

# Public Document Pack



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

## NOTICE OF MEETING

<i>Meeting</i>	<b>HIWFRA Standards and Governance Committee</b>	<i>Clerk to the Hampshire &amp; Isle of Wight Fire and Rescue Authority</i> <b>CFO Neil Odin</b>
<i>Date and Time</i>	<b>Tuesday, 9th April, 2024 11.30 am (or on the rising of Full Authority, whichever is later)</b>	<i>Fire &amp; Police HQ</i> <i>Leigh Road,</i> <i>Eastleigh</i> <i>Hampshire</i> <i>SO50 9SJ</i>
<i>Place</i>	<b>Room X - Hampshire &amp; IOW Fire &amp; Police HQ, Eastleigh</b>	
<i>Enquiries to</i>	<b><u><a href="mailto:members.services@hants.gov.uk">members.services@hants.gov.uk</a></u></b>	

The Openness of Local Government Bodies Regulations are in force, giving a legal right to members of the public to record (film, photograph and audio-record) and report on proceedings at meetings of the Authority, and its committees and/or its sub-committees. The Authority has a protocol on filming, photographing and audio recording, and reporting at public meetings of the Authority which is available on our website. At the start of the meeting the Chairman will make an announcement that the meeting may be recorded and reported. Anyone who remains at the meeting after the Chairman's announcement will be deemed to have consented to the broadcast of their image and anything they say.

## Agenda

### 1 **APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

### 2 **DECLARATIONS OF INTEREST**

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

### 3 **MINUTES OF PREVIOUS MEETING** (Pages 5 - 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 **INTERNAL AUDIT CHARTER AND INTERNAL AUDIT PLAN** (Pages 7 - 40)

To consider a report by the Chief Internal Auditor on the Internal Audit Charter and the proposed 2024-25 risk based internal audit plan for the Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA).

7 **INTERNAL AUDIT PROGRESS REPORT** (Pages 41 - 56)

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

8 **INTERNAL AUDIT MANAGEMENT ACTIONS REPORT** (Pages 57 - 60)

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

9 **EXTERNAL AUDIT ACCOUNTS AND AUDIT UPDATE REPORT** (Pages 61 - 68)

To receive a report by the Chief Financial Officer updating Members on the progress of the external audit for 2022/23 and 2023/24.

10 **EXTERNAL AUDIT INTERIM VALUE FOR MONEY REPORT 2022/23** (Pages 69 - 94)

To receive a report from the Chief Financial Officer regarding the interim Value for Money report for 2022/23 from Ernst & Young.

11 **EXTERNAL AUDIT PLANNING REPORT 2023/24** (Pages 95 - 150)

To receive a report from the Chief Financial Officer setting out the proposed approach and scope for the annual audit of the accounts for 2023/24.

12 **FIRE STANDARDS PROGRESS REPORT / UPDATE ON HMICFRS REPORT** (Pages 151 - 174)

To receive a report from the Chief Fire Officer providing Members with an assurance update on the Service's progress in adopting and embedding Fire Standards within the Service and also on the progress being made against the His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) Areas for Improvement (AFIs).

13 **ORGANISATIONAL RISK REGISTER** (Pages 175 - 182)

To receive a report from the Chief Fire Officer updating Members on the status of our Organisational Risk Register in line with the Service's Risk Management Procedure.

14 **REVIEW OF CIPFA AUDIT COMMITTEE GUIDELINES** (Pages 183 - 204)

To consider a report by the Chief Fire Officer to update Members on work conducted by officers to self-assess the Standards and Governance Committee against the recent CIPFA guidance on Audit Committees. It provides some proposals to further improve its effectiveness.

**ABOUT THIS AGENDA:**

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

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# Agenda Item 3

AT A MEETING of the HIWFRA Standards and Governance Committee of  
HAMPSHIRE COUNTY COUNCIL held at the Castle, Winchester on Monday,  
11th December, 2023

Chairman:

\* Councillor Derek Mellor

\* Councillor David Harrison

Councillor Karen Lucioni

\* Councillor David Drew

\* Councillor Hugh Lumby

## 108. **APOLOGIES FOR ABSENCE**

Apologies were received from Councillor Karen Lucioni.

## 109. **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.

## 110. **MINUTES OF PREVIOUS MEETING**

The minutes of the last meeting were reviewed and agreed.

## 111. **DEPUTATIONS**

There were no deputations for the meeting.

## 112. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman highlighted a letter from EY that confirmed the changes to future value for money reporting for information.

## 113. **CONTINGENT DECISIONS DELEGATION**

The Committee considered a report from the Chief Financial Officer (item 6 in the minute book) on contingent decisions.

The Chief Financial Officer explained what a contingent decision was and how it would normally be the sort of thing that is delegated to help mitigate any challenges. Because there were clear rules and procedure around how contingent decisions worked, it avoided any risk of conflicts of interest for staff and also helped with consistency in how they were handled.

It was agreed that contributions and what the Fire Authority had control over could be picked up at a future APAG session.

RESOLVED

It was agreed that decision making on Contingent Decisions would be delegated by the Standards and Governance Committee to the Chief Fire Officer.

114. **INTERNAL AUDIT PROGRESS REPORT**

The Committee received a report from the Chief Internal Auditor (item 7 in the minute book), which provided an overview of internal audit work completed in accordance with the approved audit plans and an overview of the status of 'live' reports.

The officer summarised the report, confirming that despite slight slippage in a few areas, the Authority was on track for the end of the year. Members learned that job titles rather than names were allocated against specific tasks to prevent them being missed in the event of a restructure or change in staff and Internal Audit were regularly updated in terms of role changes. 2024/25 was already being looked at and it was anticipated that a list of priorities would be ready around March.

The Committee noted the 34% of targets to be achieved, but were reassured that Internal Audit had no concerns around delays and further updates would follow after a heavy Q3/Q4 period. Further work would also be done around the risk of inconsistencies with paper-based systems.

RESOLVED

The progress in delivering the internal audit plan for 2023/24 and the outcomes to date was noted by Hampshire & Isle of Wight Fire & Rescue Authority Standards and Governance Committee.

115. **INTERNAL AUDIT MANAGEMENT ACTIONS PROGRESS REPORT**

The Committee received a report from the Chief Internal Auditor (item 8 in the minute book), which summarised medium and high internal audit management actions that had not been completed within the agreed target date and were now overdue.

The report was summarised and officers were confident the revised target of April would be met. Members discussed the Committee structure and whether this was the most effective way of supporting the Authority in its role and it was agreed that this would go to a future APAG meeting for discussion.

RESOLVED

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

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Chairman,



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

## **HIWFRA Standards and Governance Committee**

Purpose: Approval

Date: **9 April 2024**

Title: **INTERNAL AUDIT CHARTER & RISK-BASED INTERNAL AUDIT  
PLAN 2024-25**

Report of Internal Auditor

### SUMMARY

1. The purpose of this paper is to provide a copy of the Internal Audit Charter and the proposed 2024-25 risk based internal audit plan for the Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA). These are attached as appendices for approval by the Standards and Governance Committee.

### RECOMMENDATION

2. That the Internal Audit Charter and Risk-Based Internal Audit Plan for 2024-25 be approved by the HIWFRA Standards and Governance Committee

### BACKGROUND

3. Section 151 of the Local Government Act 1972 requires that authorities 'make arrangements for the proper administration of their financial affairs'. The Accounts and Audit (England) Regulation 2015 require an authority to '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'.

4. Internal audit is also a key part of the control mechanism established by management and an essential part of good governance in the public sector and provides evidence to support the Annual Governance Statement.
5. Southern Internal Audit Partnership (SIAP) are the appointed internal audit provider for the HIWFRA.

#### INTERNAL AUDIT CHARTER

6. The Public Sector Internal Audit Standards require that an Internal Audit Charter be developed and regularly reviewed and approved.
7. The proposed Internal Audit Charter for 2024-25 is attached as appendix A for consideration. The Internal Audit Charter will be reviewed on an annual basis and presented with the Internal Audit Plan for approval each year. The only changes to the Internal Audit Charter since it was approved last year, have been to update job titles.

#### INTERNAL AUDIT PLAN

8. The internal audit plan for 2024-25, which has been prepared in accordance with the Internal Audit Charter and discussed with management and officers, is attached at appendix B for consideration. The Shared Services aspects of the Internal Audit Plan are yet to be confirmed and are agreed separately through Shared Services governance mechanisms. Progress against the audit plan, including the Shared Services aspects of the plan, will, however, be provided through the regular progress updates to the Standards and Governance Committee.
9. The plan will remain flexible during the year to ensure that planned reviews continue to reflect the risk profile of HIWFRA and to enable coverage of emerging risks as required.
10. HIWFRA entered into shared service arrangements with Hampshire County Council, Hampshire and Isle of Wight Constabulary and the Police and Crime Commissioner in 2014 and since that time, arrangements for obtaining assurance around these services have evolved. Initially this was through a shared internal audit plan, delivered by SIAP, for the four organisations.
11. Since April 2019, however, that has changed. The Shared Services - International Standard on Assurance Engagements ISAE 3402 was developed to provide an international assurance standard for 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. This Standard provides assurance over many of the areas previously included in the internal audit plan. Assurance against the international standard is provided by Ernst & Young.



12. The SIAP will continue to provide assurance to the HIWFRA and partner organisations for those systems and process outside of the scope of the ISAE 3402 through the shared internal audit plan. All partner organisations contribute audit days to this plan. At the time of writing this report, the shared internal audit plan is in development. An internal audit protocol for this work has been agreed with partner and shared services management.

#### SUPPORTING OUR SAFETY PLAN AND PRIORITIES

13. The Internal Audit Plan is designed to validate the assurance and control framework which exists in the HIWFRA and across the Service. Secure management processes including risk and performance management are important in ensuring that the Authority's plans are achieved. The audit plan also supports various Safety Plan priorities – including but not limited to high performance; and learning and improving.

#### COLLABORATION

14. As indicated above, a shared internal audit plan is in the process of being developed to provide assurance to HIWFRA, Hampshire County Council, Hampshire and Isle of Wight Constabulary and the Hampshire and Isle of Wight Police and Crime Commissioner on areas of shared services that fall outside the scope of the ISAE3402 assurance work.

#### RESOURCE IMPLICATIONS

15. The cost of internal audit services is reflected in the Authority's budget, based on an average of 185 days per year. The average days will be monitored over a three-year rolling basis.
16. The audit plan will remain fluid to enable us to react to the changing needs of HIWFRA.

#### IMPACT ASSESSMENTS

17. 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

18. The requirement for internal audit for local authorities is set out in the Local Government Act 1972 and the Accounts and Audit Regulations 2015. There are no legal implications arising from this report.

## OPTIONS

19. To approve or not approve the Internal Audit Charter and the 2024-25 risk based internal audit plan for HIWFRA.
20. Approving the Charter and internal audit plan will ensure that HIWFRA receives assurance on the Service's key business risks and will enable the Authority to provide scrutiny through audit review findings (and progress against associated management actions) and the annual assurance opinion.

## RISK ANALYSIS

21. 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 feedback from risk management discussions and risk registers have been used to inform the planning process and ensure that key risks are reflected in planned work.

## EVALUATION

22. Internal audit activity provides the Authority with an assurance mechanism to evaluate the effectiveness of the Service's risk management, control and governance processes.
23. Management actions identified and agreed as a result of internal audit review will assist the HIWFRA in securing continuous improvement within governance, risk management and control processes. Progress against these management actions is monitored by both SIAP and the Service – with separate reporting into the Standards and Governance Committee.

## CONCLUSION

24. The risk-based approach to internal audit planning and reviews is a crucial assurance mechanism for both the HIWFRA and the Service. The proposed audit plan has been developed in collaboration and consultation with management and officers and covers a range of areas across the Service's directorates.

## APPENDICES ATTACHED

Appendix A – Internal Audit Charter 2024-25.

Appendix B – Internal Audit Strategy and Risk Based Internal Audit Plan 2024-25.

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

**Southern Internal  
Audit Partnership**

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

### **Internal Audit Charter**

#### **Introduction**

The Public Sector Internal Audit Standards, which took effect from the 1 April 2013, provide a consolidated approach to audit standards across the whole of the public sector providing continuity, sound corporate governance, and transparency.

The 'Standards' form part of the wider mandatory elements of the International Professional Practices Framework (IPPF) which also includes the mission; core principles; definition of internal audit; and Code of Ethics.

The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'. The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority, and responsibility.

Hampshire & Isle of Wight Fire & Rescue Authority (HIWFRA) assume a Key Stakeholder role within the Southern Internal Audit Partnership (SIAP). The SIAP currently provides internal audit services to a wide portfolio of public sector clients (Annex 1) through a variety of partnership and sold service delivery models.

#### **Mission and Core Principles**

The IPPF 'Mission' aims *'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'*

The 'Core Principles' underpin delivery of the IPPF mission, requiring that the internal audit function:

- Demonstrates integrity.
- Demonstrates competence and due professional care.

- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

### **Authority**

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’ in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2013 which were updated in 2017 [the Standards].

### **Purpose**

HIWFRA is responsible for establishing and maintaining appropriate arrangements for:

- risk and performance management;
- assurance and control frameworks including anti-fraud and whistleblowing;
- financial management;
- achieving effectiveness and securing value for money; and
- governance.

The purpose of internal audit is to provide reasonable assurance to HIWFRA that necessary arrangements are in place and operating effectively, and to identify risk exposures and areas where improvements can be made.

Internal Audit activity should support HIWFRA in maintaining and improving the overall control / assurance framework, to assist with the achievement of the organisation’s vision, service plan, and intention to be the best.

It will do this through:

- Assurance work - which involves assessing how well the systems and processes are designed and working.

- Consulting activities - available to help to improve those systems and processes where necessary.
- Adding value - by sharing learning opportunities and improvements based on knowledge of best practice across the public sector.

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’.*

### **Definitions**

In this charter the following definitions apply:

*The Board* – the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment, and the integrity of financial reporting. For HIWFRA this is the Standards and Governance Committee.

*Senior Management* – those responsible for the leadership and direction of Hampshire & Isle of Wight Fire and Rescue Service. This is the Executive Group.

### **Responsibility**

The responsibility for maintaining an adequate and effective system of internal audit within HIWFRA lies with the Authority’s Finance Director (S151 Officer).

The Authority and its Members must also be satisfied about the adequacy of the advice and support it receives.

For HIWFRA, internal audit is provided by the Southern Internal Audit Partnership.

The Chief Internal Auditor (Deputy Head of Southern Internal Audit Partnership) is responsible for effectively managing the internal audit activity in accordance with the *‘Mission’*, *‘Core Principles’*, *‘Definition of Internal Auditing’*, the *‘Code of Ethics’* and *‘the Standards’*.

Senior management is responsible for ensuring that internal control, risk management and governance arrangements are sufficient to address the risks facing the delivery of the vision and service plan objectives agreed for HIWFRA.

Accountability for responding to internal audit’s advice lies with senior management, who either accept and implement the advice, or formally reject it. Audit advice is

without prejudice to the right of internal audit to review the policies, procedures, and operations at a later date.

The Chief Internal Auditor must be satisfied that senior management accept accountability for, and provide an adequate response to, issues raised through internal audit's work. When the Chief Internal Auditor is not satisfied, the matter will be escalated to: the audit sponsor; the Finance Director; the Deputy Chief Fire Officer; Chief Officer, or Standards and Governance Committee, as appropriate.

More detailed roles and responsibilities (for both SIAP and the Service), as well as audit processes, are outlined in a separate HIWFRS Procedure document (Pro/11/02).

### **Position in the organisation**

The Chief Internal Auditor reports functionally to the Board, and organisationally to the Finance Director who has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of HIWFRA's affairs.

The Chief Internal Auditor has direct access to the Chief Officer who carries the responsibility for the proper management of Hampshire & Isle of Wight Fire & Rescue Service and for ensuring that the principles of good governance are reflected in sound management arrangements.

The Chief Internal Auditor has direct access to HIWFRA's Monitoring Officer where matters arise relating to the Chief Officer's responsibility, legality, and standards.

Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of HIWFRA and in particular those who serve on committees charged with governance (i.e. the Standards and Governance Committee).

The Chief Internal Auditor will meet regularly with the external auditors to consult on audit plans, discuss matters of mutual interest and to seek opportunities for cooperation in the conduct of audit work. The external auditors will have the opportunity to take account of the work of internal audit where appropriate.

Monthly liaison meetings are held with the Head of Governance and Assurance to facilitate discussion of key risks to ensure that internal audit plans continue to meet the needs of HIWFRA and to review the delivery of the plan and any issues arising from the reviews as well as the progress in completing management actions.

**Internal audit resources**

The Chief Internal Auditor will be professionally qualified (CMIIA, CCAB, or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with Members, senior management and other professionals.

The Finance Director will provide the Chief Internal Auditor with the resources necessary to fulfil HIWFRA's requirements and expectations as to the robustness and scope of the internal audit opinion.

The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications, and experience required to deliver the audit strategy and operational audit plan.

The annual operational internal audit plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources.

Senior Management and the Board will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

The annual operational internal audit plan will be submitted to senior management and the Board, for approval. The Chief Internal Auditor will be responsible for delivery of the plan. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of HIWFRA.

Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed, and reported to senior management and the Board.

If the Chief Internal Auditor, the Board, or Senior Management considers that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the Finance Director, accordingly.

**Independence and objectivity**

Internal auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased, and effective professional judgements and advice.

Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that

no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others.

To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- retains no executive or operational responsibilities;
- operates in a framework that allows unrestricted access to senior management and the Board;
- reports functionally to the Board;
- reports in their own name;
- rotates responsibilities for audit assignments within the internal audit team;
- completes individual declarations confirming compliance with rules on independence, conflicts of interest and acceptance of inducements; and
- ensures the planning process recognises and addresses potential conflicts of interest through internal audit staff not undertaking an audit for at least two years in an area where they have had previous operational roles.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to Senior Management and the Board. The nature of the disclosure will depend upon the impairment.

### **Due professional care**

Internal auditors will perform work with due professional care, competence, and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge, and judgement based on appropriate training, ability, integrity, objectivity, and respect.

Internal auditors will apprise themselves of the *'Mission'*, *'Core Principles'*, *'Definition of Internal Auditing'*, the *'Code of Ethics'* and the *'Standards'* and will work in accordance with them in the conduct of their duties.

Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption, or improper conduct are promptly reported to the Chief Internal Auditor in accordance with laid down procedures.

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is



a legal or professional requirement to do so. Confidential information gained in the course of internal audit work will not be used to affect personal gain.

### **Access to relevant personnel and records**

In carrying out their duties, internal audit (on production of identification) shall have unrestricted right of access to all records, assets, personnel and premises, belonging to HIWFRA or its key delivery partner organisations, where appropriate authority has been provided in the relevant agreements.

Internal audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand, in a timely fashion, and not subject to prior notice.

### **Scope of Internal Audit activities**

The Chief Internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by HIWFRA to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management, and control.

A range of internal audit services are provided (Annex 2) to form the annual opinion. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisation's success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

In accordance with the annual audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls. Additionally, proactive fraud reviews will be incorporated within the plan to deter and detect fraud, covering known areas of high risk.

Managers are required to report all suspicions of theft, fraud and irregularity to the Chief Internal Auditor so that they can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. Internal audit will not carry out investigations unless commissioned to do so and where this is the case, the Chief Internal Auditor will ensure that investigators are fully trained in carrying out their responsibilities.

Internal audit also facilitate HIWFRA's participation in the National Fraud Initiative (NFI) in which data from HIWFRA's main systems are matched with data supplied from other Local Authorities and external agencies to detect potential fraudulent activity.

Where appropriate Internal audit will also use their experience of working with other public sector clients to identify areas of best practice and learning opportunities that may assist HIWFRA review and improve the efficiency of their own processes and control framework.

## **Reporting**

### ***Chief Internal Auditor's Annual Report and Opinion***

The Chief Internal Auditor shall deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit report and opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management, and control.

The annual report will incorporate as a minimum:

- The opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

### ***Senior Management***

As those responsible for the leadership and direction of Hampshire & Isle of Wight Fire & Rescue Service it is imperative that the Executive Group is engaged in:

- approving the internal audit charter (minimum annually);
- approving the risk-based internal audit plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations; and
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance.

### ***The Standards and Governance Committee (The Board)***

Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to the Board. Such reporting will include:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- approving the internal audit budget and resource plan;

- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters, including the annual report and opinion;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations;
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance; and
- approval of significant consulting services not already included in the audit plan, prior to acceptance of the engagement.

### **Quality assurance and performance monitoring**

The internal audit team will work to the Public Sector Internal Audit Standards to maintain consistency in service provision. This requirement will be enforced through appropriate supervision and supervisory/management review of all audit working papers, action plans and audit reports.

An annual satisfaction survey will be conducted with key stakeholders to assess the value of the service and to seek suggestions for improvement.

In addition, in line with the Standards:

- an annual self assessment will be completed by internal audit against the Standards;
- an external assessment of internal audit will also be conducted at least once every five years by an external, qualified, independent assessor or assessment team; and
- to enable senior management and the Standards and Governance Committee to formally monitor the performance of the internal audit service, a set of key performance indicators will be agreed. Details of actual delivery against these targets will be reported to senior management and the Standards and Governance Committee.

### **Ownership of documentation**

Internal audit files and working papers, which address compliance with the Standards, are the property of HIWFRA.

