

NOTICE OF MEETING

<i>Meeting</i>	HFRA Standards and Governance Committee	<i>Clerk to the Hampshire Fire and Rescue Authority</i> John Coughlan CBE
<i>Date and Time</i>	Thursday, 23rd March, 2017 10.00 am	<i>The Castle, Winchester Hampshire SO23 8UJ</i>
<i>Place</i>	Mountbatten Room, Elizabeth II Court, The Castle, Winchester	
<i>Enquiries to</i>	<u>members.services@hants.gov.uk</u>	

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

Agenda

1 APOLOGIES FOR ABSENCE

To receive any apologies for absence received.

2 DECLARATIONS OF INTEREST

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

3 MINUTES OF PREVIOUS MEETING (Pages 5 - 8)

To confirm the minutes of the previous meeting.

4 CHAIRMAN'S ANNOUNCEMENTS

To receive any announcements the Chairman may wish to make.

5 **DEPUTATIONS**

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

6 **HAMPSHIRE FIRE AND RESCUE AUTHORITY EXTERNAL AUDIT PLAN 2016/17** (Pages 9 - 40)

To consider a report of the Chief Officer setting out the External Audit Plan for 2016/17.

7 **INTERNAL AUDIT PROGRESS REPORT 2016/17** (Pages 41 - 56)

To consider a report of the Chief Internal Auditor providing an overview of internal audit work completed in accordance with the approved audit plan.

8 **INTERNAL AUDIT CHARTER AND ANNUAL INTERNAL AUDIT PLAN 2017/18** (Pages 57 - 82)

To consider a report of the Chief Internal Auditor presenting the proposed annual internal audit plan and the internal audit charter.

9 **PROGRESS REPORT ON THE IMPLEMENTATION OF INTERNAL AUDIT MANAGEMENT ACTIONS** (Pages 83 - 106)

To consider a report of the Chief Officer setting out progress on the implementation of internal audit actions.

10 **RISK POLICY AND STRATEGY** (Pages 107 - 124)

To consider a report of the Chief Officer on the updated Risk Policy and Strategy.

11 **HEALTH AND SAFETY 'STATEMENT OF INTENT'** (Pages 125 - 128)

To consider a report of the Chief Officer regarding the Health and Safety 'Statement of Intent'.

12 **INDEPENDENT PERSONS FOR HFRA**

To consider a report of the Clerk regarding the appointment of Independent Persons to HFRA. [REPORT TO FOLLOW]

13 **NEW POLICY - FIREFIGHTERS 2015 PENSIONS DISCRETIONS POLICY** (Pages 129 - 148)

To consider a report of the Chief Financial Officer seeking agreement for the Pensions Discretions Policy.

- 14 **NEW POLICY - RETIRED FIREFIGHTERS RE-EMPLOYMENT, RE-ENGAGEMENT AND PENSIONS ABATEMENT POLICY** (Pages 149 - 156)

To consider a report of the Chief Financial Officer regarding the new Retired Firefighters Re-employment, Re-engagement and Pensions Abatement Policy.

- 15 **PENSIONABLE ALLOWANCES (ADDITIONAL DUTY/TRAINING)** (Pages 157 - 162)

To consider a report of the Chief Financial Officer regarding pensionable allowances.

EXCLUSION OF THE PRESS AND PUBLIC

RECOMMENDATION:

That the press and public be excluded from the meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present, there would be disclosure to them of exempt information within Paragraph 5 of Part 1 of Schedule 12A to the Local Government Act 1972, and further that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, namely that confidentiality in respect of the private terms upon which individuals are employed, and that if the information was disclosed it may be prejudicial to the proper and effective conduct of the County Council's business.

- 16 **PENSIONABLE ALLOWANCES (ADDITIONAL DUTY/TRAINING) - EXEMPT APPENDIX** (Pages 163 - 164)

To consider an exempt appendix to Item 15.

