

Hampshire Fire and Rescue Authority



HAMPSHIRE
**FIRE AND
RESCUE**
SERVICE

**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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1. Role of Internal Audit

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

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

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



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

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

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

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

2. Internal Audit Approach

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

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

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

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



The impact of COVID-19 during the year has had a significant impact on the way we have worked and interacted. The enforced central government directive *'if you can work from home, you must do so'* has required the Southern Internal Audit Partnership to adopt a revised operating model and innovative approach to virtual auditing.

Work contributing to my 2020/21 annual opinion has all been undertaken virtually, optimising technology and virtual platforms to share, monitor and observe operations to substantiate our findings.

I am confident that the revised operating model has not compromised quality or SIAP's ability to complete assurance work throughout the year or the conclusion drawn. I would wish to extend my appreciation to Hampshire Fire & Rescue Authority officers with whom we have worked during the year for their support, cooperation, and seamless transition to the virtual audit approach, without which the delivery of an annual opinion would not have been possible.

3. Internal Audit Opinion

In 2020-21, the Chief Internal Auditor was responsible for the delivery of an annual audit opinion and report that can be used by Hampshire Fire & Rescue Authority to inform its governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

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

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

Annual Internal Audit Opinion 2020-21

"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of Hampshire Fire & Rescue Authority's internal control environment.

In my opinion, Hampshire Fire & Rescue Authority's framework of governance, risk management and control is 'Reasonable' and audit testing has demonstrated controls to be working in practice. In my opinion, there has been a continued positive direction of travel over the last year, as evidenced in the assurance opinions of individual audits within the 2020/21 audit programme.*

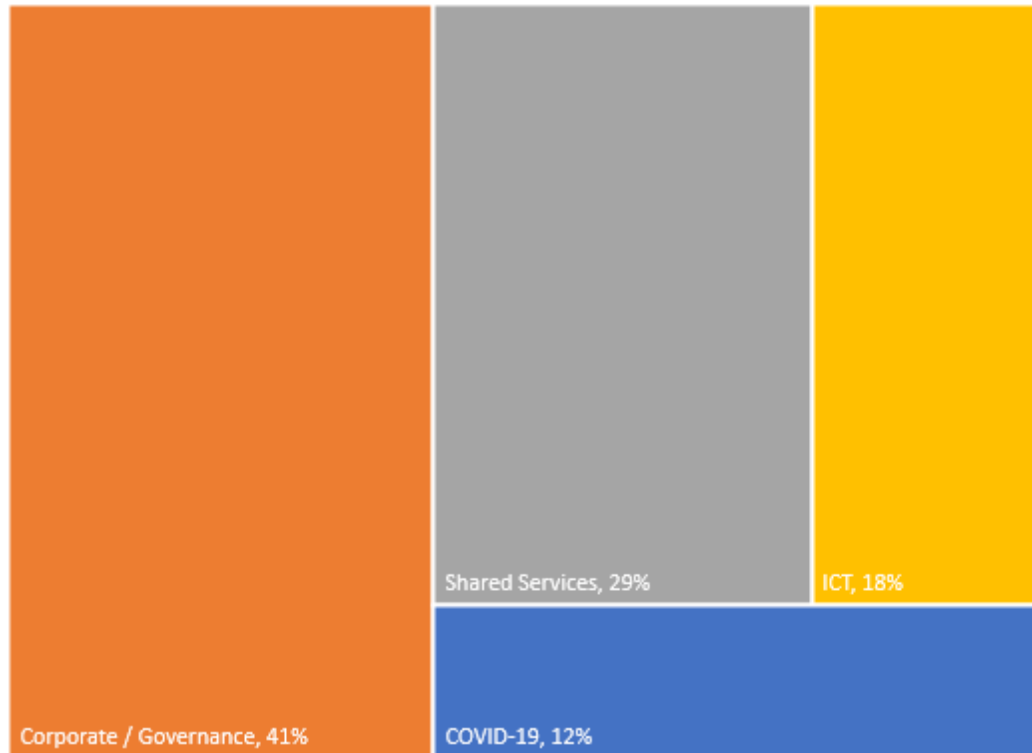
Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."

