

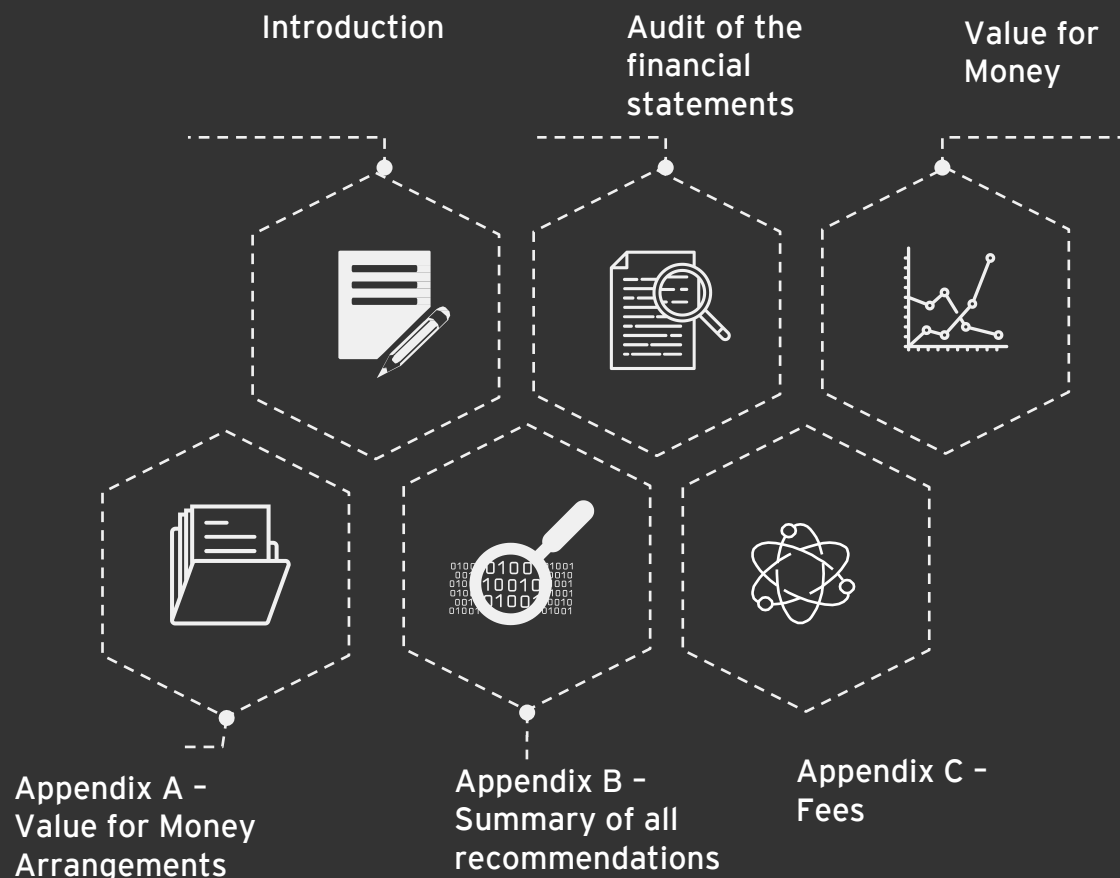
A photograph of a modern, brightly lit interior space, likely a lobby or atrium, featuring a glass-walled structure and a polished floor. The space is empty, with a clean, minimalist aesthetic. The glass walls reflect the interior lights and the surrounding environment. The ceiling is white with recessed lighting fixtures. The floor is made of large, light-colored tiles that reflect the lights and the glass walls. The overall atmosphere is bright and airy.