Internal audit's data retention policy on the archiving and secure destruction of audit files requires that all audit files are retained for a period of four years (three plus the current) except for those papers used in the course of a fraud investigation which will be retained for a period of seven years. An annual programme is in place for the secure destruction of files once these time frames have elapsed.

### **Indemnity and Insurance**

Internal Audit's professional indemnity cover is provided through a third party insurer and is sufficient to meet all eventualities in respect of external contract arrangements up to the sum of £5 million. Southern Internal Audit Partnership will indemnify HIWFRA against claims and costs arising from its negligence or wilful breach of any obligation under this agreement provided that its maximum liability shall not exceed £5 million.

### **Fees**

The fees for internal audit work will be agreed in advance of each financial year to reflect the number and mix of days required and movements in cost base.

If specific assignments are requested in addition to the annual plan, fees will be agreed in advance based on the staff mix required.

### **Review of the internal audit charter**

This charter will be reviewed annually (minimum) by the Chief Internal Auditor and presented to Senior Management and the Board for approval.

**Annex 1**

**Southern Internal Audit Partnership – Client Portfolio**

<b>Strategic Partners:</b>	Hampshire County Council
<b>Key Stakeholder Partners:</b>	West Sussex County Council Havant Borough Council East Hampshire District Council Winchester City Council New Forest District Council Mole Valley District Council Epsom & Ewell Borough Council Reigate & Banstead Borough Council Tandridge District Council Crawley Borough Council Arun District Council Guildford Borough Council Hart District Council
<b>Blue light Key Stakeholder Partners:</b>	Hampshire & Isle of Wight Fire & Rescue Authority West Sussex Fire Service Office of the Hampshire & Isle of Wight Police & Crime Commissioner / Hampshire & Isle of Wight Constabulary Office of the Sussex Police & Crime Commissioner / Sussex Police Force Office of the Surrey Police & Crime Commissioner / Surrey Police Force
<b>External clients:</b>	Waverley Borough Council Hampshire Pension Fund West Sussex Pension Fund New Forest National Park Authority Ringwood Town Council Lymington & Pennington Town Council Langstone Harbour Authority Chichester Harbour Authority Isle of Wight College

**Annex 2****Assurance Services**

- **Risk based audit:** in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.

Where appropriate, internal audit will also use their experience of working with other public sector clients to identify areas of best practice and learning opportunities that may assist HIWFRA review and improve the efficiency of their own processes and control framework.

- **Developing systems audit:** in which:
  - the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and
  - programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.
- **Compliance audit:** in which a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.
- **Quality assurance review:** in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.
- **Fraud and irregularity investigations:** Internal audit may also provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. Internal audit's role in this respect is outlined in the Service's Anti-theft, Fraud, Bribery and Corruption Policy and associated procedures.
- **Advisory / Consultancy services:** in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management, and governance. It should be noted that it would not be appropriate for an auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.

- **Third party assurance:** the availability of objective assurance from other assurance providers will be considered in determining audit needs. Where internal audit needs to work with the internal auditors of other organisations, a practice which is expanding with the development of more organisational strategic partnerships, the roles and responsibilities of each party, as well as billing arrangements, will be clearly defined, agreed and documented prior to the commencement of work. Internal audit will also ensure awareness of and seek to place reliance on the work of other review bodies, such as HMICFRS and HMRC etc.

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**HAMPSHIRE & ISLE OF WIGHT FIRE & RESCUE  
AUTHORITY  
INTERNAL AUDIT STRATEGY AND RISK BASED  
INTERNAL AUDIT PLAN 2024-25**

Prepared by: **Karen Shaw, Deputy Head of Partnership**  
**February 2024**

## Introduction

This paper provides an overview of our approach to risk assessment and planning and the process to ensure the risk-based internal audit plan is appropriately focused and aligned to organisational needs and objectives.

## Background

The role of internal audit is that of an:

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

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

The Authority's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's strategic and operational objectives.

The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risks to the achievement of the organisation's objectives are identified, assessed and managed to a defined acceptable level.

The risk based internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.

## Public Sector Internal Audit Standards and Chartered Institute of Internal Auditors requirements for planning

The Standards require:

*'2010 Planning - The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.'*

*Interpretation: - to develop the risk-based plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls.*

### The Audit Strategy

The Strategy adopted by SIAP is in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) as outlined above, with the risk environment reviewed during the planning process and then on an ongoing basis throughout the year. The approach recognises that the control environment constantly changes, requiring continuous review and re-evaluation to ensure that emerging risks are identified, assessed, and included as appropriate in the audit plan.

Given the unprecedented challenges facing the Public Sector, this means that the strategy has in-built flexibility to consider:

- Greatest risks to the achievement of the organisation's objectives.
- New areas of activity.
- Issues of local significance and importance.
- Changing issues and priorities.
- Changes to models for service delivery and partnership working; and

- The impact of changes on existing control structures.

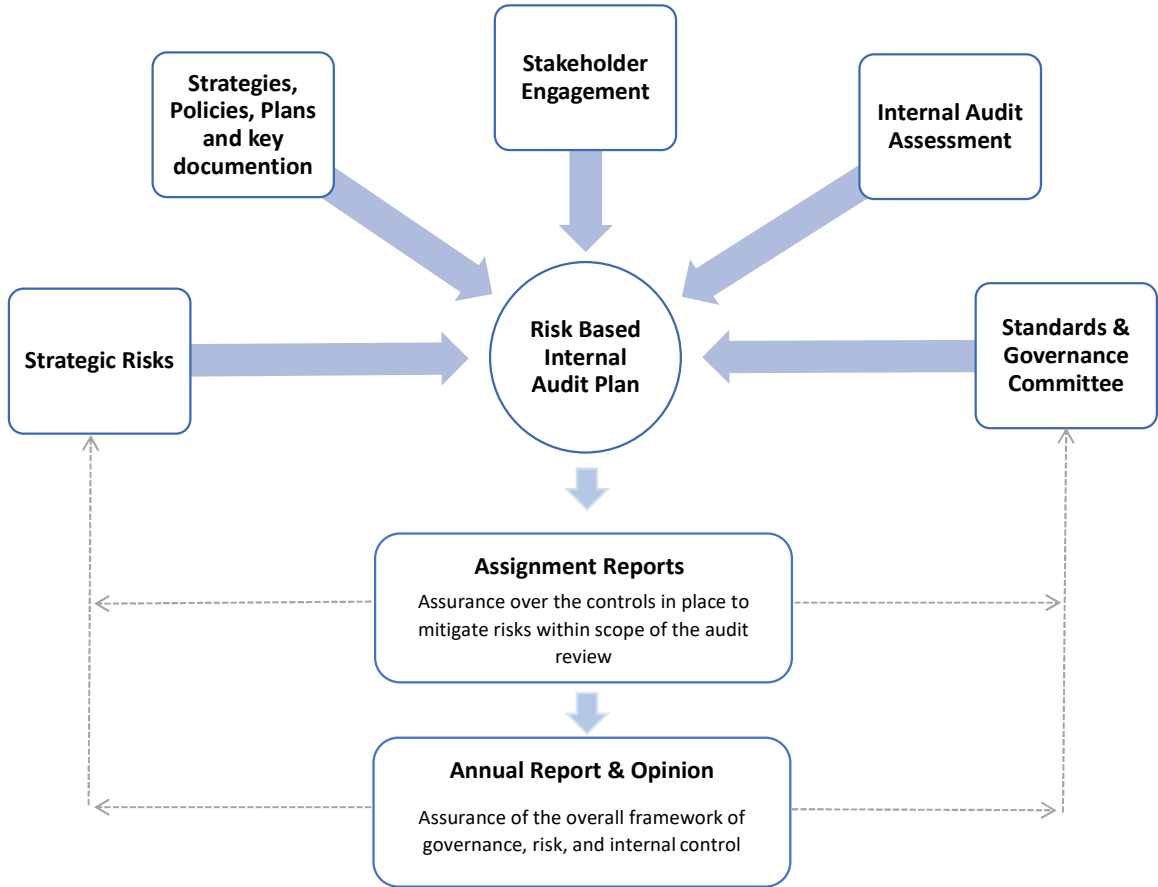
The approach taken by SIAP to review risk and produce the risk-based plan is explained in detail below. The key aims are:

- To gain an understanding of the organisation's assurance needs to enable SIAP to provide an overall opinion each year on the organisation's risk management, control and governance framework to the Hampshire and Isle of Wight Fire and Rescue Service and Authority, to support the Annual Governance Statement. This includes taking into account our own external horizon scanning and insights from other clients across the partnership.
- To produce an annual internal audit plan to review the organisation's risk management, control and governance systems through an approach which assesses risks to the organisations' objectives and prioritises internal audits accordingly.
- The identification of internal audit resources required to deliver a service which meets the PSIAS and achieves the necessary level of audit coverage to enable an opinion to be given on the organisation's control environment.
- The identification of other sources of assurance from other assurance providers which can be relied upon to inform the focus of internal audit activity.
- Co-operation with the external auditors and any other relevant review bodies to ensure that assurance functions work effectively together.
- Identification of responsibilities for providing assurance where services are delivered in partnership.

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By focussing on the higher risk areas, internal audit can provide independent, objective assurance and consulting activity designed to add value and support ongoing developments and achievement of the organisation's objectives. The HIWFRS have a clear framework and approach to risk management and the strategic risks assessed by the organisation are a key focus of our planning for the year to ensure the internal audit plan meets the organisation's assurance needs. This approach to identifying current risk was explored and challenged during the Service's Planning Board in December 2023, which we attended.

The approach taken to producing the risk-based internal audit plan each year is outlined below, based on a range of inputs as illustrated in the following diagram.



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**HIWFRA Safety Plan 2020 – 2025**

The core functions of UK fire and rescue services are to make provision for the purpose of promoting fire safety in their area, protect buildings and the people in them, responding to fires, rescuing people in road traffic collisions (RTC) and attending other emergencies.

The HIWFRA Safety Plan sets out a five-year strategy to ensure the Service consistently provides a service to the local communities to achieve this with the overriding purpose ‘Together We Make Life Safer.’

In the Safety Plan, the Service recognises that it must continue to evolve as an organisation to meet the new risks and challenges faced, and by focussing on the higher risk areas, internal audit can provide independent, objective assurance and consulting activity designed to add value and support the ongoing developments and improvement.

HIWFRA has a clear framework and approach to risk management. The strategic risks assessed by the organisation are a key focus of our planning for the year to ensure the internal audit plan meets the organisation's assurance needs and contributes to the achievement of objectives. We will monitor the Service's Risk Register developments closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

## Audit Universe

The audit universe comprises of individual auditable areas that have been identified across the organisation that may be subject to internal audit activity (recognising that this may not be an exhaustive list). This, together with organisational risks registers and discussions with management provides the basis for determining the risk based internal audit plan in line with the PSIAS.

Whilst the retention and maintenance of an audit universe is not a requirement of the Standards, it does help provide clarity and demonstrate effective internal audit coverage, as well as a degree of rigour and transparency around areas not being audited, helping inform and support decisions over internal audit resourcing requirements.

SIAP use cumulative sector knowledge to construct the audit universe to cover all relevant aspects of the organisation and SIAP continuously review the audit universe to capture any new or emerging risks, organisational changes or factors impacting our risk assessment that may necessitate an internal audit focus.

## Risk assessment

This risk assessment process will culminate in a risk rating being assigned to each area of the universe as outlined below and this will be updated or reviewed on a regular basis (at least annually) to reflect changes identified. Significant changes in the business environment may also require re-assessment of risks that the organisation is exposed to. The risk rating is based on the Audit Manager / Chief Internal Auditor judgement following review of the information obtained during the planning process.

Low

Medium

High

In assessing the risk rating, the Audit Manager and Chief Internal Auditor will consider a number of factors including:

- Legislation / Regulation.
- Management concern.
- Corporate and departmental risks.
- Sector knowledge e.g., national or local issues and emerging risks.
- Inherent risk.
- Significant changes to systems, processes, or key personnel.
- Previous internal audit assurance work (including any outstanding actions).
- Susceptibility to fraud.
- Reliance on third parties involved in a process or control, and whether assurance is available to support this involvement.
- Other sources of assurance that are available.

Risk registers are also reviewed, and discussions are held with key managers across the organisation to inform the risk assessment by exploring the following:

- Key high and medium risks to achieving the strategic objectives of the organisation.
- Business as usual risks where systems or processes are key to achieving strategic objectives.
- Any new or emerging risks that need to be considered and their potential impact on the organisation's ability to meet strategic objectives.
- The impact of any significant changes to structure, key staff, systems etc.
- Other sources of independent assurance that confirm that processes and controls are working effectively and that can be relied upon rather than duplicating work.eg HMICFRS.

## Risk-based audit plan

The risk-based plan is prepared based on the information gathered throughout the risk assessment process, including consideration of the date of last internal audit review and outcome, and discussions with management about best timing for reviews to ensure they add value. Therefore, not all medium to high risks will be included in the risk-based plan every year. Given the level of internal audit resources available, internal audit work must be prioritised and focused to ensure efficient and effective use of resources, directed at those areas of most significant risk to the organisation. Areas assessed as low risk will not generally be included in the risk-based internal audit plan. However, there may be regulatory expectations or requirements to undertake specific audit work. These topics would typically be included in the audit plan regardless of the results of the risk assessment.

The overall output is a prioritised list of audits for the next planning period.

The summarised risk-based internal audit plan is discussed with business stakeholders with the purpose of obtaining their feedback and providing a check as to its alignment with management's view of major risks to achieving strategic objectives. While the final approval of the plan lies with those charged with governance, SIAP will ensure that management's views are understood and any differences in viewpoints as to priorities are clearly explained. The proposed risk-based audit plan is then presented to the Standards and Governance Committee for review, comment and approval.

The risk-based internal audit plan is reviewed throughout the course of the year through discussions with management and review of risk registers to ensure it continues to reflect the organisational risk profile and will be adjusted to accommodate new and emerging risks and the changing needs of the organisation. Any changes will be discussed with management and reported to the Standards and Governance Committees for consideration and comment through the regular progress reports. Engagement with key stakeholders is achieved through our monthly liaison meetings with management and engagement with external audit at key points in the year. We also attend all Standards and Governance Committees and meet privately with the Chairman on a regular basis.



## Resources

The Internal Audit Charter provides commentary regarding the adequacy of resources to meet organisational need:

*'The Chief Internal Auditor will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with Members, senior management and other professionals.'*

*'The Finance Director will provide the Chief Internal Auditor with the resources necessary to fulfil the HIWFRA's requirements and expectations as to the robustness and scope of the internal audit opinion.'*

*'The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit strategy and operational audit plan.'*

*'The annual operational plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources.'*

Where the risk-based plan identifies that more coverage is required than the contract allows, and where agreement cannot be reached for an increase in resources, the impact on the plan and SIAP's ability to provide an internal audit opinion will be clearly documented at the planning stage. This is also outlined in the internal audit charter as follows:

*'Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to senior management, the Board.'*

*'If the Chief Internal Auditor, the Board or Senior Management consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the Finance Director accordingly.'*

## HIWFRA – key areas and themes for consideration within the audit strategy for future year plans

As part of the planning process, we review both the local and national risk environments affecting HIWFRA. We do this through discussions with management (including outcomes of inspections etc), knowledge of working with other Fire Services, review of national news etc.

Key themes for ongoing or future consideration in planning discussions are as follows.

### *Shared Services*

Services provided under the shared service arrangements with Hampshire County Council, Hampshire and Isle of Wight Constabulary and the Police and Crime Commissioner for Hampshire and the Isle of Wight continue to be reviewed via a joint internal audit plan that provides assurance to all parties to avoid duplication of effort, however changes to this approach took effect from 2019/20 for some areas as outlined below. All four organisations contribute audit days to this plan. An internal audit protocol for this work has been agreed with partner and shared services management.

The results of this work are reported to all four partners in accordance with agreed reporting protocols and contribute to their annual internal audit reports. Plans are developed jointly following the processes outlined above.

For services provided by the Integrated Business Centre, assurance is primarily provided by Ernst and Young in accordance with the International Standard on Assurance Engagements No. 3402 (see below), however, SIAP will continue to provide assurance to the HIWFRA and partner organisations for those systems and process outside of the scope of the ISAE 3402 through the shared internal audit plan. At the time of writing this report, the shared services internal audit plan is still being developed and will be reported through regular progress reports to the Standards and Governance Committee in due course.

Following a review of the shared services arrangements, a number of phased changes are taking place over 2023 and 2024. The impact of the changes has been considered during the planning process and will continue to be re-assessed to ensure that assurance needs continue to be met going forwards as the changes embed.

### *Shared Services - International Standard on Assurance Engagements No. 3402*

ISAE 3402 has been developed to provide an international assurance standard for 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.

The Integrated Business Centre (IBC) is a shared service function hosted by Hampshire County Council, delivering transactional processing and business support services to a growing number of public sector bodies. Such services include general ledger; Order to Cash; Purchase and Payables; Cash & Bank; Payroll; and Information Systems.

Due to the significance of the business processes provided on behalf of partner organisations it is appropriate for Hampshire County Council to provide assurance on its service through compliance with such international standard requirements. Assurance against the international standard is now provided by Ernst & Young.

## *IT*

IT continues to be inherently high risk in nature, and due to the reliance of the organisation on IT to deliver services, this will continue to be an area of focus for the risk-based plan and will be informed going forward through an assessment against ITIL practices which includes a review of current risks recorded in risk registers, previous audit coverage, other sources of assurance and knowledge of the general IT risk environment. ITIL is the most adopted and recognised body of knowledge for IT Service Management (ITSM). It is a best practice framework that gives guidance on how ITSM can be delivered. This approach aims to provide a structured approach to identifying IT audit areas based on an established framework to assess all possible areas of the IT service which could be audited. An initial mapping exercise against the ITIL practices was carried out by SIAP during 2023-24 to inform the IT strategy and internal plans going forward and as such will be reviewed annually.

## *National and Local Issues*

Incidents and issues directly affecting other Fire and Rescue Services impact on the sector generally. Discussions will therefore continue around audit needs arising from such national issues, whether arising from specific incidents or HMICFRS thematic inspections.

Over the last few years significant effort has been made to extend the risk-based planning process and universe across all areas of HIWFRS and this will continue through our discussions with key strategic managers.

## *Environment / Climate*

To date, we have done minimal work in this area. The need for more targeted reviews of the strategies in place across HIWFRS will be discussed in subsequent planning discussions.

**Finance and resources**

Both finance and staffing resources continue to feature in risk registers across the public sector due to the economic climate, funding arrangements and the resulting need for savings programmes; as well as the impacts of difficulties in attracting and retaining staff in the public sector in the current, competitive labour market. Funding is recognised as an increasing risk for the Fire and Rescue Authority and audit needs arising from this will continue to be reviewed each year.

**HIWFRA Internal Audit Risk Based Plan 2024-25**

Audit	Risk / Scope	Strategic / Service Risk (Surrey and Sussex)	Previous IA Coverage	Risk Assessment	2024-25 Indicative days	Qtr
<b>NFI</b>	To facilitate participation in the statutory National Fraud Initiative, data matching exercise.		Annual	N/A	6	Q3-4
<b>Complaints Management</b>	To review the system in place to ensure that complaints are dealt with efficiently in line with agreed policy and procedures, with effective reporting in place to identify and facilitate action on common themes and learning identified.	ORG0041		Medium	12	Q4
<b>Crewing Systems</b>	To review the controls in place to ensure that agreed crewing shift systems are operating effectively. 2024-25 scope to be confirmed.	ORG0044		High	15	Q1
<b>DBS Checks</b>	This audit will review the new internal management and procedures in place to ensure compliance with Disclosure and Barring Service (DBS) requirements, and that the necessary DBS checks have been carried out where appropriate in line with legislative changes in 2023.	ORG0041	2021-22 Limited	High	12	Q3

Audit	Risk / Scope	Strategic / Service Risk (Surrey and Sussex)	Previous IA Coverage	Risk Assessment	2024-25 Indicative days	Qtr
<b>Health and Safety - Investigations</b>	To review the governance and controls in place to ensure that incidents, including both general and vehicle related incidents, are robustly investigated, reported and learning is shared and reflected in processes and training as appropriate.	ORG0017 ORG0024		High	20	Q2
<b>Cyber Security Controls</b>	Assurance over a technical aspect of cyber security. Examples could be (not exhaustive) vulnerability management and remediation, patch management, monitoring and alerting for security events. 2024-25 scope will review vulnerability management and remediation.	ORG0015 Various ICT risks	See above	High	12	Q3
<b>Data Storage and Backup</b>	Assurance over the controls in place to ensure data storage and backup meets the needs of the service and mitigates the risks of data loss. Including ransomware protection measures.	ORG0015 ICT0040 ICT0011		High	12	Q1
<b>Premises Risk</b>	To review the revised policy and procedures and controls in place regarding premises risk assessment following issues raised by HMICFRS.	ORG0024		High	15	Q1
<b>National Operational Guidance - Training</b>	To provide assurance that the National Operational Guidance has been embedded into the Service's training packages to promote compliance with best practice.	ORG0017 ORG0024		High	12	Q2
<b>Business Continuity</b>	To review action taken since the last internal audit review and HMICFRS inspection, to ensure that effective plans are place to ensure that operations can effectively continue should an incident occur. Scope to be agreed, to include testing and exercising the plan, incident recording and lessons learned.			High	12	TBC

Audit	Risk / Scope	Strategic / Service Risk (Surrey and Sussex)	Previous IA Coverage	Risk Assessment	2024-25 Indicative days	Qtr
<b>Operational Learning – Incidents and Exercises</b>	To review the controls in place to ensure that learning from operational incidents and exercises is captured, reported and actioned as needed.	ORG0024		High	12	Q3
<b>Other Audit Activities</b>	This includes preparation of the audit plan, annual internal audit report, advice and attending management and committee meetings.		Annual		20	
<b>Follow Up</b>	To assess progress in implementing management actions for reviews carried out during previous year		Annual		8	Q4
<b>Contribution to Shared Services Plan</b>			Annual		To be confirmed - 15	
<b>Total Days</b>					183	
<b>Average days per year</b>					185 days	

### Other areas for consideration:

In addition to the prioritised areas above, a number of other areas were identified for potential review in either 2024-2025; or 2025-26 when ongoing changes have fully embedded across the Service. The following are areas for further consideration in 2024-25, should the planned reviews be reassessed and removed from the plan during the year:

- Power Platform Development
- Watch Manager and Crew Manager Promotion Process - to review the policy, procedures and controls in place to ensure that the promotion process is fair and transparent.