* definitions can be found on page 7

4. Internal Audit Coverage and Output

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

Audit Reviews by Type



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

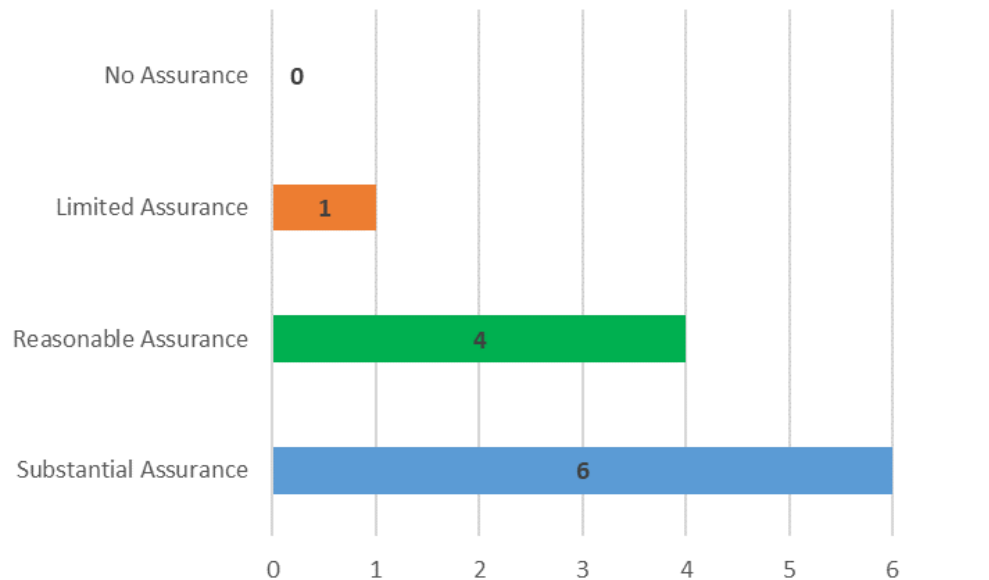
The 2020-21 Internal audit plan, approved by the HFRA Standards & Governance Committee in March 2020, was informed by internal audits own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation.

The scale of COVID-19 coupled with the speed of its impact and the wide-ranging challenges presented has necessitated new and different ways of working. Such challenges and subsequent resolutions bring with them new and emerging risks that management need to consider, manage, and mitigate. The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the internal audit opinion internal audit have undertaken 17 reviews during the year ending 31 March 2021.

Due to the significant impact and subsequent challenges posed by the coronavirus pandemic (Covid-19), there has been an inevitable impact on the delivery of the revised 2020-21 internal audit plan.

Work is substantially complete, and an opinion has been formed for 2 reviews (ICT Contract Management; and Casual Staff) however, final reports have not yet been agreed. I do not expect the outcomes of these reviews to adversely impact my annual opinion.



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.

*4 reviews did not culminate in an audit opinion. These related to the Local Government Compensation Scheme claim; Fraud Training; NFI and Follow Up (of limited assurance opinions)

A list of the 2020-21 assurance reviews undertaken and their respective opinions is provided in Annex 1.

5. ISAE

ISAE 3402 provides an international assurance standard allowing public bodies to issue a report for use by user organisations and their auditors (user auditors) on the controls at a service organisation that are likely to impact or be a part of the user organisation's system of internal control over financial reporting enabling them to inform both their annual governance statement and the annual audit opinion.

In 2020/21 Hampshire County Council commissioned a Service Organisation Controls (SOC) Type 2 Report under International Standard on Assurance Engagement (ISAE) 3402. Assurance against the international standard was provided by Ernst & Young.