ABOUT THIS AGENDA:

This agenda is available on the Hampshire Fire and Rescue Service website (www.hantsfire.gov.uk) and can be provided, on request, in alternative versions (such as large print, Braille or audio) and in alternative languages.

ABOUT THIS MEETING

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

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**At a meeting of the HAMPSHIRE FIRE AND RESCUE AUTHORITY STANDARDS
AND GOVERNANCE COMMITTEE held at Hampshire Fire
and Rescue Service Headquarters, Eastleigh
on 7 December 2016**

The Chairman announced that the press and members of the public were permitted to film and broadcast the meeting. Those remaining at the meeting were consenting to being filmed and recorded, and to the possible use of those images and recording for broadcasting purposes.

PRESENT:

Councillors:

p	Graham Burgess	p	Robin McIntosh (Chairman)
p	Chris Carter	p	Sharon Mintoff
p	David Fuller	p	Mark Staplehurst
p	David Harrison	p	Matthew Winnington
a	Geoff Hockley (Vice Chairman)		

159 APOLOGIES

Apologies were received from Councillor Hockley.

160 DISCLOSURES OF INTEREST

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

There were no declarations of interest received for the meeting.

161 MINUTES AND MATTERS ARISING

It was noted on Page 10 that in Minute 156, the reference should be to Item 10, rather than Item 8. It was confirmed that the Health and Safety report discussed in Minute 157 was not yet live. The Minutes from the meeting on the 15 September 2016 were then agreed to be correct and signed by the Chairman.

162 CHAIRMAN'S ANNOUNCEMENTS

There were no Chairman's announcements for this meeting.

163 DEPUTATIONS

There were no deputations received for the meeting.

164 ANNUAL REPORT OF PENSIONS BOARD

The Committee received a report from the Head of Finance, (Item 6 in the Minute Book) which summarised the progress of the Pensions Board for 2015/16. It was explained that the Board was formed to focus on employer pensions and that temporary promotions had been a major focus over the past eighteen months. It was agreed that a pensions overview would be provided after the next Committee meeting.

It was acknowledged that a lot of work had been put in by officers on the temporary promotions project, and Committee thanked them for their input over the past few months.

RESOLVED:

The contents of the report were received and acknowledges, in particular the implications for resources arising from pension activity set out in paragraph 9.25.

165 STRATEGIC RISK REGISTER

The Committee received a report from the Chief Officer (Item 7 in the Minute Book), which was the annual presentation of the Strategic Risk Register.

The officer summarised the report, which focused on three main areas from the appendix: Entries, 22, 23 and 24; which were to remain on the Strategic Risk Register.

It was confirmed that it was important for people to be supported during changes at the organisation and all procedures would be looked at going forward.

RESOLVED:

The Committee

a) Noted the current status of the existing Strategic Risk Register entries and agree that the following entries remain on the Strategic Risk Register:

ai) Entry number 22 – Due to a reliance on, or an association with, a third party, our ability to directly manage and control aspects of our business could diminish.

aii) Entry number 23 – Decrease in Organisational Performance

aiii) Entry number 24 – Failure to identify and capitalise on opportunities for investment (internally and externally).

b) Note that all risks that have been placed on the green list continue to be monitored by Service Management Team (SMT).

166 INTERNAL AUDIT ACTIVITY

The Committee received a report from the Chief Internal Auditor and Chief Officer (Item 8 in the Minute Book) regarding progress with Internal Audit.

Details and progress on the plan was detailed, and Appendix B in the pack looked at new additions along with safeguarding recommendations that had been actioned.

RESOLVED:

a) The Committee considered the reports of the Chief Internal Auditor and the Chief Officer set out in Appendices A and B respectively, together with the specific recommendations contained within each report:

ai) Committee noted the progress of internal audit work for the period ending 31 October 2016.

aii) Committee noted the report and the progress made towards the implementation of the internal audit management actions detailed in Appendix 1.

167 ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH

The Committee received a report from the Chief Officer (Item 9 in the Minute Book).