- Competencies – to review the progress made in recording and monitoring competencies in Gartan.
- Performance Development Reviews – to review the policy and procedures in place and compliance across the Service, following implementation of new procedures.
- Data Quality – to review the policy and procedures in place to ensure that data recorded in CFRMIS and Tranman is complete, timely and accurate.

### Shared Services Risk Based Plan 2024-25

The Shared Services aspects of the Internal Audit Plan are yet to be confirmed and are agreed separately through Shared Services governance mechanisms. Progress against the audit plan, including the Shared Services aspects of the plan, will, however, be provided through the regular progress updates to the Standards and Governance Committee.

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

## **HIWFRA Standards and Governance Committee**

Purpose: Noted

Date: **9 APRIL 2024**

Title: **INTERNAL AUDIT PROGRESS REPORT 2023/24**

Report of Internal Auditor

### SUMMARY

1. The purpose of this paper is to provide the Standards and Governance Committee with:
  - an overview of internal audit work completed in accordance with the approved audit plans, and
  - an overview of the status of 'live' reports.

### RECOMMENDATION

2. That the progress in delivering the internal audit plan for 2023/24 and the outcomes to date be noted by the HIWFRA Standards and Governance Committee

### BACKGROUND

3. 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'.*

4. 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.
5. The report attached at Appendix A summarises the activities of internal audit for the period ending 5 March 2024.

### SUPPORTING OUR SAFETY PLAN AND PRIORITIES

6. 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

7. The 2023/24 plan was prepared on the basis of risk and audit need and agreed with senior managers and endorsed by Hampshire & Isle of Wight Fire & Rescue Authority's Standards and Governance Committee following comprehensive risk assessment. The cost is reflected in the Authority's budget.
8. The audit plan will remain fluid to enable us to react to the changing needs of Hampshire & Isle of Wight Fire & Rescue Authority.

### IMPACT ASSESSMENTS

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

### LEGAL IMPLICATIONS

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

### RISK ANALYSIS

11. 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.

### EVALUATION

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

### CONCLUSION

13. The appendix outlines the progress made in delivering the internal audit plan for 2023/24 along with the issues arising to date.

### APPENDICES ATTACHED

14. Internal Audit Progress Report 2023-24

#### **Contact:**

Karen Shaw, Chief Internal Auditor, [Karen.Shaw@hants.gov.uk](mailto:Karen.Shaw@hants.gov.uk), 07784 265138

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**Hampshire & Isle of Wight Fire & Rescue Authority: Standards and Governance Committee**

**Internal Audit Progress Report 2023-24**

**March 2024**

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## 1. Role of Internal Audit

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

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

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

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

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

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

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

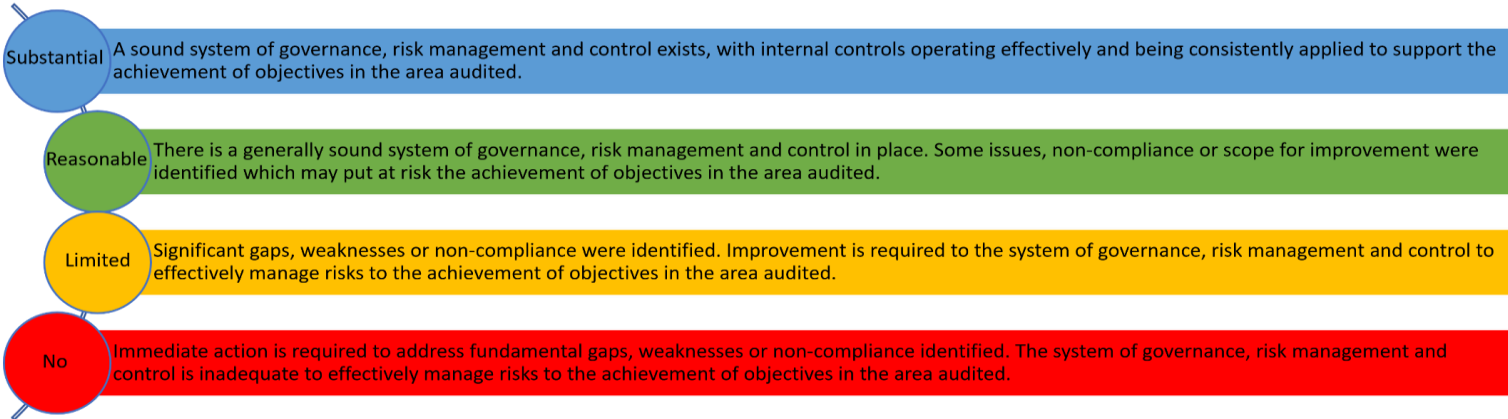
**2. Purpose of report**

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

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

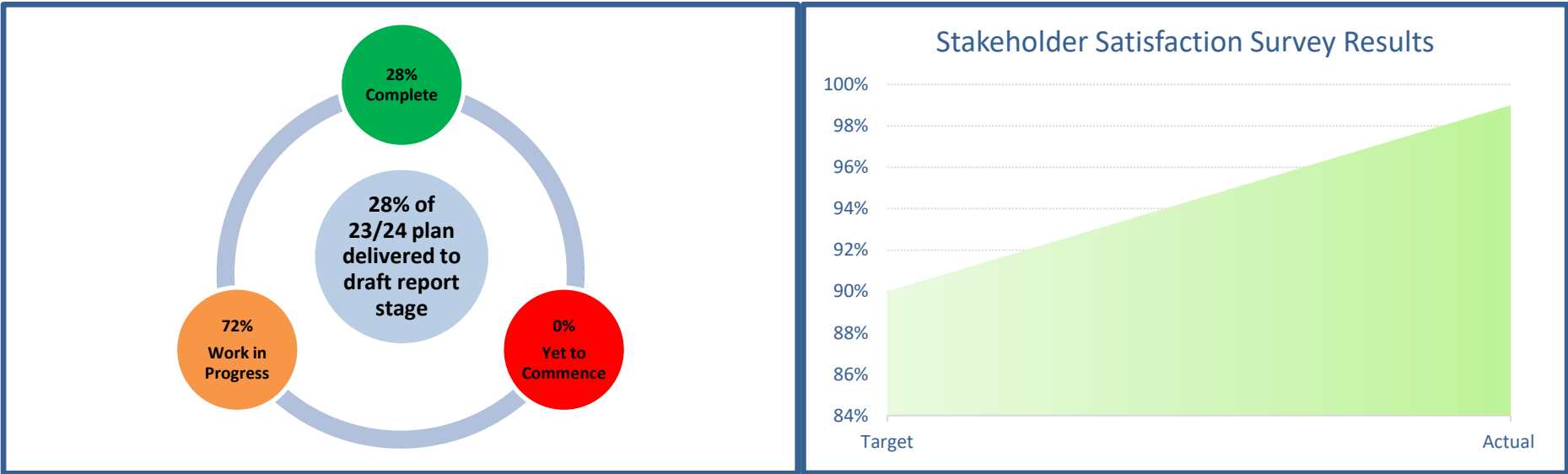
Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as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

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3. Performance dashboard



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Compliance with Public Sector Internal Audit Standards

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

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

## 4. Analysis of 'Live' audit reviews





Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)*	Not Yet Due*	Complete*	Overdue		
							L	M	H
Referral Pathways**	16.11.21	D of O	Limited	19 (10)	0 (0)	19 (10)			
Prevention and Protection**	24.02.22	D of O	Reasonable	3 (0)	0 (0)	3 (0)			
Pay Claims (Recurring Allowances) **	11.07.22	D of P&OD	Reasonable	1 (0)	0 (0)	1 (0)			
Assurance over the competence of operational response capability **	09.02.23	D of O	Limited	7 (6)	0 (0)	7 (6)			
Purchasing Cards**	29.03.23	DFO	Limited	7 (6)	0 (0)	7 (6)			
Cyber security controls	05.05.23	D of CS	Reasonable	11 (3)	2(0)	9 (3)			
ICT systems and governance**	31.07.23	D of CS	Reasonable	12 (2)	0(0)	12 (2)			
Analytical Risk Assessments	24.10.23	D of O	Limited	6 (0)	6 (0)	0 (0)			
ICT Major Incident Management	16.11.23	D of CS	Reasonable	12 (5)	1 (0)	11 (5)			
Benefits Management	15.02.24	DCFO	Limited	4 (0)	4 (0)	0(0)			
<b>Total</b>				<b>82 (32)</b>	<b>13 (0)</b>	<b>69 (32)</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

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

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

There has been one final report published concluding a ‘limited’ or ‘no’ assurance opinions since our last progress report.

Audit Review	Audit Sponsor	Assurance opinion	Management Actions		
Benefits Realisation	Head of Governance and Assurance				

**Summary of key observations:**

The purpose of the audit was to assess the governance, control and assurance mechanisms around Benefits Management, with due consideration given to the Change Management Framework, Directorate Plans and Safety Plan.

Guidance documents are in place. Change proposals are completed and linked to Service priorities, and benefits realisation plans are established for agreed proposals. Support is provided by the Change Analyst to Change Leads to enable tracking and reporting.

The limited opinion is due to baseline data not being available at the start of the activities/projects, no specific benefits monitoring throughout the lifecycle of the activities/projects and no evidence that evaluations have been carried out recently. During the close of audit meeting, we were told that the Service is in the process of revising the Change Management Framework to streamline it, transitioning to a self-service model. We understand that the framework will be supported by a suite of documents which Directors and Managers will use to oversee their change programmes and that the Governance and Assurance Team will assess compliance with the updated framework and offer necessary support. These developments have been taken into account in the management actions and associated target dates.

## **6. Planning & Resourcing**

The internal audit plan was approved by the Standards and Governance Committee on 22 March 2023.

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

## 7. Rolling Work Programme

### 2022/23

Audit Review	Sponsor	Scoping	Terms of Ref	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
<b>HIWFRA Audit Plan 2022/23</b>								
Analytical Risk Assessments	D of O	✓	✓	✓	✓	24.10.23	Limited	

### 2023/24

Audit Review	Sponsor	Scoping	Terms of Ref	Fieldwork	Draft Report	Final Report	Assurance Opinion	Quarter	Comment
<b>HIWFRA Audit Plan 2023/24</b>									
Benefits Management	DCFO	✓	✓	✓	✓	15.02.24	Limited	Q1	
ICT Major Incident Management (ITIL based)	D of CS	✓	✓	✓	✓	16.11.23	Reasonable	Q2	
ICT Assurance Mapping and Coverage Analysis Based on ITIL 4 Practices	D of CS	✓	✓	✓	✓	14.02.24	N/A	Q3	
Long-term sickness absence management and restricted duties	D of P&OD	✓	✓	✓				Q3	Testing underway. Close meeting booked 25 March
Overtime	DCO	✓	✓	✓				Q3	Testing underway. Close meeting booked 26 March
Contaminants	D of CS	✓	✓	✓				Q3	Testing underway
Health and Safety Training	DCFO	✓	✓	✓				Q3	Testing underway
Financial management – capital expenditure	CFO	✓	✓					Q4	ToR issued 5 March
Unwanted Fire Signals	D of O	✓	✓					Q4	ToR issued 5 March

Audit Review	Sponsor	Scoping	Terms of Ref	Fieldwork	Draft Report	Final Report	Assurance Opinion	Quarter	Comment
Business Inspection and Use of Enforcement Powers	D of O	✓						Q4	Scoping meeting 31 Jan
NFI	DCFO	N/A	N/A	✓				Q1-4	
Follow up	Various	✓	✓	✓				Q4	Testing underway
<b>Shared Services Audit Plan 2023/24</b>	These are Shared Service audits with no direct Hampshire and Isle of Wight Fire and Rescue Service Audit Owner and Exec Sponsor; however overarching accountability for HIWFRS Shared Services activity sits with the HIWFRS DCFO, Director of Policy, Planning and Assurance and the Head of Partnerships and External Relationships								
Procurement		✓						Q4	
PCI DSS		N/A	N/A	✓	N/A	✓	N/A	Q1-2	

#### Audit Sponsors

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

## 8. Adjustment to the Internal Audit Plan

There have been the following amendments to the plan:

Plan Variations for 2023/24	
Removed from the plan	Reason
<b>Provided Vehicles</b>	A Q2 audit, removed from the plan in July 2023 as HMRC has given notice that they will be undertaking an inspection on provided vehicles. Audit needs will be assessed following the outcome of the inspection.
<b>Shared Services - Restructures</b>	Deferred until 2024/25 due to changes made to the process in December 2023.
Added to the plan	Reason
<b>False Alarms</b>	Incorporated into the plan following findings from an HMICFRS inspection, resulting in additional assurance required in Q4.
<b>Business Inspection and Use of Enforcement Powers</b>	Incorporated into the plan following findings from an HMICFRS inspection, resulting in additional assurance required in Q4.

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

## **HIWFRA Standards and Governance Committee**

Purpose: Noted

Date: **9 April 2024**

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

Report of Chief Fire Officer

### SUMMARY

1. The purpose of this report is to provide the Standards and Governance Committee Members with the latest update on the medium and high internal audit management actions that have not been completed within the agreed target date and are now overdue. The Standards and Governance Committee has a key scrutiny role in monitoring the implementation of internal audit management actions.

### RECOMMENDATION

2. That the progress made towards the implementation of the internal audit management actions and the delivery of the audit plan be noted by the HIWFRA Standards and Governance Committee

### BACKGROUND

3. Internal audit is provided by the Southern Internal Audit Partnership (SIAP) and is one of various assurance mechanisms that the Service utilises as part of our wider assurance programme. Our assurance programme includes internal and external assurance mechanisms with external mechanisms including from His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) and ISO certification testing.

4. In terms of internal audit, the Hampshire and Isle of Wight Fire and Rescue Service (HIWFRS) Organisational Assurance team maintains mechanisms to monitor management actions that are as a result of finalised internal audits. The team record whether management actions are in progress and on target, have been delayed and extended or have been completed. Heads of Service are responsible for the delivery of management actions that fall within their areas of responsibility.
5. Once a final audit report has been issued, the agreed management actions are recorded along with:
  - a) the priority of the recommendation;
  - b) the target date for implementation; and
  - c) the person responsible for the action.
6. The Organisational Assurance team will ask for confirmation and evidence that an action has been completed, or if it has not been completed when it is expected to be. Any management actions that continue to remain outstanding are referred to the relevant Director. Outstanding audit recommendations are monitored regularly by the Director of Policy, Planning and Assurance and the Head of Governance and Assurance.

#### MANAGEMENT COMMENTARY

7. Only medium and high overdue management actions are reported to the Committee. There are currently no overdue actions.
8. Since the last committee meeting, the overdue Competency, Resourcing and Succession planning – Prevention and Protection action has been closed. Work has been completed and will now be developed as business as usual. The ICT Systems and Governance audit management actions have been completed and this Audit is now closed.
9. Internal Audit have completed the Benefits Management audit which has received limited assurance. As a result there are four medium actions which will be completed over the next few months which will address the risks identified.
10. Overall, there 13 open audit actions which are being monitored by the Organisational Learning and Assurance team (compared to 20 open actions in the last quarter).

## SUPPORTING OUR SAFETY PLAN AND PRIORITIES

11. By ensuring the implementation of internal audit recommendations, we ensure the improvement of processes and governance arrangements which will contribute to making life safer. This also assists the Authority in achieving our High Performance and Learning and Improving Safety Plan priorities, and our vision to work smarter, be more efficient, and to make life safer for everyone in Hampshire and the Isle of Wight.

## COLLABORATION

12. The Southern Internal Audit Partnership (SIAP) provide internal audit on behalf of all partners within Shared Services and many other public service organisations.
13. Our internal audit procedure outlines how HIWFRS and the Southern Internal Audit Partnership (SIAP) collaborate. The relationship continues to be effective, as evidenced by the progress made with audit actions and our approach to risk-based audit planning.

## RESOURCE IMPLICATIONS

14. 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.
15. The management of internal audit actions is carried out within current resources.

## IMPACT ASSESSMENTS

16. Impact assessments have not been required for this report.

## LEGAL IMPLICATIONS

17. There are no legal implications arising from this report, however the provision of Internal Audit is a requirement of The Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards.

## RISK ANALYSIS

18. Failure to implement internal audit recommendations and management actions leaves the Authority vulnerable to the consequences of the identified risks and weaknesses in controls. Internal management of audit recommendations and actions is an important process which forms part of the management of risk. 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

19. 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 and have regular discussions with our internal auditors, the Southern Internal Audit Partnership.

## CONCLUSION

20. Progress continues to be made in both completing the management actions from previous audits and progressing the current audit plan. Management actions will be undertaken in respect of the specific audits themselves and more widely in respect of internal control issues and how they are managed across the Service. As outlined in the MoU, management actions are owned by an Executive Sponsor and Heads of Service, who work with their teams to ensure progress is made.

*Contact:*

*Stew Adamson, Director of Policy, Planning and Assurance*

*Stew.adamson@hantsfire.gov.uk*

*07918 887596*



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

## **HIWFRA Standards and Governance Committee**

Purpose: Noted

Date: **9 APRIL 2024**

Title: **EXTERNAL AUDIT UPDATE**

Report of Chief Financial Officer

### SUMMARY

1. The Authority is required to prepare and publish its accounts in accordance with the Accounts and Audit Regulations. The Authority's draft accounts for 2022/23 were published by the 31 May 2023 statutory deadline, however the national audit backlog has meant that the audit of the accounts has been delayed.
2. The purpose of this report is therefore to provide the Standards and Governance Committee with an update on the external audit of the Authority's accounts for 2022/23 and 2023/24.
3. A number of proposals have been put forward to address the audit backlog, the implications of which have been discussed with the Authority's external auditor, EY. In order to allow EY to focus on the timely reset of audit timescales it is likely that the auditor will focus on its VfM work for 2022/23 and the planning and completion of the audit of the 2023/24 accounts. As such, it is likely that the Authority will receive a modified audit opinion for the 2022/23 accounts. This opinion will be as a result of the impact of the national audit backlog and not due to any issues identified by the auditor with the accuracy or completeness of the Authority's unaudited 2022/23 accounts.
4. There are two other items on the agenda for this meeting relating to the external audit that will be presented by EY:
  - (a) The interim Value for Money report for 2022/23
  - (b) The audit planning report for 2023/24

## RECOMMENDATION

5. That the current position with the audit of the 2022/23 accounts and the implications of the strategy being proposed by EY for 2022/23 and 2023/24 be noted by the HIWFRA Standards and Governance Committee.

## BACKGROUND

6. The draft Statement of Accounts for 2022/23 was signed off by the Chief Financial Officer for publication on the statutory deadline of 31 May 2023, allowing the period of public inspection to commence on time.
7. The national backlog in audit work across the local authority sector however has meant that the audit of the accounts was not completed by the statutory deadline of 30 September 2023. Instead, the Standards and Governance Committee approved the unaudited accounts in September 2023 for publication alongside a notice explaining that the audit had not yet been completed. Alongside this, the committee received an [update](#) explaining the national backlog and the proposals to address the issues put forward by the Department for Levelling Up, Housing and Communities (DLUHC) in July 2023.
8. External auditors are also required to complete a Value for Money (VfM) assessment as part of the audit of the accounts. The Code of Audit Practice and associated guidance sets out how the auditor is required to report on whether an authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Further detail on the requirements including the approach being taken by the auditor in light of the audit backlog and proposals to address this is discussed in the interim 2022/23 VfM report, which is a separate agenda item.
9. Ahead of auditing the Authority's accounts, the external auditor produces an audit planning report, setting out the proposed audit approach and scope. This report from EY relating to the plans for the 2023/24 audit is a separate agenda item.

## PROPOSALS TO CLEAR AUDIT BACKLOG

10. A joint statement was issued on 8 February 2024 setting out cross-system proposals to clear the national audit backlog and put the local audit system on a sustainable footing.
11. A number of cross-system proposals have been developed and agreed by DLUHC, the Financial Reporting Council (FRC), the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA),

the Institute of Chartered Accountants in England and Wales (ICAEW), and Public Sector Audit Appointments (PSAA).

12. The joint statement noted that as at 31 December 2023 there were 771 audit opinions outstanding across the country and states that:

*“Timely, high-quality financial reporting and local audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers”.*

13. A package of measures has been proposed by DLUHC to address the issues, split into three phases:

- Phase 1: Reset involving clearing the backlog of historical audit opinions up to and including the financial year 2022/23 by 30 September 2024. Where auditors are unable to fully complete audit work by this date, a modified/disclaimed opinion would be issued to conclude the audit based upon the work that the auditors had been able to complete.
- Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. Where auditors are unable to fully complete audit work by this date, a modified/disclaimed opinion would be issued to conclude the audit based upon the work that the auditors had been able to complete.
- Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

14. DLUHC has issued a [consultation](#) on phases 1 and 2. The NAO is consulting in parallel on changes to the Code of Audit Practice required to implement the proposed approach to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. In addition, the CIPFA LASAAC Board is [consulting](#) on a number of temporary amendments to the Code of Practice for Local Authority Accounting to reduce the burdens on finance teams and auditors.