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

'In our opinion, in all material respects:

- a. The Description fairly presents the finance, HR and IT shared services system as designed and implemented throughout the period 1 April 2020 to 31 December 2020.*
- b. The controls related to the Control Objectives stated in the Description were suitably designed throughout the period from 1 April 2020 to 31 December 2020 to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period 1 April 2020 to 31 December 2020 and if subservice organisations and user entities applied the complementary controls assumed in the design of Integrated Business Centre's controls throughout the period 1 April 2020 to 31 December 2020; and*
- c. The controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the Description were achieved, operated effectively throughout the period 1 April 2020 to 31 December 2020 if complementary subservice organisation and user entity controls assumed in the design of Integrated Business Centre's controls operated effectively throughout the period 1 April 2020 to 31 December 2020.'*

Internal audit continue to review areas of the Shared Services falling outside the scope of the ISAE2302 engagement as appropriate, through a shared internal audit plan with Hampshire County Council and Hampshire Police. The results of this work and the ISAE 3402 opinion are reflected in this opinion.

6. Key Observations

There were no 'No Assurance' opinions issued during the year. Internal audit work found there to be a sound control environment in place across several review areas that were working effectively to support the delivery of corporate objectives, however, there were some areas identified that provide challenge to the organisation's risk environment. Where our work identified risks that we considered fell outside the parameters acceptable to Hampshire Fire and Rescue Authority, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers.

Implementation of the agreed actions is monitored by the Hampshire Fire and Rescue Service's Performance and Assurance Directorate and reported to the Standards and Governance Committee.

We gave limited assurance in one of the areas reviewed during 2020/21:

Competence of Operational Response Capability (Draft) - the scope of the audit review focused on testing of a sample of grey book staff, to ensure that training had been completed in accordance with requirements and to assess whether completed training has been recorded within Firewatch to allow accurate monitoring by senior management.

Whilst a clear process is in place, the limited assurance opinion is reflective of the level and impact of non-compliance with these controls along with a lack of central monitoring, oversight and escalation. Key observations highlighted:

- Of 24 operational personnel sampled, 60% of training records were found to be incomplete.
- Changes to operational personnel's role or Station were not consistently updated in their Firewatch training record, resulting in inaccurate information in respect of training requirements.
- There was a lack of central oversight in respect of training completion, resulting in incomplete training records, with expired competency expectations for some operational personnel.
- User rights within Moodle prevented accurate monitoring of work-based assessment completion for operational personnel who were also designated Teachers/Assessors as the system omitted their results.

Management have confirmed that a range of assurance activity is already underway to respond to the findings of this audit, and associated risks.

**The Firewatch system, where training records are retained, is due to be replaced following a recent re-tender process. A new system has been procured and work is currently underway to implement the new system in December 2021.*

7. Quality Assurance and Improvement

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

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

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

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

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

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

8. Disclosure of Non-Conformance

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

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

There are no disclosures of Non-Conformance to report.

9. Quality control

Our aim is to provide a service that remains responsive to the needs of Hampshire Fire & Rescue Authority and maintains consistently high standards. In complementing the QAIP this was achieved in 2020-21 through the following internal processes:

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

10. Internal Audit Performance

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

Performance Indicator	Target	Actual
Percentage of internal audit plan delivered	95%	100%
Positive customer survey response		
<ul style="list-style-type: none"> • Hampshire Fire & Rescue Authority 	90%	98%
<ul style="list-style-type: none"> • SIAP – all Partners 	90%	98%
Public Sector Internal Audit Standards	Compliant	Compliant

Customer satisfaction was collated for SIAPs EQA and is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date May 2020).

11. Acknowledgement

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

Karen Shaw
Deputy Head of Southern Internal Audit Partnership
June 2021

2020-21 Audit Reviews and Opinions

Substantial Assurance	Reasonable Assurance	Limited Assurance	No Assurance
<ul style="list-style-type: none"> - Health and Safety Risk Assessments (COVID) - Pre-Employment Checks - Governance Arrangements - Occupational Health – Information Management - Change Management Framework - ICT Strategy Follow-Up 	<ul style="list-style-type: none"> - Budgetary Control - Local Management of Shared Service Processes - ICT Policy & Procedures - Good Work Plan 	<ul style="list-style-type: none"> - Assurance of the competence of operational response capability (<i>Draft</i>) 	

*4 pieces of internal audit work did not culminate in an audit opinion, Local Government Compensation Scheme claim(s), fraud training; NFI; and Follow Up (of limited assurance opinions).