working with director of Ops in scenario planning for future safety plan development. – Steve Apter								
Brexit	Situation Monitoring		Possible price increases in the areas of IT, vehicle replacement and construction being monitored, and appropriate contingencies are being factored into current planning – Rob Carr								Impact on economy and supply

Organisational Risk Register

	Sufficient reserves	Reserves of around £30m and revenue contributions built into the budget of over £6m available to mitigate short term price increases if required – Rob Carr	chain costs being monitored
Covid-19 impact on the national and global economy, future grant settlements and local reductions in council tax and business rates income.	Sufficient reserves and revenue contributions to reserves built into core budget	Reserves of around £30m and revenue contributions built into the budget of over £6m available to balance the budget in the short term if required – Rob Carr	Reserves are well established
	Contingency planning for reduced operating costs whilst maintaining appliance availability	Developing contingency plans for reduced operating costs, working with director of Ops in scenario planning for future safety plan development. – Steve Apter	Degradation plan in existence
	Contingency planning for further reduced operating costs with reduced appliance availability	Developing contingency plans for reduced operating costs, working with director of Ops in scenario planning for future safety plan development. – Steve Apter	Significant uncertainty going forward at this stage hence change to risk score

Organisational Risk Register

Ref Number – 6	Risk Area	Description and Impact	Our Priority	Risk Scores			Recent Trend					Risk Owner
							Newest		Oldest			
Societal	Contaminants risk leading to ill health in work force	Impact: Increased staff ill health Potential future legal challenges –	2	Inherent Risk Level:			↔	↔	↔	↔	↔	
				Likelihood	Severity	Risk						
				4	4	16						
				Residual Risk Level:								
				Likelihood	Severity	Risk						
3	4	12										
Causes / Sources	Mitigations		Progress and Ownership of Mitigation								Effectiveness – Commentary	
Fire Ground Contaminants	Health and Safety Scheme		Local mitigations in place at workplace and station level. Working at a national level on research with FBU and Brighton University. Station investment program improvement plans to be influenced by outcomes of this research. – Steve Apter									Current mitigations are reasonable and further efforts are being made to understanding the risk and reduce any potential risk
	Policy and Procedures		Clear policies in place for staff to manage contaminated kit and equipment from fireground – Stew Adamson									
	Fireground continuation within vehicles.		Wipe down procedures in place for vehicles to sanitise touchpoints when returning from fireground. Contaminated kit procedures in place to manage the disposal of operational uniform. – Matt Robertson									
	Potential future legal challenges		*Future comment to be attained from Legal as to level of future risk (guidance not available at time of release) – Stew Adamson									
	Fire Ground Contaminant management on our estate and buildings		Zoning of operational buildings (clean, transition and dirty zones) established within the Estate Design Principles. New stations built with zoning. All stations have enhanced cleaning facilities for kit management with clear signage and routing. Assessment of requirements to retrofit									

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Organisational Risk Register

		existing building stock with zoning to improve the handling of contamination on stations commenced (report due early 2021). – Matt Robertson.									
Ref Number – 7											
Risk Area	Description and Impact	Our Priority	Risk Scores			Recent Trend				Risk Owner	
						Newest		Oldest			
Societal	Covid 19 related impacts on staff wellbeing and safety	1,2,4,5	Inherent Risk Level:								Molly Rowland
			Likelihood	Severity	Risk						
			4	4	16						
	Impact:		Residual Risk Level:								
	Increased staff ill health		Likelihood	Severity	Risk						
Staff confidence	2	4	8					↔	↑		
Long term ill health effects											
Causes / Sources	Mitigations	Progress and Ownership of Mitigation							Effectiveness – Commentary		
Staff confidence	Increased communications with staff	Live briefings and regular updates to complement existing communications activities – Shantha Dickinson							H&S team and processes in place Risk Assessments established for all Service		
Staff confidence	Tailored management toolkits for staff support	Recently launched and support being provided to managers -Molly Rowland									
Long term ill health effects	Risk Assessments for all Organisational activity	Completed and regularly reviewed and updated. Risk Assessments completed on all workplaces to ensure ALARP principle is in place. – Steve Apter									
Staff confidence	Increased availability of PPE	Supply chains established for PPE to meet Operational demand guidance issued to teams on how and when to use PPE. – Matt Robertson.									

Organisational Risk Register

<p>Increased staff ill health</p>	<p>Effective Health and Safety compliance</p>	<p>H&S team with strengthened leadership presence at COG level. Internal audit to assure capacity and PPG. Risk Assessments completed on all workplaces to ensure ALARP principle is in place. – Steve Apter</p>	<p>activities and locations</p> <p>PPE stocks well supplied and distributed</p> <p>Specialist teams and groups in place to manage staff wellbeing</p> <p>Chief briefings now fortnightly with open call for questions from staff</p>
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Measures of Likelihood - Probability

LEVEL	DESCRIPTOR	DESCRIPTION
1	Very unlikely	The event may occur only in exceptional circumstances.
2	Unlikely	The event could occur at some time.
3	Moderate	The event will occur at some time.
4	Likely	The event could occur in most circumstances.
5	Very likely	The event will occur in most circumstances.

Measures of Severity (Consequence)

LEVEL	DESCRIPTOR	DESCRIPTION
1	Negligible	Minor local first aid treatment (e.g. minor cuts/abrasions), minimal work interruption
2	Minor	Injury requiring first aider treatment causing inability to continue with current work activity for 3 days or less. Minimal financial loss or damage.
3	Serious	Medical treatment required. RIDDOR over 7 day lost-time injuries. Moderate environmental implications. Moderate financial loss or damage. Moderate loss of reputation. Moderate business interruption.
4	Major	Permanent or life changing injuries. RIDDOR major injuries. High environmental implications. Major financial loss or damage. Major loss of reputation. Major business interruption.
5	Fatalities	Single or multiple deaths, stops the Originations from functioning

		LIKELIHOOD				
		1 Very Unlikely	2 Unlikely	3 Moderate	4 Likely	5 Very Likely
5 Major	SEVERITY	5	10	15	20	25
4 Serious		4	8	12	16	20
3 Moderate		3	6	9	12	15
2 Minor		2	4	6	8	10
1 Negligible		1	2	3	4	5

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