#### IMPLICATIONS OF THE PROPOSED CHANGES FOR HIWFRA

15. The DLUHC consultation closes on 7 March and therefore at the time of writing the final outcome of the consultation was unknown. The NAO and CIPFA consultations had also not closed at the time of writing. The Chief

Financial Officer has however been in discussion with EY about the likely implications of the proposals as put forward and EY's proposed approach.

#### Backstop dates

16. The DLUHC consultation proposes a Phase 1 backstop date of 30 September 2024 for the completion of all audits up to and including 2022/23. Discussions with EY have however highlighted that in order to best support the reset of audit timescales EY the auditor will focus resources on completing the 2022/23 VfM work and the planning and completion of audit work on the 2023/24 accounts. This approach will result in a disclaimed audit opinion for the 2022/23 accounts, which will also impact the 2023/24 accounts as the auditor will not be able to rely on audited prior year figures.
17. The Authority received an unqualified audit opinion in 2021/22 (the first year of the combined Hampshire and Isle of Wight Fire and Rescue Authority) and under the approach proposed by EY the disclaimed opinion on the 2022/23 accounts would be the result of the impact of the national audit backlog rather than any identified issues with the quality or accuracy of the published statement of accounts. The communication (nationally and locally) and the audit opinion will make this clear to readers of the accounts.

#### Changes to the CIPFA Code

18. Two temporary changes to the CIPFA Code for 2023/24 and 2024/25 are being proposed to support the reset of the local audit system. The consultation will close on 28 March 2024.
19. These changes will impact the Authority's accounts and relate to the simplification of requirements for the revaluation of operational property and the reduction in disclosure requirements relating to pension assets and liabilities.
20. Property, Plant and Equipment (PPE) assets and net pension liabilities are the two largest items on the Authority's balance sheet and both involve estimation and judgement by specialists. Although significant numbers on the Balance Sheet, statutory accounting requirements for local authorities mean that changes in valuation do not impact the Authority's revenue budget or council tax requirement.
21. The simplification of the requirements in these two areas is therefore likely to be beneficial in reducing officer and auditor resource requirements without negatively impacting the revenue budget, albeit due to the timing of the consultation work has already been in progress by external specialists relating to the 2023/24 accounts.



## VALUE FOR MONEY REPORT 2022/23

22. The auditors are required to complete a Value for Money (VfM) assessment as part of the audit of the accounts. The Code of Audit Practice and associated guidance sets out how the auditor is required to report on whether an authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
23. The interim commentary on VfM arrangements for 2022/23 is a separate report on the agenda and will be presented by EY.

## RISKS ANALYSIS

24. External audit of the financial statements is an important element of the overall assurance provided to the Standards and Governance Committee. The absence of a full external audit for one year does therefore present some risk. However, there are a number of factors that reduce the risk:
  - (a) The accounts are prepared by a specialist, professionally qualified finance team. The team have the capacity and technical skills to maintain an up-to-date knowledge of the requirements and changes to the Accounting Code. The Chief Financial Officer signs off the accounts as a true and fair view of the financial position of the Authority.
  - (b) The Shared Services Partnership is audited under standard ISAE 3402, which examines the integrity of financial systems and processes. This is a separate activity to the external audit and has continued.
  - (c) There is a system of internal control within the Fire and Rescue Service and Authority that has continued to operate effectively during the year. The Authority (via the Standards and Governance Committee) receives and approves the Annual Governance Statement each year.
  - (d) Internal audits have continued and progress on audits and resulting actions have been regularly reported to the committee.
  - (e) The interim value for money assessment has been completed and is covered as a separate item on this agenda. This covers arrangements for ensuring economy, efficiency and effectiveness in the service.
25. These mitigations reduce the risk of the absence of a full 2022/23 audit.

## AUDIT PLANNING REPORT 2023/24

26. The auditors produce an audit planning report setting out the proposed audit approach and scope in accordance with requirements. This year, the report needs to take into consideration (a) the national audit backlog and (b) the proposals to reset the system and their implications.
27. The outline audit planning report for 2023/24 is a separate report on the agenda and will be presented by EY.

## SUPPORTING OUR SAFETY PLAN AND PRIORITIES

28. Ensuring that funding is appropriately accounted for is vital for all public sector organisations. The accounts and audit process is an important pillar in this and helps provide transparency, accountability and assurance to members of the public on the Authority's financial arrangements in support of the delivery of the Safety Plan.

## RESOURCE IMPLICATIONS

29. The fees for external audit are set by Public Sector Audit Appointments (PSAA) Ltd, the national appointing person for principal local government and police bodies for audits. A scale fee is set by PSAA based on known audit requirements and the auditor is then able to propose changes to the audit fee (a 'scale fee variation') where audit requirements have changed.
30. It is likely that the proposed approach will see a reduction in audit fees (i.e. a fee below the scale fee) for 2022/23 given that a full audit will not have been completed by EY.
31. The audit of the accounts for 2023/24 is the first under the new five year contract and includes a significant increase in audit fees. The higher scale fee has been built into the budget, although there is a risk of higher than budgeted costs if additional audit work is required that PSAA determine is outside of that covered by the scale fee. This will not be known fully until the audit is completed but is likely to include work associated with the new auditing standards ISA 315 *Identifying and assessing the risk of Material Misstatement*.

## IMPACT ASSESSMENTS

32. This report presents an update on the status of the 2022/23 and 2023/24 accounts and audit process. Any financial decisions taken during the years in question and any future decisions relating to the delivery of services will be subject to separate impact assessments.

## LEGAL IMPLICATIONS

33. The Accounts and Audit Regulations set out that the Authority's requirements in relation to its draft and audited accounts. The proposals set out by DLUHC include changes to the Accounts and Audit Regulations, with which the Authority will be required to comply.
34. The CIPFA Code of Practice on Local Authority Accounting sets out how the Authority must prepare its accounts. The Authority will need to ensure that its accounts reflect any changes as a result of the current consultation.

## CONCLUSION

35. A number of well publicised national issues have resulted in a significant backlog in local authority audits. The Authority published its draft accounts for 2022/23 on 31 May 2023 in accordance with the statutory deadline, however the national audit backlog has meant that the audit of the accounts has not yet taken place.
36. The Department for Levelling Up, Housing and Communities (DLUHC) has worked with other system partners on proposals to address the backlog. A consultation on the first two phases of these proposals closes on 7 March 2024 and is accompanied by proposed changes to both the CIPFA Code and audit code.
37. The national backlog and the proposals to address the issues have an impact on the Authority. This report sets out the potential implications of the proposals.
38. The report recommends that the Standards and Governance Committee notes the current position and the likely implications of the proposed audit approach.
39. The auditor's interim Value for Money report for 2022/23 and audit planning report for 2023/24 are separate agenda items to be presented by EY.

## BACKGROUND PAPERS

Standards and Governance Committee [Statement of Accounts 2022/23](#)

Contact: Catherine Edgecombe, Chief Financial Officer,  
[Catherine.edgecombe@hants.gov.uk](mailto:Catherine.edgecombe@hants.gov.uk) 03707 796214

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

## **HIWFRA Standards and Governance Committee**

Purpose: Noted

Date: **9 APRIL 2024**

Title: **INTERIM VALUE FOR MONEY REPORT 2022/23**

Report of Chief Financial Officer

### SUMMARY

1. The Authority's external auditors are required to complete a Value for Money (VFM) assessment as part of the audit of the accounts. The Code of Audit Practice and associated guidance sets out how the auditor is required to report on whether an authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
2. The interim Value for Money report for 2022/23 from EY is attached at Appendix A and concludes that the auditor did not identify any significant weaknesses in the Authority's VFM arrangements and has no matters to report by exception at this stage of the audit. The final commentary will be issued in the Auditor's Annual Report later in the year.

### RECOMMENDATION

3. That the interim Value for Money report for 2022/23 from EY presented at Appendix A be noted by the HIWFRA Standards and Governance Committee.

### BACKGROUND

4. The Value for Money report includes the auditor's assessment of VFM arrangements against three required reporting criteria:
  - (a) Financial sustainability
  - (b) Governance
  - (c) Improving economy, efficiency and effectiveness

5. It includes a commentary against each of these areas and reports on the arrangements put in place by the Authority to deliver value for money.

#### SUPPORTING OUR SAFETY PLAN AND PRIORITIES

6. Ensuring value for money in service delivery is important for all public sector organisations. The VFM report helps provide transparency, accountability and assurance to members of the public on the Authority's arrangements in support of the delivery of the Safety Plan.

#### RESOURCE IMPLICATIONS

7. The Value for Money report is produced as part of contract for the external audit of the Authority's accounts. The fees are set by Public Sector Audit Appointments (PSAA) Ltd, the national appointing person for principal local government and police bodies for audits. A scale fee is set by PSAA based on known audit requirements and the auditor is then able to propose changes to the audit fee (a 'scale fee variation') where audit requirements have changed.

#### IMPACT ASSESSMENTS

8. This report presents an external assessment of value for money in service delivery.

#### LEGAL IMPLICATIONS

9. The auditor is required to publish an annual commentary on value for money arrangements as part of the auditor's annual report. This is to comply with the requirements of the 2020 Code of Audit Practice and Auditor Guidance Note 3.

#### CONCLUSION

10. The interim VFM report for 2022/23 is attached at Appendix A and concludes that the auditor did not identify any significant weaknesses in the Authority's VFM arrangements and has no matters to report by exception at this stage of the audit.

#### APPENDICES

Appendix A: EY interim VFM report for 2022/23

Contact: Catherine Edgecombe, Chief Financial Officer,  
[Catherine.edgecombe@hants.gov.uk](mailto:Catherine.edgecombe@hants.gov.uk) 03707 796214

A close-up photograph of a person's hand holding a white pen, pointing at a bar chart displayed on a tablet screen. The chart features several horizontal bars in shades of green, brown, and red. The background is dark, and the lighting is focused on the hand and the tablet.

# Hampshire and Isle of Wight Fire and Rescue Authority

## Value for Money Interim Report

Year ended 31 March 2023

01 March 2024

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

01 March 2024

Dear Standards and Governance Committee Members

2022/23 Value for Money Report

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for Hampshire and Isle of Wight Fire and Rescue Authority. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit year 22/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

This report is intended solely for the information and use of the Standards and Governance Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Standards and Governance Committee meeting on 18<sup>th</sup> March 2024.

Yours faithfully

Kevin Suter

Partner

For and on behalf of Ernst & Young LLP

Encl



# Contents

01 Executive Summary



02 Value for Money Commentary



03 Appendices



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



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BOARDROOM

# 01 Executive Summary



# Executive Summary

## Purpose

Auditors are required to be satisfied that the Fire Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this interim commentary is to explain the work we have undertaken during the period 2022/2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit year 2022/23. The NAO has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

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The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit report has been issued for 2022/23.

# Executive Summary (continued)

## Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Fire Authority committee reports;
- meetings with the Chief Finance Officer;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Fire Authority management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in the Fire Authority's VFM arrangements.

As a result, we have no matters to report by exception at this stage of the audit and we will update our interim reporting as part of issuing the final commentary in the Auditor's Annual Report later in the year.

# Executive Summary (continued)

## Reporting

Our interim commentary for 2022/23 is set out over pages 9 to 12. The interim commentary on these pages summarises our understanding of the arrangements at the Fire Authority based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2022/23. We include within the VFM commentary below the associated recommendations we have agreed with the Fire Authority.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2021/22 Auditor's Annual Report and have been updated for 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

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



# Executive Summary (continued)

## Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fire Authority, and its members and senior management and its affiliates, including all services provided by us and our network to the Fire 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 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 Transparency Report 2023

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 2023:

[EY UK 2023 Transparency Report | EY UK](#)



## 02 Value for Money Commentary

# Value for Money Commentary

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

No significant weakness identified

During the year the Fire Authority continued to effectively manage their budgets, and look to the future through their Medium Term Financial Plan (MTFP). 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 22/23 Budget and Precept Requirement which was approved in February 2022. It was recommended in this report that Council Tax was increased by the maximum level of £5 for a Band D equivalent property (7.10% increase on all bands) for 2022/23.

The Authority was able to deliver a small net underspend of £0.165m for 2022/23. The underspend will be added to reserves to support the future priorities of the Authority. The outturn position was achieved through strong financial management of expenditure budgets as well as several temporary factors impacting costs (such as difficulties in recruiting to specialist posts) and higher than budgeted income. Additional income included the beneficial impact of higher interest rates on its balances, while the Authority also benefited from temporarily lower capital financing costs due to slower than planned progress in delivering the approved capital programme. The Authority was also able to deliver the £0.8m of efficiency savings built into the budget, which were achieved through a strong focus on financial management within the Operations directorate and the removal of an Assistant Chief Officer role from the structure.

The Budget and Precept Requirement, including the Medium Term Financial Plan has since been updated, with the latest iteration taken to the Fire Authority meeting during February 2024. The headline position of this report is that a balanced budget is proposed for 2024/25 with the recommendation is to increase Council Tax by the maximum level of 2.99%. The Medium Term Financial Plan presented in this report shows a more challenging financial position facing the service from 2025/26 onwards with a budget gap of £2.896m in 2025/16 increasing to £5.952m in 2027/28.

The forecast budget gaps are a result of pressures, one-off funding ceasing and other funding increasing at a level below inflation. Should any of these assumptions prove to be incorrect, the budget gap could be greater or less than forecast. It is noted that the MTFP position has been developed using prudent assumptions and within the report, management have listed a number of options for addressing the deficits going forward including developing a plan during 2024/25 to improve efficiency of the service and to deliver cashable reductions in the budget from 2025/26. This plan will be based on the outputs of the Safety Plan work and will look at current resources compared to risks. This approach is in line with the Authority's financial principles.

Conclusion: Based on the work performed, the Fire Authority had proper arrangements in place in 2022/23 [and other relevant years] to enable it to plan and manage its resources to ensure that it can continue to deliver its services



# Value for Money Commentary (continued)

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

No significant weakness identified

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.

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.

The Authority published their draft 2022/23 financial statements for audit on the 31 May 2023, in line with the Audit and Accounts regulations, and advertised and held an inspection period for members of the public in line with these regulations. We confirm that the 2022/23 draft financial statements were arithmetically correct, agreed to the data in the general ledger, and prepared in line with the content required by the CIPFA Code. The Council has carried out bank reconciliations during the year. Therefore, appropriate arrangements for financial reporting were in place during 2022/23.

Conclusion: Based on the work performed, the Fire Authority had proper arrangements in place in 2022/23 [and other relevant years] to make informed decisions and properly manage its risks.

# Value for Money Commentary (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

No significant weakness identified

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. MTFP to show how these strategic objectives and priorities can be achieved.

We note that in 2023, the Fire Authority agreed a proposal to produce its next Safety Plan covering 2025-2030. This was based around a 2-stage approach: Stage 1 involved assessing all foreseeable fire and rescue related risk with Stage 2 identifying and consulting on possible mitigations. A report was presented to the October 2023 Fire Authority meeting which confirmed that Stage 1 had been completed and that work on stage 2 will begin. The new updated Safety Plan is due to the Fire Authority in Autumn 2024.

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.

Conclusion: Based on the work performed, the Fire Authority had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



# 03 Appendices

# Appendix A - Summary of arrangements

## Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

### Reporting criteria considerations

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

### Arrangements in place

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 22/23 Budget and Precept Requirement was approved by the HIWFRA Full Authority in February 2022. For 22/23 it was recommended that the Fire Authority increased Council Tax by the maximum amount of £5 on a Band D equivalent property (7.10% increase on all bands) due to the financial pressures (i.e., the risk reduced central government funding and increased costs). However, it is noted that the headline position is that the budget was balanced.

#### Medium Term Financial Plan (MTFP)

The 22/23 Budget and Precept Requirement which was approved in February 2022 stated that “The Government announced a further one-year funding settlement in December 2021. Despite the lack of a medium-term financial settlement, a Medium-Term Financial Plan (MTFP) has been produced, covering the period 2022/23 to 2024/25”. The MTFP at this stage showed budget deficits for 2023/24 and 2024/25 at £189k and £761k respectively.

We note that an updated Medium Term Financial Plan was presented to the Fire Authority (Full Authority) in February 2023 which covers a period of 2023/24 – 2026/27. The MTFP illustrates that in financial years 2023/24 to 2026/27 there will be a forecast modest budget deficit which will be partly managed using draws from the Grant Equalisation Reserve, a reserve held for this purpose. The remaining deficit will be addressed by other means.

The MTFP highlights that financial planning has been a risk for several years and the recent single year settlement means that the risk is still current. The Authority noted the main risks around the MTFP:

- Financial planning uncertainty due to single year settlement
- Risk of reduced funding from central government
- Impact of inflation and increase in interest rates

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

### Reporting criteria considerations

### Arrangements in place

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 (cont.)

These risks would apply pressure on the Authority's financial position but there are mitigations in place which mean the Authority is in a strong position to deal with impact should these risks materialise.

#### 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 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. Updates to the overall budget position is reported through budget update reports which are taken to the Authority on a quarterly basis. These reports provide an update on the current year budget financial monitoring position and the forward looking budget setting 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.

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. 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. The Authority has set up an efficiency plan which was approved by the Authority in February 2023. The efficiency plan is in place to deliver cashable efficiencies or limiting future cost increases. This should mean that reinvestment is possible to enhance the Service.

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

### Reporting criteria considerations

### Arrangements in place

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.

We note that in 2023, the Fire Authority agreed a proposal to produce its next Safety Plan covering 2025-2030. This was based around a 2-stage approach: Stage 1 involved assessing all foreseeable fire and rescue related risk with Stage 2 identifying and consulting on possible mitigations. A report was presented to the October 2023 Fire Authority meeting which confirmed that Stage 1 had been completed and that work on stage 2 will begin. The new updated Safety Plan is due to the Fire Authority in Autumn 2024.

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 (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

### Reporting criteria considerations

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

### Arrangements in place

Please see documentation above about the annual budget setting process, MTFP 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

## Governance

We set out below the arrangements for the governance criteria covering the year 2022/23.

### Reporting criteria considerations

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

### Arrangements in place

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.

The Authority also has an Internal Audit function in place which evaluates the effectiveness of risk management, control and governance processes. The most recent internal audit report was published in July 2023 and found there to be a sound control environment that was working effectively to support the delivery of corporate 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.



# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23.

### Reporting criteria considerations

### Arrangements in place

How the body approaches and carries out its annual budget setting process (cont.)

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

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

We note that within the Financial Regulations of the Authority there are procedures in place to ensure the body has effective processes and systems to ensure budgetary control, to communicate relevant, accurate and timely management information; to support its statutory financial reporting requirements and to ensure the body is taking corrective action where needed.

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

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

Internal Audit form part of this process through their audit plan, and raising recommendations for corrective action where needed.

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23.

### Reporting criteria considerations

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

### Arrangements in place

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

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

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

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

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)

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

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23.

### Reporting criteria considerations

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) (cont.)

### Arrangements in place

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

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23.

### Reporting criteria considerations

How financial and performance information has been used to assess performance to identify areas for improvement

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How the body evaluates the services it provides to assess performance and identify areas for improvement

### Arrangements in place

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". The entity has developed 5 priorities that they are committed to for the life of the plan:

- Our Communities – working together to understand different community needs and deliver accessible, local services which build safer places
- Our People – creating great places to work and promoting the health, wellbeing and safety of the people
- Public Value – ensuring that decisions and actions deliver efficient and effective public services
- High Performance – ensuring that diverse teams are trusted, skilled and feel equipped to deliver services
- Learning & Improvement – ensuring that policies and guidance is used to do the right thing, learning from themselves and others

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.

Despite the Safety Plan covering five years, management conduct an annual planning process to ensure that the Safety Plan remains current. The output of this process is a list of activities that the Service will complete during that particular year to fulfil the Authority's strategic priorities. The most recent 2023/24 improvements were approved by the Fire Authority on 21 February 2023 which focused on further investing in, and supporting, healthy workplaces and staff wellbeing.

We note that in 2023, the Fire Authority agreed a proposal to produce its next Safety Plan covering 2025-2030. This was based around a 2-stage approach: Stage 1 involved assessing all foreseeable fire and rescue related risk with Stage 2 identifying and consulting on possible mitigations. A report was presented to the October 2023 Fire Authority meeting which confirmed that Stage 1 had been completed and that work on stage 2 will begin. The new updated Safety Plan is due to the Fire Authority in Autumn 2024.

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23.

### Reporting criteria considerations

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

### Arrangements in place

#### 3SFire Ltd

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".

#### Shared Services Arrangement

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.

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

The Authority 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.

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ED None

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

## **HIWFRA Standards and Governance Committee**

Purpose: Noted

Date: **9 APRIL 2024**

Title: **EY AUDIT PLANNING REPORT 2023/24**

Report of Chief Financial Officer

### SUMMARY

1. The Authority's external auditors produce an audit planning report setting out the proposed approach and scope for the annual audit of the accounts. This is attached at Appendix A for 2023/24 and will be presented by EY.
2. The audit of the 2023/24 accounts is impacted by the national audit backlog and the proposals currently under consultation to address this. As the consultation is still in progress the final impact is still to be confirmed however the plan identifies a target date of November 2024 to complete the audit of the 2023/24 accounts.