# **Hampshire & Isle of Wight Fire and Rescue Authority**

## **Auditor's Annual Report**

Year ended 31 March 2022

# Contents



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

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



# Introduction

## **Purpose**

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

## **Responsibilities of the appointed auditor**

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

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

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

## **Responsibilities of the Fire Authority**

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



## Introduction (continued)

### 2012/22 Conclusions

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



# Audit of the financial statements

## Key findings

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

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

## Significant risk

## Conclusion

### Misstatements due to fraud or error

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

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

### Creation of the new Hampshire and Isle of Wight fire Authority

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

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

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

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

No other issues were identified in our testing.



# Audit of the financial statements

---

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



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

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

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

## Scope

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

## Reporting

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

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

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

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

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



## Value for Money (continued)

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

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

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

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

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

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

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

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

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

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

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





## Value for Money (continued)

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

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

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

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

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

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

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

We identified no risks against this criteria.

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



## Value for Money (continued)

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

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

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

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

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

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

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

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

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

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

We identified no risks in relation to this criteria.

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

# Appendices



**EY**

Building a better  
working world

## Appendix A – Summary of arrangements

### Financial Sustainability

#### Reporting Sub-Criteria

#### Findings

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

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

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

#### **Medium Term Financial Plan (MTFP):**

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

#### **Annual Budget Setting Process:**

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

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

## Appendix A - Summary of arrangements

### Financial Sustainability

#### Reporting Sub-Criteria

#### Findings

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

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

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

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

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

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

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

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

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

## Appendix A - Summary of arrangements

---

### Financial Sustainability

#### Reporting Sub-Criteria

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

#### Findings

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

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

---



## Appendix A - Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

#### Findings

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

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

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

Quarterly reports are received from the internal auditors highlighting work carried out including a breakdown of fraud investigations with any significant issues detailed in summary format. Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives.

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

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

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

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

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

## Appendix A – Summary of arrangements (continued)

### Governance

Reporting Sub-Criteria	Findings
<p>How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed</p>	<p>We note that within the Financial Regulations of the Authority there are procedures in place to ensure the body has effective processes and systems to ensure budgetary control, to communicate relevant, accurate and timely management information; to support its statutory financial reporting requirements and to ensure the body is taking corrective action where needed. The Chief Financial Officer is responsible for providing appropriate financial systems to enable budgets to be monitored effectively. The Chief Financial Officer must monitor expenditure against budget allocations and report regularly to the members on the overall position. The Chief Fire Officer is responsible for controlling income and expenditure on their budgets and for monitoring performance, taking account of financial information provided by the Chief Financial Officer. The Chief Fire Officer should report on variations and take any action necessary to avoid exceeding budgets and should alert the Chief Financial Officer to any problems. Internal Audit form part of this process through their audit plan, and raising recommendations for corrective action where needed.</p>
<p>How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee</p>	<p>The entity has a number of arrangements in place to ensure that appropriate decisions are made.</p> <p>Throughout 2021/22 the Authority met 6 times in the year with the role to be to take decision on strategic and policy matters and establish the framework within which Hampshire and Isle of Wight Fire and Rescue Service operated. The Authority is made up of elected members from its constituent authorities in proportion to the number of electors in each constituent authority. (Eight from the County Council, and one each from Isle of Wight, Portsmouth and Southampton),</p> <p>The Authority's Standards and Governance Committee is responsible for audit and scrutiny functions.</p> <p>The Authority is also able to establish sub-committees of the Authority for a wide range of purposes and can delegate responsibility for taking certain decisions to subcommittees. The Authority is not able to delegate decisions to the Chairman or any other single member of the Authority.</p>

## Appendix A - Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

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

#### Findings

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

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

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

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

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

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

## Appendix A – Summary of arrangements (continued)

### Improving economy, efficiency and effectiveness

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

## Appendix B - Summary of all recommendations

### Recommendations

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

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

## Appendix C - Fees

### Fees

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

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

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

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

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



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

---

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

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

## EY | Assurance | Tax | Transactions | Consultancy

### About EY

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

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

© 2020 EYGM Limited.

All Rights Reserved.

ED None

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

In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

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

[ey.com](http://ey.com)