### RECOMMENDATION

3. That the audit planning report for 2023/24 from EY presented at Appendix A be noted by the HIWFRA Standards and Governance Committee.

### BACKGROUND

4. The Authority is required by the Accounts and Audit Regulations to produce an annual statement of accounts and for these accounts to be externally audited.
5. The external audit is carried out by EY, the Authority's appointed auditors under the current contract with Public Sector Auditor Appointments (PSAA) the national appointing person for principal local government and police bodies for audits.
6. The audit of the 2023/24 accounts is impacted by the national audit backlog and the proposals currently under consultation to address this. This issue is

explained in further detail in the audit planning report from EY and within the separate agenda from the Chief Financial Officer on the proposals and the potential impact on the Authority.

7. The auditor's audit planning report for 2023/24 sets out the proposed approach and scope and is attached at Appendix A.

#### SUPPORTING OUR SAFETY PLAN AND PRIORITIES

8. Ensuring that funding is appropriately accounted for is vital for all public sector organisations. The accounts and audit process is an important pillar in this and helps provide transparency, accountability and assurance to members of the public on the Authority's financial arrangements in support of the delivery of the Safety Plan.

#### RESOURCE IMPLICATIONS

9. The fees for external audit are set by Public Sector Audit Appointments (PSAA) Ltd, the national appointing person for principal local government and police bodies for audits. A scale fee is set by PSAA based on known audit requirements and the auditor is then able to propose changes to the audit fee (a 'scale fee variation') where audit requirements have changed.
10. The audit of the accounts for 2023/24 is the first under the new five year contract and includes a significant increase in audit fees. The higher scale fee has been built into the budget, although there is a risk of higher than budgeted costs if additional audit work is required that PSAA determine is outside of that covered by the scale fee. This will not be known fully until the audit is completed but is likely to include work associated with the new auditing standards ISA 315 *Identifying and assessing the risk of Material Misstatement*.

#### IMPACT ASSESSMENTS

11. This report presents the external auditor's audit planning report for 2023/24.

#### LEGAL IMPLICATIONS

12. The Accounts and Audit Regulations set out that the Authority's requirements in relation to its draft and audited accounts. The CIPFA Code of Practice on Local Authority Accounting sets out how the Authority must prepare its accounts.

#### CONCLUSION



13. The audit planning report from EY for 2023/24 is set out at Appendix A.

APPENDICES

Appendix A: EY audit planning report for 2023/34

Contact: Catherine Edgecombe, Chief Financial Officer,  
[Catherine.edgecombe@hants.gov.uk](mailto:Catherine.edgecombe@hants.gov.uk) 03707 796214

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Hampshire and Isle of Wight  
Fire and Rescue Authority  
Outline Audit Planning Report  
Year ending 31 March 2024  
March 2024

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

01 March 2024

Dear Members,

#### Outline Audit Planning Report

Attached is our outline audit planning report for the forthcoming meeting of the Standards and Governance Committee. The purpose of this report is provide the Standards and Governance Committee of Hampshire and Isle of Wight Fire and Rescue Authority (the Authority) with a basis to review our proposed audit approach and scope for the 2023/24 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key issues which drive the development of an effective audit for the Authority. We have aligned our audit approach and scope with these. The report also considers the likely impact of Government proposals to clear the backlog in local audit and put the local audit system on a sustainable footing. The joint statement on the update to proposals to clear the backlog and embed timely audit recognises that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

(continued)

The Standard and Governance Committee, as the Authority's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Authority's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done it will impact the level of resource needed to discharge our responsibilities. We will consider and report on the adequacy of the Authority's external financial reporting arrangements and the effectiveness of the Standards and Governance Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements, and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw Standard and Governance Committee members and officers attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix A).

This report is intended solely for the information and use of the Standards and Governance Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 18 March 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kevin Suter

Partner

For and on behalf of Ernst & Young LLP

Enc

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Appendices



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.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



BOARDROOM

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# 01

# Overview of our 2023/24 audit strategy

# Overview of our 2023/24 audit strategy

## Context for the 2023/24 audit - Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.
- ▶ Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- ▶ Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

To support the further development and testing of the measures, consultations are taking place to receive further feedback and inform the decision on how to proceed. Specifically:

DLUHC has launched a consultation on changes to the Accounts and Audit Regulations 2015 to insert statutory backstop dates for historic financial statements and for the financial years 2023/24 to 2027/28.

- ▶ The National Audit Office (NAO) has launched a consultation on amending the Code of Audit Practice to :
  - ▶ Require auditors to issue audit opinions according to statutory backstop data for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
  - ▶ Allow auditors to produce a single value for money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of councils, authorities and residents.
- ▶ The Chartered Institute of Public Finance and Accountancy (CIPFA) is expected to issue a consultation on temporary changes to the accounting code for preparation of the financial statements. The proposed temporary changes to the financial reporting framework have an impact on both how the financial statements are prepared and our audit procedures necessary to gain assurance.

As a result of the system wide implementation of backstop dates it is likely we will disclaim the opinion on the Authority's prior year 2022/23 accounts. Our proposed disclaimer of the Authority's 2022/23 accounts will impact both the audit procedures we need to undertake to gain assurance on the 2023/24 financial statements and the form of our audit report in 2023/24 and subsequent years during the recovery phase.

The changes proposed by the consultations therefore will have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Standards and Governance Committee as the audit progresses and our final assessment on the scope and nature of procedures we will undertake becomes clearer. We have highlighted those areas where we consider it most likely that the proposed measures will impact our audit approach and scope as part of this outline audit planning report.



# Overview of our 2023/24 audit strategy

## Responsibilities of Authority management and those charged with governance

For the planned measures to be successful and the current backlog to be addressed it is vital that all stakeholders properly discharge their responsibilities.

The Authority's Section 151 Officer is responsible for preparing the statement of accounts in accordance with proper practices and confirming they give a true and fair view of the financial position at the reporting date and of its expenditure and income for the year ended 31 March 2024. To allow the audit to be completed on a timely and efficient basis it is essential that the financial statements are supported by high quality working papers and audit evidence and that Authority resources are readily available to support the audit process, within agreed deadlines. The Standards and Governance Committee, as the Authority's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Authority's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done, we will:

- ▶ Consider and report on the adequacy of the Authority's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- ▶ Consider the use of other statutory reporting powers to draw attention to weaknesses in Authority financial reporting arrangements where we consider it necessary to do so.

Seek a fee variation for the cost of additional resources needed to discharge our responsibilities. We have set out this and other factors that will lead to a fee variation at Appendix B of this report together with, at Appendix A, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.

Consider the impact on the availability of audit resource available to complete the audit work in advance of any applicable backstop dates.

# Overview of our 2023/24 audit strategy

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

## Audit risks and areas of focus

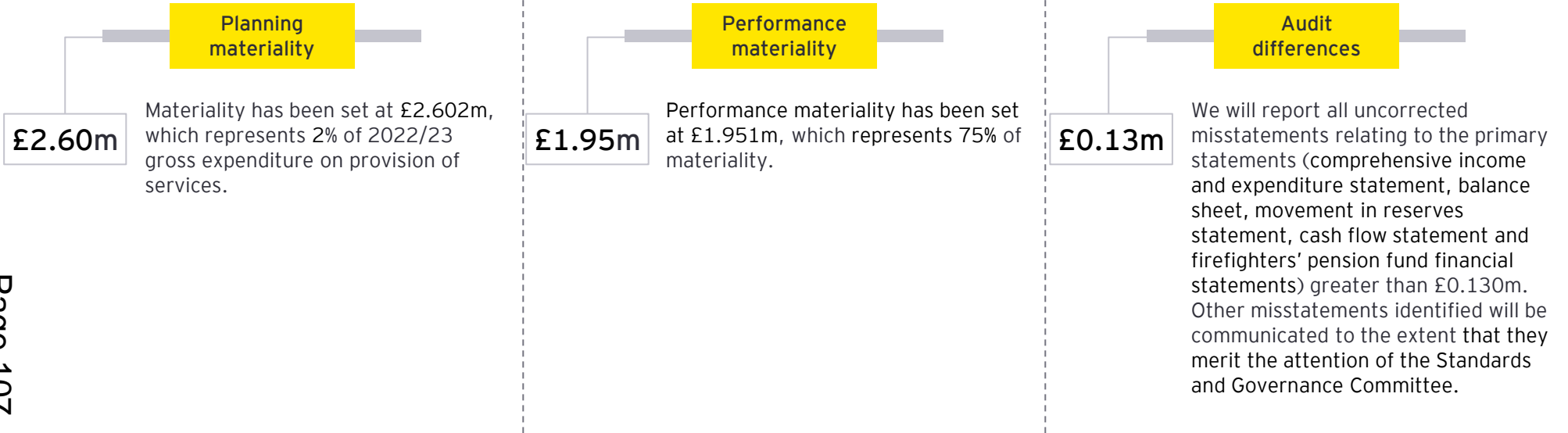
Risk/area of focus	Risk identified	Change from PY	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Valuation of Land and Buildings	Inherent Risk	No change in risk or focus	The valuation of land and buildings included in the financial statements is complex and often includes a number of assumptions and judgements. Enhanced procedures are required to challenge and evaluate key inputs and assumptions.
IAS19 - Pension Accounting	Inherent Risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require Hampshire and Isle of Wight Fire and rescue Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme.</p> <p>The Authority's pension fund liability / asset is a material estimated balance and the Code requires that this be disclosed on the balance sheet.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>

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The outcome of consultation on the planned measures to address local audit delays and related proposed temporary changes to CIPFA's Code of Practice on Local Authority Accounting are likely to impact our assessment of audit risks and our response to them. We will continue to keep the Standards and Governance Committee updated on our assessment of any changes to audit risk as this becomes clearer.

# Overview of our 2023/24 audit strategy

## Authority Materiality



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The outcome of consultation on the planned measures to address local audit delays and the likely issue of a disclaimer on the Authority's 2022/23 financial statements and any guidance subsequently issued may continue to impact on our assessment of materiality for the 2023/24 audit. We will keep the Standards and Governance Committee updated on any changes to materiality levels as the audit progresses.



# Overview of our 2023/24 audit strategy

## Audit scope

This Audit planning report covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of the Authority give a true and fair view of the financial position as at 31 March 2024 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 3.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Authority's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Authority.

Taking the above into account, and as articulated in this Audit Planning Report, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to those risks. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". Therefore to the extent any of these or any other risks are relevant in the context of the Authority's audit, we set those within this Audit planning report and we will continue to discuss these with management as to the impact on the scale fee.

# Overview of our 2023/24 audit strategy

## Audit scope (Cont.)

### *Effects of climate-related matters on financial statements*

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

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

### *Audit scope and approach*

We intend to undertake both substantive procedures and rely on controls approach to gain assurance. The controls-reliance approach covers the accounts receivable, accounts payable, payroll and cash and bank processes being serviced by the Hampshire County Council Integrated Business Centre (IBC), of which Hampshire and Isle of Wight Fire and rescue Authority is a member of. Hampshire County Council has engaged EY Specialists in Financial Audit and IT (FAIT) to test the effectiveness and efficiency of these controls within the service organization. As at the date of this report, this is ongoing and the EY Specialist team has yet to issue the results of their testing. We will update the Standards and Governance Committee any identified material exceptions that need to be raised to the attention of Authority as part of our reporting of audit findings. There have no changes in this approach from 2021/22.

The Government proposals to re-establish the local authority framework on a more sustainable basis and outcome of the related consultations are likely to have an impact on scope of the audit. We draw your attention to the audit scope section 5 of this audit plan where we set out our current understanding of the likely impact of the proposals on our scope and approach for your 2023/24 audit. We will continue to provide updates of the impact of these changes to the Standards and Governance Committee where necessary to do so.

# Overview of our 2024 audit strategy

## Value for Money

We are required to consider whether the Authority has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Authority's arrangements, to enable us to prepare a commentary under three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Authority's arrangements against three reporting criteria:

- ▶ Financial sustainability - How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- ▶ Governance - How the Authority ensures that it makes informed decisions and properly manages its risks; and
- ▶ Improving economy, efficiency and effectiveness - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

The commentary on the Authority's value for money arrangements will be included in the Auditor's Annual Report.

## Timeline

A timetable has been provisionally set to complete the audit by the end of November 2024. In Section 07 we include a provisional timeline for the audit. All parties need to work together to ensure this timeline is adhered to.

## Key Audit Partner and senior audit team



### Engagement Partner (Kevin Suter)

The Engagement Partner has overall responsibility for:

- ▶ The audit and its performance
- ▶ The auditor's report that is issued on behalf of EY
- ▶ The overall quality of the audit



### Manager (Rumana Rafiq Ullah)

The Manager has responsibility for management of the audit ensuring that it is adequately resourced to meet both its time and budget constraints.



## 02 Audit risks

# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

## Misstatements due to fraud or error\*

### What is the risk?

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

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

We identify and respond to this fraud risk on every audit engagement.

### What will we do?

We will:

- ▶ Identify fraud risks during the planning stages.
- ▶ Inquire with management about risks of fraud and the controls put in place to address those risks
- ▶ Understand the oversight given by those charged with governance of management's processes over fraud
- ▶ Discuss with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions)
- ▶ Consider the effectiveness of management's controls designed to address the risk of fraud
- ▶ Determine an appropriate strategy to address those identified risks of fraud
- ▶ Perform mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements
- ▶ Undertake procedures to identify significant unusual transactions
- ▶ Consider whether management bias was present in the key accounting estimates and judgments in the financial statements

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. No other procedures have been identified at this stage.



# Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

## What is the risk/area of focus, and the key judgements and estimates?

### Valuation of Land and Buildings (inherent risk)

The value of Property, Plant and Equipment (PPE) land and buildings represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

We note that not all of the Authority's PPE is subject to revaluation with vehicles, equipment and assets under construction all valued at cost under the CIPFA Code of Practice on Local Authority Accounting. Additionally, the Authority's operational PPE is valued on a rolling programme over 5 years. However, we must ensure that the value of all assets reported in the financial statements is materially correct as at the date of reporting.

## Our response: Key areas of challenge and professional judgement

We will:

- ▶ Consider the work performed by the Authority's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- ▶ Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre).
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- ▶ Review assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

## What else will we do?

We will continue to consider the need to use EY Real Estates, our internal specialists on asset valuations, to support our work in this area. Based on procedures performed at the planning stage we do not expect to commission EY Real Estates.

# Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

## What is the risk/area of focus, and the key judgements and estimates?

### Pension Liability Valuation (inherent risk)

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 the Hampshire County Council.

The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2023 this totalled £660 million.

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

## Our response: Key areas of challenge and professional judgement

We will:

- ▶ Liaise with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Authority
- ▶ Assess the work of the pension fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team
- ▶ Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- ▶ Review and test the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

## What else will we do?

We will consider outturn information available at the time we undertake our work after production of the Authority's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.



# 03 Value for Money risks

# Value for Money

## Authority's responsibilities for value for money

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

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

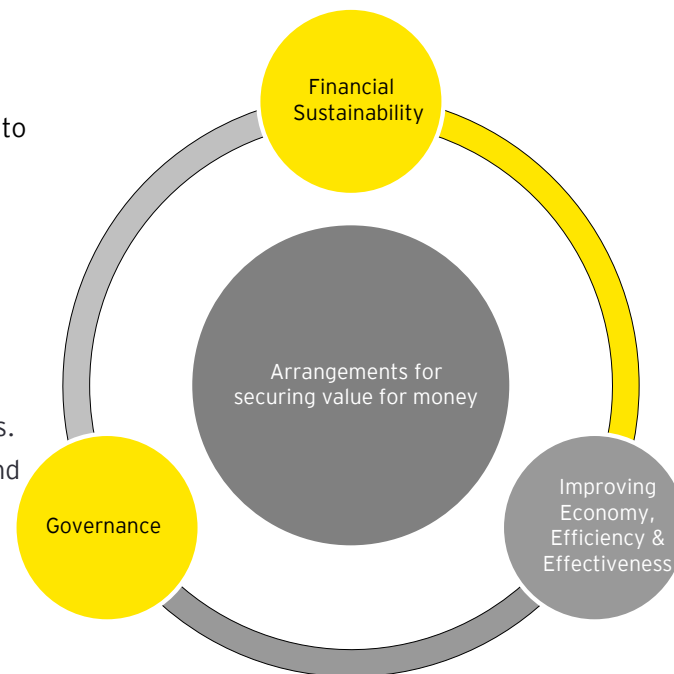
## Auditor Responsibilities

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

The specified reporting criteria are:

- ▶ Financial sustainability - How the Authority plans and manages its resources to ensure it can continue to deliver its services.
- ▶ Governance - How the Authority ensures that it makes informed decisions and properly manages its risks.
- ▶ Improving economy, efficiency and effectiveness - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.



## Planning and identifying risks of significant weakness in VFM arrangements

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

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

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

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

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

We should also be informed by a consideration of:

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



# Value for Money

## Responding to identified risks of significant weakness

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

## Reporting on VFM

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

In addition, the Code requires us to include the a commentary on your value for money arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Authority's attention or the wider public. This may include matters that we do not consider to be significant weaknesses in your arrangements but should be brought to your attention. This will include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

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## Status of our 2023/24 VFM planning

We have yet to complete our detailed VFM planning. However, on the basis of the recently completed work on value for money arrangements for the 2022/23 financial year, and our procedures to complete the planning for the financial statements, we are not aware of any risks of significant weakness in the Fire Authority's arrangements..

We will update the Standards and Governance Committee on the outcome of our VFM planning and our planned response to any additional identified risks of significant weaknesses in arrangements.



# 04 Audit materiality

# Materiality

## Authority materiality

For planning purposes, materiality for 2024 has been set at £2.602m. This represents 2% of the Authority's 2022/23 gross expenditure on provision of services. This will be updated at the year end to reflect the new Authority's position.

The Authority is a public sector body and the main function of the entity is to provide fire and rescue services to the local community. For a public sector entity, the expectations of users (including regulators) of the entity are focused on the measurement of expenditure and as such the income statement is considered the most appropriate basis for determining materiality for public sector bodies.

Hampshire and Isle of Wight Fire and Rescue Authority is not listed, not regulated and is not a Public Interest Entity (PIE). As such, use of 2% is appropriate. We have provided supplemental information about audit materiality in Appendix F.

We have provided supplemental information about audit materiality in Appendix F.

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Gross expenditure on provision of services

£130.1m



The outcome of consultation on the planned measures to address local audit delays and the likely issue of a disclaimer on the Authority's 2022/23 financial statements may continue to impact on our assessment of materiality for the 2023/24 audit. We will keep the Standards and Governance Committee updated on any changes to materiality levels as the audit progresses.

We request that the Standards and Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

## Key definitions

**Planning materiality** – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** – the amount we use to determine the extent of our audit procedures.

We have set our performance materiality at **£1.95m** which represents 75% of our planning materiality. We have considered the factors of having a higher likelihood of material misstatements based on prior year adjustments.

Per our initial assessment, we do not believe there are errors that are indicative of pervasive errors throughout the financial statements or a higher likelihood of misstatement in other areas. We have therefore used a higher end or 75% of our Planning Materiality as our Performance Materiality.

**Audit difference threshold** – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Standards and Governance Committee, or are important from a qualitative perspective.





# 05 Scope of our audit

# Audit process and strategy

## Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

### 1. Financial statement audit

Our opinion on the financial statements:

- Page 122
- ▶ Whether the financial statements give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and
  - ▶ Whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

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

Other procedures required by the Code:

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

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

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 and report a commentary on those arrangements.

# Audit process and strategy

## Objective and Scope of our Audit scoping (cont'd)

### ***Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays***

The changes proposed by the consultations are likely to have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Standards and Governance Committee as the audit progresses and our assessment on the required scope and nature of procedures we will undertake becomes clearer. As examples:

- ▶ Where prior year audit opinions are modified work will be required to gain assurance, where possible, on opening balances over the period of the recovery phase (phase 2). Where we are unable to gain assurance over opening balances, we anticipate that this may lead to limitation of scope of our audit over those balances.
- ▶ Where prior year audit opinions are modified, and particularly where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase.
- ▶ Changes to the Code of Audit Practice on Local Authority Accounting will potentially impact on our assessment of audit risk generally, risks associated with significant accounting estimates, such as the valuation of operational property, plant and equipment and the related need to rely on management's and auditor's specialists.

# Audit process and strategy

## Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.
- ▶ Reliance on the work of other auditors where appropriate;
- ▶ Reliance on the work of experts in relation to areas, such as pensions and property valuations.

Our initial assessment of the key processes across the Authority has identified the following key processes where we will seek to rely on controls, both manual and IT:

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

Hampshire County Council IBC, of which Hampshire and Isle of Wight Fire and Rescue Authority is a member of, have commissioned an ISAE 3402 type 2 report from EY's FAIT team. The ISAE 3402 report provides the users of the IBC with assurance over the suitability of the design and existence of controls and on the operating effectiveness of these controls during the financial year.

### ***Analytics***

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Standards and Governance Committee.

### ***Internal audit***

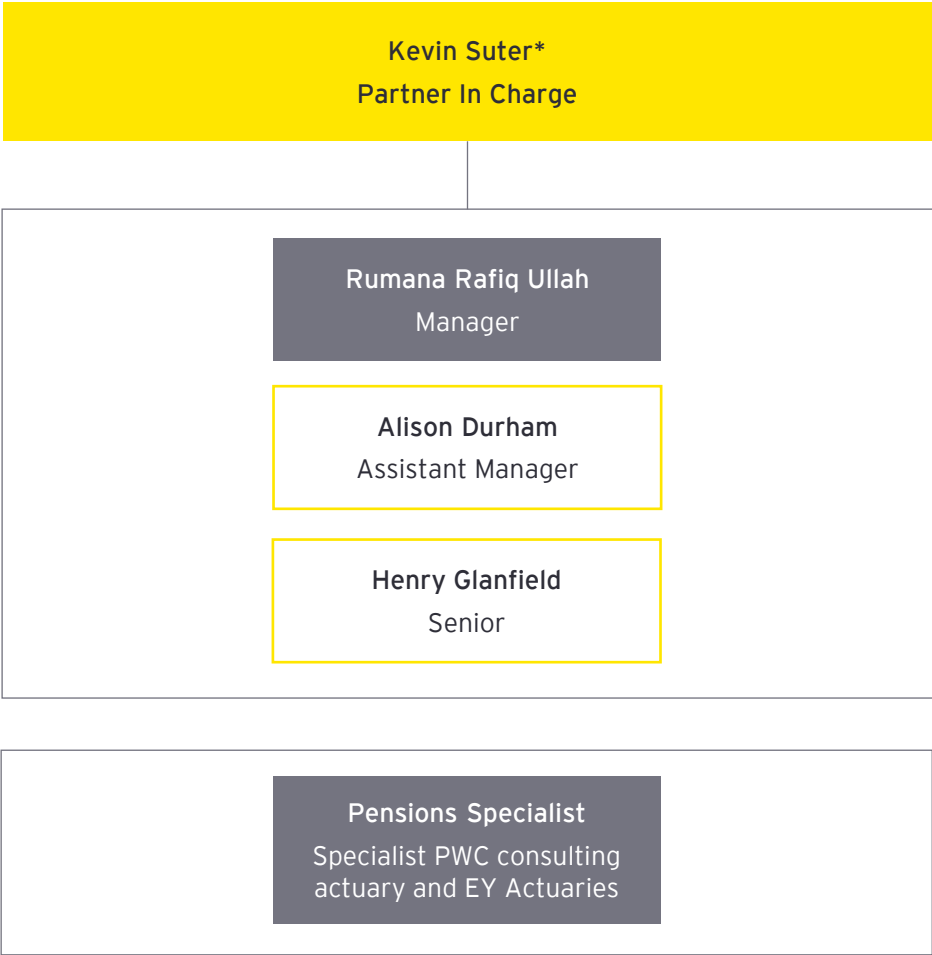
We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



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# 06 Audit team

# Audit team



\* Key Audit Partner

# Use of specialists

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

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

Area	Specialists
Valuation of PPE Land and Buildings and Investment Properties	Management Specialist - Management's in-house valuation experts EY Specialist - EY Real Estates
Pensions disclosure	Management Specialist - Hymans Robertson PWC (Consulting Actuary to the NAO) EY Specialist - EY Actuaries

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In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Authority's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- ▶ Assess the reasonableness of the assumptions and methods used
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements



# 07

## Audit timeline

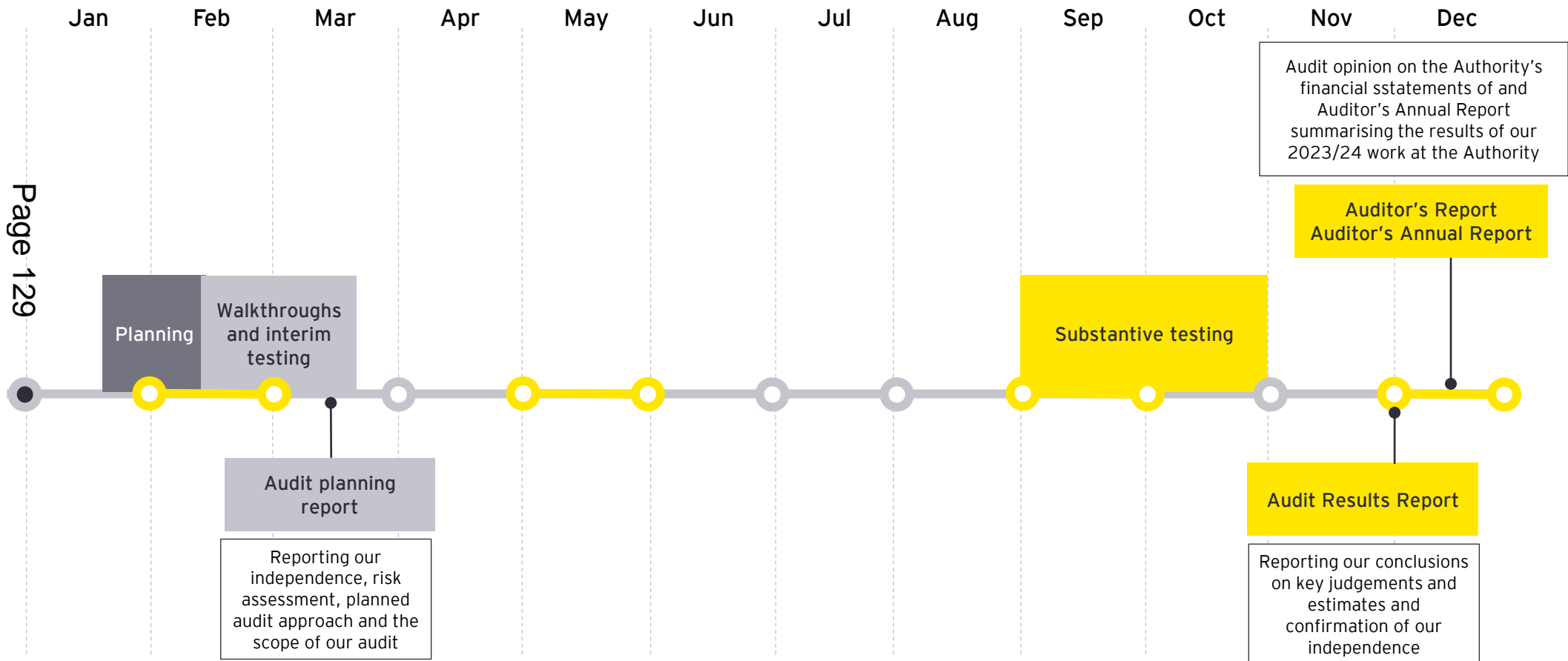


# Timetable of communication and deliverables

## Indicative Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2023/24.

From time to time matters may arise that require immediate communication with the Standards and Governance Committee and we will discuss them with the Standards and Governance Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





08

Independence

# Introduction

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

## Required communications

### Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence
- ▶ The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the Standards and Governance Committee/those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a "pre-approval" to provide the service).
- ▶ All proposed NAS for PIE audit clients will be subject to a determination of whether the service might create a self-review threat (SRT), with no allowance for services related to amounts that are immaterial to the audited financial statements.

### Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

# Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

## Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Kevin Suter, your audit engagement partner, and the audit engagement team have not been compromised.

## Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in the Authority; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees. We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report.

## Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

## Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Authority. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

## Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

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# Other communications

## EY Transparency Report 2023

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 period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).



# 09 Appendices

# Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Authority complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Authority should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

## **Preparation of the statement of accounts**

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.

assign responsibilities clearly to staff with the appropriate expertise and experience;

provide necessary resources to enable delivery of the plan;

maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;

- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

## Appendix B – Fees



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

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The agreed fee presented on the next page is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Authority;
- ▶ The Authority has an effective control environment; and

The Authority complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Authority should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Authority in advance.



# Appendix B – Fees

	2023/24	Note Reference	2022/23
	£		£
Scale Fee	104,009	(1)	35,018
Additional work not considered by the scale fee to comply with the requirements of ISA (UK) 315 (Revised).	TBC	(2)	-
Additional work not considered by the scale fee to assess the Council's preparedness for the adoption of IFRS 16 and to consider related disclosures in the financial statements	TBC	(2)	-
<b>Total audit</b>	<b>TBC</b>		<b>TBC</b>
<b>Total other non-audit services</b>	<b>0</b>		<b>0</b>
<b>Total fees</b>	<b>TBC</b>		<b>TBC</b>

All fees exclude VAT

(1) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Authority have to pay for the 2022/23 audit.

(2) The revision to ISA (UK) 315 will impact on our scope and approach, and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. We expect to charge addition fee for this, and PSAA's fee communication for 2023/24 confirms this is not within the scale fee.

The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- Consideration of correspondence from the public and formal objections.
- New accounting standards, for example additional disclosures in respect of IFRS 16.
- Non-compliance with law and regulation with an impact on the financial statements.
- VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- The need to exercise auditor statutory powers.
- Prior period adjustments.
- Modified financial statement opinions

# Appendix C – Accounting and regulatory update

## Future accounting developments

The following table provides a high level summary of the accounting development that has the most significant impact on the Authority:

Name	Summary of key measures	Impact on 2023/24
IFRS 16 Leases	<ul style="list-style-type: none"><li>▶ CIPFA have confirmed there will be no further delay of the introduction of the leases standard IFRS 16.</li><li>▶ Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.</li><li>▶ Lease liabilities and right of use assets will be subject to more frequent remeasurement.</li><li>▶ The standard must be adopted by 1 April 2024 at the latest.</li></ul>	<ul style="list-style-type: none"><li>▶ The 2023/24 Statement of Accounts must disclose the impact the initial application of IFRS 16 is expected to have on the authority's financial statements.</li><li>▶ The authority should make key IFRS 16 policy decisions in accordance with the Code before 1 April 2024.</li><li>▶ Officers must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner.</li></ul>

# Appendix C – Accounting and regulatory update (optional)

## Regulatory update

The following table provides a high level summary of the regularity update that has the most significant impact on the Authority:

Name	Summary of key measures	Impact on 2023/24
ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement	<p>ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:</p> <ul style="list-style-type: none"> <li>▶ Risk Assessment</li> <li>▶ Understanding the entity's internal control</li> <li>▶ Significant risk</li> <li>▶ Approach to addressing significant risk (in combination with ISA 330)</li> </ul> <p>The International Auditing &amp; Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:</p> <ul style="list-style-type: none"> <li>▶ Drive consistent and effective identification and assessment of risks of material misstatement</li> <li>▶ Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')</li> <li>▶ Modernise ISA 315 to meet evolving business needs, including:                             <ul style="list-style-type: none"> <li>▶ how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and</li> <li>▶ how auditors understand the entity's use of information technology relevant to financial reporting.</li> </ul> </li> <li>▶ Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.</li> </ul>	<p>We will need to obtain an understanding of the IT processes related to the IT applications of the Authority.</p> <p>We will perform procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.</p> <p>When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.</p> <p>We also review the following processes for all relevant IT applications:</p> <ul style="list-style-type: none"> <li>▶ Manage vendor supplied changes</li> <li>▶ Manage security settings</li> <li>▶ Manage user access</li> <li>▶ Manage entity-programmed changes</li> <li>▶ Job scheduling and managing IT process</li> </ul>

# Appendix D – The Spring Report

## A combined perspective on enhancing audit quality

The Spring Report ('The Report') was released by the Audit Committee Chairs' Independent Forum (ACCIF) on 2 June 2023 and is the first of its kind. The Report is the outcome from a series of discussions held with a group of experienced audit committee chairs, auditors from the top 6 firms, and executives from the Financial Reporting Council. The Report details the 9 key learnings that the group agreed on, proposing evolution not revolution, and is focused on getting the basics right first time leading to enhanced audit quality. The report considers key learnings covering the planning, execution, completion and reporting phases of the audit. The full list of key learnings can be found in the [report](https://accif.co.uk/report) (accif.co.uk).

# Appendix E – Required communications with the Standards and Governance Committee

We have detailed the communications that we must provide to the Standards and Governance Committee.

## Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Standards and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> <li>▶ The planned scope and timing of the audit</li> <li>▶ Any limitations on the planned work to be undertaken</li> <li>▶ The planned use of internal audit</li> <li>▶ The significant risks identified</li> </ul> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	Outline Audit Planning Report - March 2024 meeting of the Standards and Governance Committee
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▶ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)</li> </ul>	Audit Results Report

# Appendix E – Required communications with the Standards and Governance Committee (cont'd)

## 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"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit Results Report
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Standards and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:                             <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>▶ Any other matters related to fraud, relevant to Standards and Governance Committee responsibility</li> </ul>	Audit Results Report

# Appendix E – Required communications with the Standards and Governance Committee (cont'd)

## 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 entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Results Report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> <li>▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:                             <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> </ul> </li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> <li>▶ Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</li> </ul>	<p>Outline Audit Planning Report - March 2024 meeting of the Standards and Governance Committee</p> <p>Audit Results Report</p>
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit Results Report
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ 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</li> <li>▶ Enquiry of the Standards and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Standards and Governance Committee may be aware of</li> </ul>	Audit Results Report

# Appendix E – Required communications with the Standards and Governance Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Internal controls	▶ Significant deficiencies in internal controls identified during the audit	Audit results report
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report</li> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report



# Appendix F – Additional audit information

## Regulatory update

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

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

## Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, company law and other regulations. We outline the procedures below that we will undertake during the course of our audit.

### Our responsibilities required by auditing standards

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- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Authority's to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Standards and Governance Committee reporting appropriately addresses matters communicated by us to the Standards and Governance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements
- ▶ Maintaining auditor independence

# Appendix F – Additional audit information (cont'd)

## Other required procedures during the course of the audit

### Procedures required by the Audit Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Examining and reporting on the consistency of consolidation schedules or returns with the Group's audited financial statements for the relevant reporting period

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

## Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Group financial statements
- ▶ The level of work performed on individual account balances and financial statement disclosures

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

# Appendix G - Non-Compliance with Laws and Regulations (NOCLAR)

## Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

### Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

### Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics \(IESBA Code\)](#) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

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## Examples of Non-Compliance with Laws and Regulations (NOCLAR)

### Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals

### Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations

# Appendix G - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

## What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



### Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

### Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

### Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

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

## **HIWFRA Standards and Governance Committee**

Purpose: Noted

Date: **9 APRIL 2024**

Title: **ASSURANCE REPORT: FIRE STANDARDS AND HMICFRS  
AREAS FOR IMPROVEMENT PROGRESS UPDATE**

Report of Chief Fire Officer

### SUMMARY

1. This report provides Members with an assurance update on the Service's progress in adopting and embedding Fire Standards within the Service and also on the progress being made against the His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) Areas for Improvement (AFIs).

### RECOMMENDATION

2. That the HMICFRS AFI and Fire Standards update report be noted by the HIWFRA Standards and Governance Committee

### BACKGROUND

3. Members receive updates on the progress of the Services adoption of Fire Standards and on the progress being made against the HMICFRS AFI's at Standards and Governance meetings every six months. The report is for Members to note and if necessary, seek further assurances on any of the areas raised.

### FIRE STANDARDS

4. Fire Standards are an important mechanism that set out how fire and rescue services operate. Fire Standards cover the whole spectrum of what we do as a Fire Service and provide the assurance framework to give us an

understanding of areas where we are performing well, with strong controls in place, and areas where we can learn and improve. Fire Standards have been designed to bring consistency to the sector, to support the delivery of legislative requirements and drive change and improvement.

5. Currently there are 16 approved Fire Standards. Each Fire Standard has a number of desired outcomes for which we carry out an analysis to determine the overall assurance rating for the whole Fire Standard
6. There are three ratings that can be given to a Fire Standard:
  - (a) Substantial: this means that there is deemed to be a sound system of assurance in place that can be evidenced over a number of different areas.
  - (b) Reasonable: this means that there is a sound system in place with some controls however non-compliance is identified, and actions are created for areas of improvement.
  - (c) Limited: this means that there is deemed to be significant weakness or non-compliance and improvement is required.
7. All 16 Fire Standards are at varying stages of assurance as described below:
  - (a) Initial first assurance in progress
  - (b) Initial assurance rating given
  - (c) Deep dive in progress
  - (d) Deep dive assurance rating given
8. The tables below illustrate the current position of all 16 Fire Standards. The text in italics highlights those Fire Standards that have completed the assurance process since the last Standards and Governance Committee report in September 2023. As part of our rolling programme of assurance, the Organisational Learning and Assurance team are currently completing a deep dive of some Fire Standards with the intention that all will be completed by the end of the year. The purpose of the deep dive is to identify if the previous position has changed at all thus contributing to our self-awareness and continuous learning. We seek evidence to illustrate compliance and ensure actions are taken where non-compliance is identified. Deep dives are a collaborative process involving the Organisational Learning and Assurance team, subject matter experts, Heads of Service and Directors. The deep dive process is a continuous one and once all Fire Standards have received a deep dive rating, the



Organisational Learning and Assurance team will continue with a third-round analysis of the Fire Standards.

**Initial assurance in progress:**

<b>Fire Standard</b>	<b>Date Published</b>	<b>Current position</b>
Communication and Engagement	30/03/2023	Initial first assurance rating in progress
Leading the Service	21/12/2022	Initial first assurance rating in progress

**Initial assurance process complete with rating:**

<b>Fire Standard</b>	<b>Date Published</b>	<b>Assurance rating</b>
Emergency Response Driving	16/02/2021	Initial Assurance Rating: Substantial
Operational Competence	16/02/2021	Initial Assurance Rating: Substantial
Operational Preparedness	16/02/2021	Initial Assurance Rating: Substantial
Emergency Preparedness & Resilience	31/05/2022	Initial Assurance Rating: Reasonable
Data Management	02/08/2022	Initial Assurance Rating: Reasonable
<i>Fire Control</i>	<i>30/03/2023</i>	<i>Initial Assurance Rating Substantial</i>
<i>Leading and Developing People</i>	<i>21/12/2022</i>	<i>Initial Assurance Rating: Reasonable</i>

**Deep dive in progress:**

<b>Fire Standard</b>	<b>Date Published</b>	<b>Current assurance rating</b>
Operational Learning	16/02/2021	Initial Assurance Rating: Reasonable

		Deep Dive in progress
Community Risk Management Planning (CRMP)	18/05/2021	Initial Assurance Rating: Substantial  Deep Dive in progress (as part of the CRMP process)
Protection	03/09/2021	Initial Assurance Rating: Substantial  Deep Dive in progress

**Deep Dive process complete with assurance rating:**

<b>Standard</b>	<b>Date Published</b>	<b>Assurance rating</b>
<i>Code of Ethics</i>	<i>18/05/2021</i>	<i>Deep Dive Assurance Rating complete: Reasonable</i>
<i>Prevention</i>	<i>30/07/2021</i>	<i>Deep Dive Assurance Rating complete: Substantial</i>
<i>Safeguarding</i>	<i>31/01/2022</i>	<i>Deep Dive Assurance Rating Complete: Substantial</i>
<i>Fire Investigation</i>	<i>31/03/2022</i>	<i>Deep Dive Assurance Rating Complete: Substantial</i>

9. There are currently three new Fire Standards that we are expecting during 2024:
- (a) Internal Governance and Assurance
  - (b) Commercial and Procurement
  - (c) Asset Management

## HMICFRS AREAS FOR IMPROVEMENT (AFI)

10. The HMICFRS Round 2 inspection for Hampshire and Isle of Wight Fire and Rescue Service (HIWFRS) took place from April to June 2022. Our report was published on 20 January 2023 with the following ratings:
- (a) Effectiveness – Good
  - (b) Efficiency – Requires Improvement
  - (c) People – Requires Improvement
11. The HMICFRS report resulted in 24 Areas for Improvement (AFIs) being identified. 20 of the 24 Areas for Improvement are being addressed as part of Safety Plan 2020-2025 activity, Directorate plan activity or as part of Business as Usual activity. For the remaining four areas, there is no specific plan in place to address these at this time however Internal Audit will be auditing two of the Areas for Improvement to test our thinking and provides views around the control mechanisms we currently have in place.
12. The table below lists all the HMICFRS AFIs received by HIWFRS and provides a progress update.

HMICFRS diagnostic	Area	Status Update	Completion
Effectiveness: Responding to Major Incidents	The service should put in place a programme of multi-agency exercises so its procedures for responding are well tested and understood.	To support this area evidence of both multi agency and cross border exercises that have taken place over the past year has been gathered. This is being used to support the development of a platform to record exercises. Operational Learning and Assurance is becoming more embedded across the service through a range of resources now available to staff however more work is planned, specifically including the	25%

		development of platform to record exercises.	
Effectiveness: Responding To Fire and Other Emergencies	The service should ensure it has an effective system for staff to use learning and debriefs to improve operational response and incident command.	A significant amount of work has been undertaken in this area for both 'on scene' and structured debriefs. National Operational Learning good practice, Joint Operational Learning, control incident awareness forms and training being planned for flexi duty officers in Spring 2024, all contribute to more effective procedures which enable us to learn and improve from incidents. Newly established debrief mechanisms ensure learning and improvement is identified. Target completion is May 2024.	75%
	The service should make sure it puts in place and delivers its plan to adopt national operational guidance (NOG)	Progress continues to be made in this area and all NOG compliant tactical guidance has been finalised. The first NOG product pack (transport) was published in December 2023 and further packages will be published over next 15 months through to Spring 2025. The Service's Maintenance of Competence Scheme is being revised and completion is expected by Summer 2024 – this will further support NOG alignment.	25%

		Communications are planned for 2024 to implement the cultural change. Additionally the NOG team's work has now been broadened to ensure inclusion of initial acquisition training.	
	The service should make sure it participates in a programme of cross-border exercises, with learning from them obtained and shared.	To support this area evidence of both multi agency and cross border exercises that have taken place over the past year has been gathered. This has been used to support the development of a platform to record exercises. Operational Learning and Assurance is becoming more embedded across the service through a range of resources now available to staff however more work is planned, specifically including the development of platform to record exercises. In addition, a revised process is being developed to enable partner agencies to share learning and to support future exercises. Target completion date is May 2024.	25%

Efficiency: Best use of Resources	<p>The service needs to show a clear rationale for the resources allocated between prevention, protection and response activities. This should reflect, and be consistent with, the risks and priorities set out in its integrated risk management plan.</p>	<p>Work is underway to produce the Service's next Community Risk Management Plan (CRMP). This plan will be presented to the Fire Authority in Autumn 2024 ahead of publication on 1 April 2025.</p> <p>Change activity is already underway across the Service as part of business as usual and our existing Safety Plan year four activity. As part of this, the Service is creating a permanent strategic planning function to oversee this work.</p> <p>In January 2024, following a period of consultation, Operations Management Board supported proposals to release £1.25 million of efficiencies for reinvestment within the Ops Directorate. Work is now underway to implement the key areas of investment.</p>	50%
	<p>The service should make sure there is a testing programme for its business continuity plans, particularly in high-risk areas of service.</p>	<p>The service Business Continuity Manager is currently reviewing the exercising schedule for Business Continuity plans, taking into account the plans that have been adequately exercised against real time events (e.g. loss of utilities - local power cuts, loss of water; adverse weather - Storm</p>	50%

		<p>Ciaran including flooding of HIWFRS estate; industrial action - planning and preparation and Fire Control Departmental BC Plan following the outage of 999 last year). In addition to this a national power outage was exercised as part of national 'Mighty Oak' Exercise in March 2023. A full evacuation of Fire Control was also carried out at recent HQ Fire evacuation drill.</p>	
	<p>The service should have effective measures in place to assure itself that its workforce is productive and that their time is used as efficiently and effectively as possible to meet the priorities in the integrated risk management plan.</p>	<p>The Service are actively engaged in the Home Office workstream to define and report on productivity measures for FRS staff including Firefighters. We will continue to invest our energy and resources to this approach to align nationally with other FRS and the Home Office and will not generate separate thinking at this stage.</p>	n/a
<p>Effectiveness: Preventing Fire and Risk</p>	<p>The service should make sure it quality assures and evaluates its prevention work so it understands the benefits better</p>	<p>Work continues in the development of the Quality Assurance and Evaluation framework. Best practice from other services has been used to develop the framework, to better support, assure and evaluate the range of prevention work being completed.</p>	25%

Effectiveness: Fire Safety through Regulation	The service should assure itself that its use of enforcement powers prioritises the highest risks and includes proportionate activity to reduce risk.	<p>The Service are confident that we use our enforcement powers effectively. Since the previous S&amp;G report it has been agreed that internal audit will audit this area in quarter four of the 2023/2024 audit plan to review and examine current policy and procedure.</p> <p>We are content that the Authority uses Fire Safety enforcement powers adequately. The Authority has recently approved a new policy which describes the checks and tests used to ensure evidence and cases are handled appropriately. We have an ongoing approach to engage with businesses with our local inspectors. We are strengthening our community engagement approach through a new team, and this will include businesses.</p>	100%
	The service should make sure it meets the targets it sets for its risk-based inspection programme.	The number of Fire Safety Audits being undertaken has increased by 18% on the same time last year and work is being undertaken to ensure that all information is correctly recorded within the system.	50%
	The service should make sure it has an effective quality	Work continues in the development of the Quality Assurance and	25%



	<p>assurance process, so staff carry out audits to an appropriate standard.</p>	<p>Evaluation framework. Prioritisation has been given to a Safe and Well framework and Fire Safety Audits Framework. Best practice from other services has been used to develop the framework, to better support, assure and evaluate the range of prevention work being completed.</p>	
	<p>The service should make sure it effectively addresses the burden of false alarms.</p>	<p>The Service are confident that we have an effective policy in place to address false alarms.</p> <p>Since the previous report it has been agreed that internal audit will audit this area in quarter four of 2023/2024 audit plan to review and examine current policy and process.</p> <p>The service views domestic false alarm calls as a valuable opportunity to offer community safety advice.</p> <p>For non-domestic premises, we adopt a call challenge policy which continues to screen out unwanted mobilisations.</p> <p>This area has been raised with the NFCC, for a wider consideration of policy regarding false alarms.</p>	<p>100%</p>

<p>Effectiveness – Understanding Fire and Risk</p>	<p>The service should ensure it gathers and records relevant and up-to-date risk information.</p>	<p>Work continues to implement an improvement plan to enhance how the Service captures and uses premises-risk information. The number of Site-Specific Risk Information (SSRIs) in date as of December 2023 is now 98%.</p> <p>Additional resource is being recruited to strengthen the central team to support local teams to carry out necessary risk gathering work.</p>	<p>50%</p>
	<p>The service should ensure that all risk and safety-critical information has been read and understood by staff.</p>	<p>All the premises-risk information work is linked to the improvement plan mentioned above. There is also a system in place for the collection and sharing of risk and safety critical information to crews.</p>	<p>50%</p>
<p>People – Promoting Values and Culture</p>	<p>The service should ensure its expected values and behaviours are understood and demonstrated at all levels of the organisation and that managers actively promote these standards.</p>	<p>Work to address this AFI forms part of the Service’s Culture Improvement Action Plan.</p> <p>The governance around Culture, Equality, Diversity and Inclusion (EDI) and Wellbeing has been strengthened including the creation of a Culture Ethics and Behaviours Group. This</p>	<p>75%</p>

		<p>group is made up of a diverse membership across all areas of our Service with the purpose of driving continuous improvement in our Service culture - this will be achieved through listening to our teams and encouraging people to feel safe to say what they feel without fear of criticism or negative consequences. The group will encourage positive behaviours through recognition and identify how we can ensure negative behaviours are understood and discouraged. The group will also be responsible for delivering products to support cultural improvement which can be used by us all in our everyday work.</p>	
	<p>The service should assure itself that senior managers are visible and demonstrate service values through their behaviours.</p>	<p>We have interpreted this to mean how we engage and communicate across the Service and as such, there is a high level of activity.</p> <p>We have commissioned an independent Culture review and engaged with our teams to determine their view of visibility and what it means to them. The Culture Ethics &amp; Behaviours Group are scoping ways to further improve social bonds with senior leaders.</p>	<p>75%</p>

		<p>Directors continue to engage with their teams on a regular basis, mixing online and in person events and meetings. The Chief Fire Officer hosts a regular briefing to the Service, located at a station, interviewed by staff and broadcast (and filmed) to all staff.</p> <p>The Internal Comms team continues to visit middle manager forums and shares “hot topics” across all levels of the organisation to help shape conversations and disseminate information.</p>	
	The service should monitor secondary contracts to make sure working hours are not exceeded.	The data has been sourced from GARTAN. The next stage is to review the data which is expected by March 2024.	75%
People – Right People, Right Skills	The service should review its succession planning to make sure that it has effective arrangements in place to manage staff turnover while continuing to provide its core service to the public.	<p>Succession Planning Model developed for WT now in use by Resource Management Team.</p> <p>Middle Manager development pathways now live and we will shortly be publishing a calendar of gateways for promotional opportunities to allow individuals to build individual development timelines and understand the predicted organisation</p>	75%

		<p>need over the coming years.</p> <p>This will start to populate a pool of appointable individuals to be utilised for permanent and temporary opportunities in the future.</p> <p>Supervisory Manager process has now concluded, and a pool of appointable individuals is being maintained for future vacancies.</p> <p>Planning work is underway for a WT recruitment campaign in 2025. Currently utilising existing recruitment pools to fill initial training courses until Jan 2025.</p> <p>Further review of On-call succession planning to be undertaken with plans to produce a model for this too.</p>	
<p>People – Managing Performance and Developing Leaders</p>	<p>The service should ensure it has an effective system in place to manage staff development, performance and productivity.</p>	<p>Effective systems are in place to manage staff development and performance.</p> <p>Staff development forms the majority of Talent &amp; Organisational Development priorities. There are a number of projects which contribute to the development of our people including new Leadership Courses, People</p>	<p>75%</p>

		<p>essentials courses, Coaching and mentoring opportunities, PDR and 360 feedback.</p> <p>The review and update of the PDR app has provided individuals and managers with the opportunity to conduct meaningful talent conversations and set SMART objectives.</p> <p>The Talent management toolkit and Talent matrix (included on the PDR) provides our people with a mechanism to develop both themselves and their teams, whether that be through Education, Exposure or Experience.</p> <p>The Leadership Pathways remains under review with new emphasis being on self-directed learning. Structured feedback was provided to candidates on the recent CM/WM promotion processes with the emphasis being on personal development.</p> <p>The Transform programme has been developed using the NFCC's Supervisory Leadership Development Pathway and provides our Supervisory Managers</p>	
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		<p>with a blended programme of Leadership theory and experiential learning during facilitated sessions. We are in the process of procuring a new Learning Management System (Totara) which will improve managers visibility of their teams learning and development</p>	
<p>People – Managing Performance and Developing Leaders</p>	<p>The service should improve all staff understanding and application of the performance development review process.</p>	<p>Following a review of the PDR app, improvements will be implemented in March 2024. Following this, the app will continue to be reviewed and amended accordingly to meet the needs of all employees.</p> <p>The PDR completion rate as of the end of December 2023, were 68%, which is an improvement on the 53% for the previous reporting year 22/23.</p> <p>Alongside the improve app, the Talen and Organisational Development Team have delivered training sessions to 440 users, provided drop-in sessions, and delivered presentations to the Group Manager and Station Manager forums to ensure users have the support they need.</p>	<p>100%</p>

		A new 5-star PDR bitesize course has been introduced to the service to improve awareness and understanding of PDR and to allow individuals to get the most out of their PDR conversations.	
People – Promoting Fairness and Diversity	The service should make sure staff understand the value of positive action and having a more diverse workforce.	The EDI team have refreshed our mandatory training packages, including 'introduction to EDI', this module includes understanding the difference between positive action and positive discrimination. This module is being rolled out to our people, as a face to face or e-learning. Reference to the benefits of diversity are reflected in all EDI training packages.	50%
	The service should make improvements to the way it collects equality data to better understand its workforce demographic and needs.	The service has seen improvements to non-disclosure rates. Further work is required to increase disclosure in ethnicity, religion and sexual orientation in particular. Work is planned to develop a comms plan to ensure our people understand the how this data is used and encourage further disclosures using ESS.	50%
	The service should make sure it has robust processes in place to undertake equality impact	PIAs being monitored and tracked by EDI team. Engagement with EG and HOST to ensure	50%



	assessments and review any actions agreed as a result.	resources are prioritised to complete this work.	
	The service should make sure that all staff understand the benefits of equality, diversity and inclusion and their role in promoting it.	The EDI team have refreshed our training packages, including three mandatory modules. These are being rolled out to all staff (via both face to face and e-learning). Reference to the benefits of equality, diversity and inclusion are reflected in all EDI training packages, and the role individuals play to promote this. We have also launched the refreshed culture, ethics and behaviours group and membership is growing across the service. This group are championing our inclusive service culture and contributing towards initiatives to ensure an inclusive working environment.	50%

13. Outside of an HMICFRS inspection period, Officers continue a programme of engagement with our HMICFRS Service Liaison Lead to ensure the relationship between both parties grows and develops.
14. HIWFRS have been informed that our round three inspection period will be February 2025. Ensuring the Service is ready for inspection is a really important aspect for everyone across the Service and inspection readiness work is already underway.
15. Alongside the round three HMICFRS inspection, HMICFRS are currently carrying out a Misconduct Handling thematic inspection. This is following on from the Values and Culture spotlight report published on 31 March 2023. The HMICFRS Misconduct Handling thematic inspection involves

inspecting 10 Fire and Rescue Services (FRS), with results published in June 2024. HIWFRS are not one of the 10 FRS however we have submitted data as part of the thematic inspection and have also completed the HMICFRS cultural survey.

### SUPPORTING OUR SAFETY PLAN AND PRIORITIES

16. **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.
17. The outcome of our HMICFRS inspection has provided a great opportunity for self-reflection along with the identification of areas where we can improve. Many of the areas for improvement can be linked to activity identified in year four of our Safety Plan 2020-2025, as well as Directorate Plans and business as usual activity. In year four of our Safety Plan 2020-2025 we committed to a Safety Plan activity: identify any gaps or risks, by undertaking assurance activity against and responding as necessary, to external reviews and reports including the HMICFRS report. This report provides Members with an update on the assurance activity linked to the Safety Plan activity stated above.
18. The adoption of the Fire Standards framework throughout the Service plays an important role in supporting our objective of 'learning and improving' and ensuring 'high performance.' Ensuring that we have an accurate reflection of whereas a Service we can develop ourselves to be better, will in turn lead to higher performing teams and safer communities.

### COLLABORATION

19. For Fire Standards, collaboration takes place with the Fire Standards Board, the National Fire Chiefs Council, the Local Government Association and various other fire and rescue services, including HIWFRS, in the development and implementation of new Standards across the Fire Sector.
20. Once the Fire Standards Board releases a new standard to Fire and Rescue Services, the Organisational Learning and Assurance team collaborate across the Service with all colleagues who can contribute towards the assessment of the status of that particular Fire Standard.
21. The work undertaken to support the development of the Fire Standards contributes directly to the inspection framework as they increasingly incorporate this into their programme. HMICFRS also collaborate with the Fire Standards Board, the National Fire Chiefs Council, the Local Government Association and various other fire and rescue services,

including HIWFRS, in the development and continuous improvement of the HMICFRS framework.

22. HIWFRS ensure collaboration with HMICFRS through our engagement programme with our Service Liaison Lead and through attendance at Chief and Chair events, Service Liaison Officer events, representation on the HMICFRS External Reference Group and on the HMICFRS Technical Advisory Group.

### RESOURCE IMPLICATIONS

23. The Fire Standards Board have released 16 Fire Standards with further standards to be released. HIWFRS have committed to fully embedding Fire Standards across the Service and plan to use the Fire Standards framework as our Assurance Framework moving forward. The Organisational Learning and Assurance Team oversee Fire Standard assurance, with input provided by the relevant teams and specialists across the Service. Each Fire Standard also has an Executive Group sponsor who signs off the Assurance Rating.
24. During an HMICFRS inspection, resource requirements increase dramatically. However, currently, HIWFRS are not being inspected so are managing the requirements for engagement and tracking progress against the Areas for Improvement with current resources as part of the Organisational Learning and Assurance Team.

### IMPACT ASSESSMENTS

25. For the purpose of reporting this update to the Authority, no impact assessment is required. However, change activity underway that contributes towards an HMICFRS Area for Improvement or a Fire Standards desired outcome, will be assessed separately as part of the change process.

### LEGAL IMPLICATIONS

26. The Fire and Rescue National Framework for England states that every Fire and Rescue Service will be subject to inspection by HMICFRS. Fire Standards are subject to scrutiny from HMICFRS, and they have been particularly interested in our approach to the adoption of Fire Standards in previous inspections. HMICFRS inspection is also a requirement of the Fire and Rescue Services Act 2004.
27. The Fire and Rescue National Framework for England also states that every Fire and Rescue Service must implement the approved standards through

its work and that HMICFRS will incorporate the standards into their inspections.

### RISK ANALYSIS

28. Failure to complete activity that has been highlighted through HMICFRS Areas for Improvement before the next Inspection in February 2025, leaves the Service exposed to the risk of a poor outcome from inspection and reputational risk. It also demonstrates the absence of a learning and improvement culture and does not meet the Services priority to learn and improve and be a developing organisation.
29. Failure to comply with Fire Standards, in some areas, would mean that we are not meeting our statutory and legal responsibilities including, but not limited to, community risk management, emergency response driving and complying with health and safety legislation when delivering operational response. The latter, as an example, could also have potential financial impacts where we found to be breaching health and safety legislation.
30. Failure to comply with the Fire Standards may also lead to reputational damage and missed opportunities to identify and embed learning and improvement, a priority of the Safety Plan.

### EVALUATION

31. HIWFRS acknowledge the importance and value that HMICFRS brings. It provides an opportunity for the Service to understand where we can improve to make life safer and increases our self-awareness and ability to learn.
32. The adoption of Fire Standards across the Service provides an opportunity to carry out an appraisal which results in the identification of areas for improvement. It provides an evaluation of the current position which can be taken as a measure for future success and progress. All which contributes to strengthening the Service, facilitating learning, and improving.

### CONCLUSION

33. This assurance report provides an update to the Authority on the progress the Service have made in adopting Fire Standards across the Service and also the work being carried out to acknowledge the HMICFRS Areas for Improvement.
34. Further reports will be presented to the Standards and Governance Committee on a six-monthly basis, the next update being Thursday 26 September.

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

## **HIWFRA Standards and Governance Committee**

Purpose: Noted

Date: **9 April 2024**

Title: **ORGANISATIONAL RISK REGISTER UPDATE**

Report of Chief Fire Officer

### SUMMARY

1. This paper updates the Standards and Governance Committee on the status of our Organisational Risk Register in line with the Service's Risk Management Procedure.
2. Since the last Committee, we have extensively revised our organisational risk register. We now have 6 organisational risks.
3. The Committee is asked to note the changes made to the Organisational Risk Register since its last meeting.

### RECOMMENDATION

4. That the risks identified and captured in the Service's Organisational Risk Register be **noted** by the Standards and Governance Committee.

### BACKGROUND

5. The Organisational Risk Register forms part of the Service's approach to managing risk. The register enables effective management of the Service's strategic risks: risks that may affect the Service's ability to meet the Fire Authority's priorities in its Safety Plan.

6. The Executive Group is responsible for risk management across the Organisation. It manages risk by:
  - ensuring the practice of effective risk management is fully embedded through the organisation
  - routinely scrutinising the Organisational Risk Register
  - identifying potential opportunities for service improvement
  - collectively deciding what risks are logged on the Organisational Risk Register, either through escalation from directorate risk registers or new risks, setting the risk score for each
7. Beneath the Organisational Risk Register, each directorate and team have their own risk registers which enable risks to be managed and mitigated at the most appropriate level. Organisational risks are risks most likely to impact progress against the Fire Authority's Safety Plan.
8. Recently, a new monthly planning board has been created involving the Service's strategic leadership. Organisational risks will be discussed at every meeting to ensure existing ones are being appropriately mitigated and new ones identified.
9. Our current organisational risks with their inherent and residual scoring and high-level descriptor is provided at Appendix A. Changes since the last Committee are:

#### New risks

10. Two new risks have been added to the register. These are:

ORG0044: Societal changes making it harder for the Service to recruit and retain a sufficient number of On Call firefighters to meet our current operational plan.

ORG0045: Challenges to medium-term planning due to short-term financial settlements, political uncertainty and forecasted shortfall in 2025/26 budget.

#### De-escalated/Closed risks

11. In discussion with directors, the Strategic Planning team has closed a number of risks since the last Committee. These are:

**ORG0016** (*a reduction in central government funding with insufficient time to plan for a reduction in spend*) has been closed as it is a historic risk which



is now appropriately mitigated. Work is underway to plan for future budget reductions which is reflected in a new risk on the risk register.

**ORG0038** (*pay and price inflation lead to overspends on the capital and revenue budgets that cannot be managed within the available resources of the Service*) has been closed as mitigations are now in place to protect the Service against these rising costs and decisions have been made not to carry out certain activity that would be prohibitively costly.

**ORG0034** (*Failure to respond to the impacts of the McCloud pension remedy*) has been de-escalated to the Finance Directorate's Risk Register as this is now an administrative task to administer the remedy.

**ORG0037** (*Rise of the cost of living increasing the costs of goods and services*) removed as while cost of living continues to have an impact, it has not caused the fire-related consequences we were first fearing.

**ORG0031** (*Reduced wellbeing and resilience within workforce*) has been de-escalated to the People and Organisational Directorate's risk register as impacts across the Service are manageable rather than prohibitive.

**ORG0018** (The access to, and quality of, information available to the Service may adversely impact our ability to use data to support effective decision making) has been de-escalated to the Corporate Services Risk Register as most of the data issues have been overcome and continued improvements is now considered business as usual.

## SUPPORTING OUR SAFETY PLAN AND PRIORITIES

12. In supporting our risk management framework, the Organisational Risk Register ensures that we identify and mitigate concerns which could prevent achieving the Fire Authority's Safety Plan priorities. The risk register continues to assist in mitigating these risks to ensure these priorities can be met.

## CONSULTATION

13. The Organisational Risk Register is a Service-wide means of capturing what could prevent the Service meeting the priorities in the Fire Authority's Safety Plan. The success of the register relies on the contribution from all. Through the Service's new monthly planning board as well as regular Executive Group discussion, as well as engagement between the Service's Risk Team and each directorate board, opportunities exist for all of the Service to contribute to the register.

## COLLABORATION

14. For risks to be considered organisational, their mitigations will most likely have a cross-Service element with support needed from most teams. The Service's Risk Team uses a risk management tool (JCAD) to ensure owners are identified and progress tracked.

## RESOURCE IMPLICATIONS

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

## IMPACT ASSESSMENTS

16. No impact assessment has been carried out as part of this work. Specific risks and mitigations may require a separate impact assessment in line with the Service's assessment framework. This will be the responsibility of the specific team who owns that risk/mitigation.

## LEGAL IMPLICATIONS

17. An organisational risk register will enable organisations to identify and mitigate risks and issues which may impact them either fulfilling their statutory duties or meeting some other priority. The Service's organisational risks include statutory duties including under the Fire and Rescue Services Act 2004 and Health and Safety at Work etc Act 1974. The Organisational Risk Register, as part of our Risk Management Framework, will ensure we are aware and can remedy wherever possible these risks to ensure compliance with all duties.

## OPTIONS

18. The Standards and Governance Committee is asked to note the update. It is asked to consider whether any other risks ought to be added to the register and that existing risks are being well managed.

## RISK ANALYSIS

19. The risk management framework provides 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.

## EVALUATION

20. The Organisational Risk Register provides the appropriate prioritisation of risk management, and ensure risks are professionally managed and governance of plans and activities undertaken. The day-to-day management of those risks through the Executive Group, and accountability through Service and directorate plans, ensures a risk management culture that will be overseen and scrutinised by the Chief Fire Officer and directors. Overall scrutiny will be provided by the Standards and Governance Committee under delegated authority from the Fire Authority.

## CONCLUSION

21. Our risk management framework supports the identification of external and internal risks through the Hampshire and Isle of Wight Fire and Rescue Service Safety Plan, therefore ensuring a pro-active risk management culture. This report supports that continual monitoring and application of that framework, in doing so enabling the Service to mitigate risks and issues which may impact delivering the Fire Authority's priorities.

## APPENDICES ATTACHED

22. Appendix A: Organisational Risk Register

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## APPENDIX A: ORGANISATIONAL RISK REGISTER

Reference	Risk	Inherent Score  (Current risk score)	Residual Score  (Risk score after mitigations)	Commentary
ORG0015	Successful attack on our ICT infrastructure, impacting the access and functionality of our ICT network.	16	12	The risk of a cyber-attack still remains high despite the Service taking a number of steps to protect systems and networks. This will remain business and usual while threat remains.
ORG0017	Organisational impact as a result of an employee or past employee suffering ill-health effects due to fire contaminants	16	12	Considerable work has been done with further planned to better equip the Service to deal with contaminants. Future strategy coming to October's Fire Authority for consideration. Risk has been split since last review to cover impact on the organisation and impact on the Service (ORG0042).
ORG0024	Organisational impact as a result of the death of an employee in the course of their duties.	10	5	Very nature of this risk necessitates maintaining this risk on the ORR. Considerable work underway to keep our firefighters as safe as possible including alignment to current approved code of practice (National Operational Guidance). This risk relates to the aftermath and consequences for the Service following a death.

ORG0041	Potential damage to our Service's reputation based on significant concerns across the fire sector about poor culture and behaviours that are discriminatory.	12	6	Fire Service culture continues to be in news, including at launch of NFCC's Cultural Action Plan in July. EG has approved funding from transformation reserve to drive cultural work and update given to July's Fire Authority. No obvious damage to Service's standing seen.
ORG0044	NEW Societal changes making it harder for the Service to recruit and retain sufficient numbers on On Call firefighters to meet operational need	12	6	Changes in society are making it harder for fire services nationally to recruit and retain On Call firefighters with fewer individuals of required fitness and competency working and living within proximity of a fire station. Like other services, we are exploring a range of options to overcome challenges. As part of our next Safety Plan, we are also carrying out a thorough assessment of community risk which will contribute to determining where our resources are best placed to meet them.
ORG0045	NEW Challenges to medium-term planning due to short-term financial settlements, political uncertainty and forecast shortfall in 2025/26 budget	12	4	Medium term planning made more difficult through continued one-year - rather than multi-year - financial settlements, as well as political uncertainty with upcoming elections. From what we know, a shortfall of £4m in the 2025/26 budget is forecast. Steps are being taken to identify and realise required savings.

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

## **HIWFRA Standards and Governance Committee**

Purpose: Approval

Date: **9 APRIL 2024**

Title: **REVIEW OF CHARTERED INSTITUTE OF PUBLIC FINANCE  
ACCOUNTANTS (CIPFA) GUIDANCE ON AUDIT COMMITTEES**

Report of the Chief Fire Officer

### SUMMARY

1. This report updates Members on work conducted by officers to self-assess the Standards and Governance Committee against the recent CIPFA guidance on Audit Committees. It provides some proposals to further improve its effectiveness.
2. The Committee is asked to consider the proposals detailed below.

### RECOMMENDATION

3. That the proposals for changes to the Committee detailed in paragraph 11 be considered and approved by the HIWFRA Standards and Governance Committee for recommendation to the Full Authority.

### BACKGROUND

4. In 2022, CIPFA issued a renewed Position Statement on Audit Committees in Local Authorities and Police. (Appendix A to this report). This sets out the purpose, model, core functions and membership of the audit committee. It represents CIPFA's view on the audit committee best practice and principles that local government bodies should adopt.
5. CIPFA expects that all local government bodies should make their best efforts to adopt the principles. This is to ensure a focus on effective audit committee arrangements that enable the requirements to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit to be met.

6. As stated in the Position Statement, audit committees are a key component of an authority's governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to those charged with governance (the Full Authority) that those arrangements are effective.

#### SELF ASSESSMENT OF GOOD PRACTICE

7. CIPFA has provided a self-assessment of good practice for audit committees, which officers have carried out. This comprises a high-level review that incorporates the key principles and an indicator that a committee is soundly based and has in place a knowledgeable membership.
8. Similar work and self-assessments have been undertaken in other services and councils.
9. Officers have carried out the CIPFA self-assessment, noting the comparatively smaller size and scale of the Authority, compared to other Local Authorities. The outcome of the assessment was positive, for example:
  - The Authority's Standards and Governance Committee (which fulfils the functions of an audit committee in HIWFRA) is separate from the executive and not unwieldy in size.
  - the Committee meetings are effective with a good level of discussion and engagement from members with a non-political approach taken.
  - there are good working relations with key people and organisations including internal and external audit and the Chief Fire Officer.
  - it has adequate secretariat and administrative support.
10. There are some changes however that could be considered to be made to the Authority's current model, to bring it more closely into line with the new CIPFA guidance. Given the comparatively smaller size, scale and remit of the Authority, compared to other local authorities, it is not appropriate or proportionate for HIWFRA to meet all areas of the CIPFA guidance. However, it is important that a considered position is taken. The result of the self-assessment is attached at Appendix B.



PROPOSED CHANGES

11. The gaps identified between CIPFA’s Position Statement and current practice, and the proposed changes are detailed in the table below. The Committee’s current Terms of Reference, which form part of the Authority’s Constitution are set out in Appendix C.

<b>CIPFA’s Position Statement</b>	<b>Proposed Changes</b>
<p>The Committee’s terms of reference should set out the purpose of the committee in accordance with CIPFA’s Position Statement and be more explicit in areas particularly in respect to audit functions with more focus on improvement and value added.</p>	<p>A. That the Standards and Governance Committee is reconstituted as the Audit and Governance Committee in accordance with the recommended practice stated in the CIPFA Position Statement on Audit Committees in Local Authorities and Police 2022, with revised terms of reference which align to the Position Statement and set out its core functions. (Proposed terms of reference are set out in Appendix D)</p> <p>B. That an Audit and Governance Committee specific induction is carried out for all members appointed to the Committee after the AGM in June 2024. This training, although specific to the Committee members, will be open to all Authority members. Following this, a training needs analysis will be completed on an annual basis to ensure further training is provided to fill any gaps.</p>
<p>The Committee should be able to meet privately and separately with the external auditor and Head of Internal Audit.</p>	<p>C. That an annual meeting is held between the Chairman of the Committee and the External Auditor.</p>

CIPFA's Position Statement	Proposed Changes
	Note: regular meetings with the Chief Internal Auditor are already in place.
Audit Committees should be held to account regularly by those charged with governance. (Full Authority).	<p>D. An annual evaluation <u>by</u> the Committee is conducted of its effectiveness to provide assurance that it fulfils its purpose and can demonstrate its impact, the outcomes, of which are reported to the Full Authority annually.</p> <p>This report, which should include any planned improvements, should be timed to support the annual governance cycle and the preparation of the Annual Governance Statement.</p>
The audit committees of local authorities should include co-opted members in accordance with appropriate legislation.	E. Determine the rationale and benefits of the option and review whether an Independent Member should be co-opted onto the Committee.

12. It is further proposed that a report be presented to the Full Authority in June 2024, detailing any proposed changes to the Committee and its terms of reference for its approval.

#### SUPPORTING OUR SAFETY PLAN AND PRIORITIES

13. By ensuring that the Committee can demonstrate its value in assurance over governance, risk and control, it provides confidence to those charged with governance that arrangements are effective. Strong governance helps to ensure that the Authority continues to deliver public value and efficient public services, which in turn assists with front line service delivery and Together Make Life Safer. The completion of the self assessment and suggestion of improvements supports the Safety Plan priority of Learning and Improving.

14. The Standard and Governance Committee underpins the [Core Code of Ethics](#) and by its nature aligns to the principles within the Core Code; putting communities first, integrity, dignity and respect, leadership and equality, diversity and inclusion.
15. The [Fire and Rescue National Framework](#) expects Fire and Rescue Authorities to demonstrate their accountability for the services they provide, and have scrutiny arrangements in place that reflect the high standard communities expect for an important public safety service. Improvements made to strengthen audit and governance arrangements supports this aspect of the Fire and Rescue National Framework.

#### CONSULTATION

16. Consultation has been carried out internally with the Legal and Finance officers.

#### RESOURCE IMPLICATIONS

17. There are no financial implications arising from the proposals in this report. The work required is considered to be within the current capacity of the officers involved.

#### IMPACT ASSESSMENTS

18. An impact assessment is not deemed necessary at the present time. However, should it be necessary for any proposed actions, assessments will be carried out before they are implemented.

#### LEGAL IMPLICATIONS

19. The Authority has a statutory duty to ensure an effective control framework is in place for governance and internal control arrangements, financial management, financial reporting and internal audit.
20. The Authority's Monitoring Officer has had significant input into this review.

#### BENEFITS

21. By ensuring compliance with the CIPFA guidance, the Authority can be assured that best practice is followed. The Committee will be best placed to take stock of the assurances it has received when reviewing the Annual Governance Statement, Assurance Statement, Statement of Accounts and other key reports that is presented to it.

## EVALUATION

22. If the changes proposed in this report are approved by the Authority, an annual evaluation will be undertaken, and the outcomes reported to the Authority. This will review and demonstrate the effectiveness of the Committee.

## CONCLUSION

23. The report makes some proposals for changes to the Standards and Governance Committee as a result of an assessment made against the new CIPFA guidance. The relative size and scale and remit of the Committee has been considered when developing the proposals.

## APPENDICES ATTACHED

24. Appendix A: CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022.
25. Appendix B: Self-Assessment of Good Practice
26. Appendix C: Standards and Governance Committee – current Terms of Reference
27. Appendix D: Audit and Governance Committee - Proposed Terms of Reference

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## CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

### Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

### Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

**The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.**

## CIPFA's Position Statement 2022: Audit committees in local authorities and police

### Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

### Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

## Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

### Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

### Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

### Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
  - oversee its independence, objectivity, performance and conformance to professional standards
  - support effective arrangements for internal audit
  - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

### Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
  - promoting apolitical open discussion
  - managing meetings to cover all business and encouraging a candid approach from all participants
  - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.



## Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

## Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

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# Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply					Partially complies and extent of improvement needed*				Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement					
Weighting of answers	0	1	2	3	5					

## Audit committee purpose and governance

- 1 Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?
- 2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?
- 3 Has the committee maintained its advisory role by not taking on any decision-making powers?
- 4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?
- 5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?
- 6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?
- 7 Does the governing body hold the audit committee to account for its performance at least annually?

\* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply					Partially complies and extent of improvement needed					Fully complies														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:																									
<ul style="list-style-type: none"> <li>compliance with the CIPFA Position Statement 2022</li> </ul>																									
<ul style="list-style-type: none"> <li>results of the annual evaluation, development work undertaken and planned improvements</li> </ul>																									
<ul style="list-style-type: none"> <li>how it has fulfilled its terms of reference and the key issues escalated in the year?</li> </ul>																									
<b>Functions of the committee</b>																									
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?																									
Governance arrangements																									
Risk management arrangements																									
Internal control arrangements, including:																									
<ul style="list-style-type: none"> <li>financial management</li> <li>value for money</li> <li>ethics and standards</li> <li>counter fraud and corruption</li> </ul>																									
Annual governance statement																									
Financial reporting																									
Assurance framework																									
Internal audit																									
External audit																									
10 Over the last year, has adequate consideration been given to all core areas?																									
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?																									
12 Has the committee met privately with the external auditors and head of internal audit in the last year?																									

Good practice questions	Does not comply					Partially complies and extent of improvement needed					Fully complies														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				

### Membership and support

13 Has the committee been established in accordance with the 2022 guidance as follows?

- Separation from executive
- A size that is not unwieldy and avoids use of substitutes
- Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation

14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?

15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?

16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?

17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?

18 Is adequate secretariat and administrative support provided to the committee?

19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?

### Effectiveness of the committee

20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?

21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?

22 Are meetings effective with a good level of discussion and engagement from all the members?

23 Has the committee maintained a non-political approach to discussions throughout?

Good practice questions	Does not comply					Partially complies and extent of improvement needed					Fully complies														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?																									
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?																									
26 Do audit committee recommendations have traction with those in leadership roles?																									
27 Has the committee evaluated whether and how it is adding value to the organisation?																									
28 Does the committee have an action plan to improve any areas of weakness?																									
29 Has this assessment been undertaken collaboratively with the audit committee members?																									
<b>Subtotal score</b>																									
<b>Total score</b>																									
<b>Maximum possible score</b>																					<b>200**</b>				

\*\* 40 questions/sub-questions multiplied by five.

# Appendix C

## Standards and Governance Committee

### Current Terms of Reference

Standards and Governance Committee shall comprise of 5 Members of the Authority or such other number as the Authority determines each year at the Annual Meeting of the Authority. Appointments to Standards and Governance Committee shall be made each year at the Annual Meeting of the Authority.

Standards and Governance Committee's terms of reference are:

#### Standards

- To oversee the discharge of the Authority's duty to promote and maintain high standards of conduct by Members and co-opted Members through:
  - Promotion of training and advice on the Code of Conduct and other relevant protocols
  - Making recommendations to the Authority on the revision or replacement of its Code of Conduct
  - Making recommendations to the Authority on the arrangements to be applied for the investigation and determination of allegations of a failure to comply with the Code of Conduct for Members and co-opted Members, including the appropriate involvement of the Independent Person
- To oversee the recruitment of an Independent Person or Persons to the Authority and make a recommendation to the Authority for their appointment.
- To consider and determine any allegation of a failure to comply with the Code of Conduct in accordance with such arrangements described above.
- To consider and determine any application by a Member or co-opted Member for the grant of a dispensation under Section 33 Localism Act 2011, relieving the restrictions on participation in, and voting on, a matter in which the Member or co-opted Member has a disclosable pecuniary interest
- To review the Members' Allowances Scheme in accordance with applicable law and make recommendations to the Full Authority about the scheme.
- To act as the Authority's appeal body for appropriate categories of employees in accordance with agreed policies where it is not possible for an appeal to be heard by officers.

## **Governance**

- To consider and approve the annual Statement of Accounts and the Annual Governance Statement incorporated within it, in compliance with the statutory deadline
- To consider and approve the annual Assurance Statement

## **Audit**

- To consider reports from the Internal Auditor on internal audit strategy, planning and delivery and to approve the internal audit plan.
- To receive the annual opinion of the Internal Auditor.
- To consider the External Auditor's management letter to the Authority and any reports from the external auditor and make recommendations to the Authority as necessary.

## **Risk Management**

- To receive and review the annual monitoring of the Organisational Risk Register.

## **Scrutiny**

- To consider the report of any inspection of the Service and make recommendations as required.
- To provide scrutiny, where appropriate, on the extent to which the Service is aligned with standards from the Fire Standards Board.

## **Pension Board**

- To act as the Scheme Manager for the Hampshire Firefighters Pension Fund.

Members of the Standards and Governance Committee will establish a working group if required to enable the fulfilment of any of the above.



# Appendix D

## Audit and Governance Committee

### Proposed Terms of Reference

The Audit and Governance Committee is a sub committee of the Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA) and is directly accountable to the full Authority.

The Committee is constituted in accordance with the recommended practice stated in the Chartered Institute of Public Finance and Accountancy (CIPFA) position statement on Audit Committees Local Authorities and Police 2022.

#### **Purpose:**

The Audit and Governance Committee will:

- provide an independent and high level focus on the adequacy of governance, risk, internal and external audit and financial arrangements.
- ensure there is sufficient and effective arrangements and controls in place to give confidence to our communities.
- provide objective oversight and fulfil the principles of good governance.

#### **Key accountabilities:**

##### Governance functions:

- Consider whether the Annual Governance Statement (AGS) properly reflects the risk environment and demonstrates how governance supports the achievement of the Authority's objectives.
- Approve the AGS for inclusion in the Statement of Accounts.
- Consider whether the Annual Assurance Statement provides adequate assurance across the Authority's range of operations.
- Approve the Annual Assurance Statement for publishing.
- Monitor the arrangements and preparations for financial reporting to ensure statutory requirements are met.
- Consider and approve the Statement of Accounts.
- Consider reports on the effectiveness of financial management controls and monitor arrangements including compliance with CIPFAs Financial Management Code.
- Receive reports detailing any identified fraud and corruption.
- Review governance arrangements for significant partnerships and collaborations.
- Seek assurances that the Authority's risk management arrangements adequately control risk related issues.

- Monitor progress in addressing risks on Authority's Strategic Risk Register.
- Request reports and seek assurances from relevant officers as is deemed necessary by any of the Committee Members.
- Consider any report of His Majesty's Inspectorate of Constabulary's and Fire and Rescue Service (HMICFRS).
- Monitor the progress of any HMICFRS action plan/Areas for Improvement and make recommendations where required.
- Monitor the progress of alignment with Fire Standards and make recommendations where required.

#### Audit functions:

- Internal Audit
  - Oversee internal audit's independence, objectivity and performance.
  - Support effective arrangements for internal audit.
  - Consider the annual Internal Audit opinion and Internal Audit Strategy.
  - Approve the annual risk based Internal Audit plan for the coming financial year.
  - Approve any significant changes to the risk based Internal Audit plan.
  - Consider Internal Audit progress reports.
  - Approve the Internal Audit Charter.
- External audit
  - Contribute to the operation of effective and efficient external audit arrangements.
  - Consider the External Auditor's management letter to the Authority and any reports from the External Auditor.
  - Make any recommendations relating to External Audit to the Full Authority as necessary.
  - Approve the provision of External Audit.
  - Consider additional commissions of work from External Audit.

#### Treasury Management

- Consider the arrangements put in place for the effective management and control of treasury management risks.
- Prior to approval by the Authority, receive and consider the:
  - Annual Treasury Management Strategy
  - Mid-year treasury management update report
  - End of year treasury management outturn report.
- Receive regular monitoring reports including reporting on required indicators.

#### Standards:

- Discharge the Authority's duty to promote and maintain high standards of conduct by Authority Members and co-opted Members through:
  - Championing the Core Code of Ethics and demonstrating behaviours aligned to the five principles within the Core Code of Ethics.

- Making recommendations to the Authority on the revision or replacement of its Code of Conduct.
- Making recommendations to the Authority on the arrangements to be applied for the investigation of allegations of Members failing to comply with the Members Code of Conduct including the appropriate involvement of the Independent Person.
- Considering any allegation of failure to comply with the Members Code of Conduct as above.
- Oversee the recruitment of an Independent Person to the Authority (on a four yearly basis) and make a recommendation to the Authority for their appointment.
- Consider and determine any application by a Members or co-opted Member for the grant of dispensation under section 33 of the Localism Act 2011, relieving the restrictions on participation in and voting on, a matter in which the Members or co-opted Member has disclosed a pecuniary interest.
- Review the Members Allowance Scheme and make recommendations to the full Authority to approval of a Members Allowance Scheme.
- Act as the Authority's appeal body for appropriate categories of employees in accordance with approved policies, where it is not possible for an appeal to be heard by Officers.

Pension Board:

- Act as the Scheme Manager for the Hampshire Firefighters Pension Fund.

**Administration of the Committee:**

- The Audit and Governance Committee will meet 4 times a year.
- The Committee will comprise 5 Members of the Authority (or such number the Authority determines).
- Appointments to the Committee will be made annually at the Authority's Annual General Meeting (AGM).
- Regular officer attendees will be the Chief Finance Officer, the Monitoring Officer, the Head of Internal Audit and the Deputy Chief Fire Officer.
- External Audit will attend as and when is required.
- The Committee can call upon other officers and agencies as required to fulfil their duties.
- The Chairman will meet with External Audit on an annual basis. Should the Chairman need to, they can engage at other times as is deemed necessary.
- The Committee will provide an annual performance report to the Full Authority detailing how it has complied with the CIPFA position statement, the report will include the work of the committee. The annual performance report will be published once reviewed by the Full Authority.

**The Committee will pay due regard to the:**

- Fire and Rescue National Framework for England

- CIPFA Financial Management Code
- CIPFA Treasury Management Code
- Local Government Act 2003
- Government Finance Act 1992
- Accounts and Audit Regulations 2015
- Accounts and Audit (Amendment) Regulations 2022
- Local Audit and Accountability Act 2014
- National Audit Office's 2020 Code of Audit Practice
- Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd
- Auditing Standards
- CIPFA publication titled Delivering Good Governance in Local Government Framework 2016.
- Principles of the Core Code of Ethics