Staff were congratulated on their hard work following the issue of the unqualified audit report for both the financial statements and the value for money conclusion.

RESOLVED

The Committee received the External Auditor's Annual Audit Letter for 2015/16.

168 INDEPENDENT PERSON TO HAMPSHIRE FIRE AND RESCUE AUTHORITY

The Committee received a report from the Clerk (Item 10 in the Minute Book).

A report had previously come to Committee and it was agreed that research would be done regarding a shared Independent Person. Exploratory discussions were now being carried out with Winchester City Council looking at a joint selection panel being set up following a single shared advert.

Going forward, it was felt that it would be more effective to appoint three people at £100 per annum rather than one person at £500 per annum, so there was more flexibility across authorities as well as a small cost saving. Sharing

the role would also mean the Independent Person could get more involved in different issues.

RESOLVED

a) The Committee acknowledge progress made in pursuing shared recruitment for Independent Person(s) and support the direction of travel set out in this report.

b) The Committee agreed to an indicative allowance Independent Person(s) appointed as a result of shared recruitment of £100 per person, per annum, to be recommended to the Full Authority at the time of appointment in June 2017.

Hampshire Fire and Rescue Authority

Standards and Governance Committee

23 March 2017

Hampshire Fire and Rescue Authority External Audit Plan 2016/17

Report by the Chief Officer

Contact: Geoff Howsego, Director of Professional Services
Telephone: 023 8062 6828

1. Summary

- 1.1 Attached to this report, in appendix 1, is the External Audit Plan for 2016/17. It sets out the proposed audit approach and scope of the work. It explains how key risks are assessed and outlines the planned audit strategy in response to those risks. It also reports the fee to be charged for this work.

2. Recommendation

- 2.1 That the Committee receives and accepts the External Audit Plan for 2016/17.

3. Introduction

- 3.1 The Plan details the proposed work to be undertaken by Ernst & Young for the audit of the financial statements and the conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness. It details how the Plan is developed using a risk-based approach to audit planning. It sets out the method used to gain assurance on key controls, and how reliance is placed on the work of internal audit.
- 3.2 The Plan explains that a conclusion on the Authority's arrangements to secure economy, efficiency, and effectiveness will be produced, and details the criteria upon which this will be based.
- 3.3 Appendix 1 part B provides members with details of the communications that must be provided to those charged with the governance of the Authority.
- 3.4 The fee for the audit will be £36,225 as set out in appendix 1 part A.

4. Resource implications

- 4.1 Appropriate financial resources have been made available to pay the 2016/17 fee.

5. People impact assessment

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

Background information (Section 100D of Local Government Act 1972)

The following documents disclose the facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of the report:

Appendix 1 – Audit Plan 2016/17

Hampshire Fire and Rescue Authority

Year ending 31 March 2017

Audit Plan

19 January 2017

Ernst & Young LLP



Building a better
working world

Standards and Governance Committee
Hampshire Fire & Rescue Authority
Headquarters
Leigh Road
Eastleigh
SO50 9SJ

19 January 2017

Dear Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Standards and Governance Committee with a basis to review our proposed audit approach and scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Authority and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this Audit Plan with you on 23 March 2017 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Maria Grindley
Executive Director
For and on behalf of Ernst & Young LLP
Enc

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies ". It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk).

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 from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Standards and Governance Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

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

1. Overview

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

- ▶ our audit opinion on whether the financial statements of Hampshire Fire and Rescue Authority give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended; and
- ▶ our conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

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 focuses on the areas that matter and our feedback is more likely to be relevant to the Authority.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Authority, identified through our knowledge of the Authority's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
Risk of management override	
As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ reviewing accounting estimates for evidence of management bias; ▶ evaluating the business rationale for significant unusual transactions; ▶ performing analytical review procedures; and ▶ testing accruals and provisions.

Other financial statement risks	Our audit approach
Financial statements presentation – Expenditure and funding analysis and Comprehensive income and expenditure statement	
<p>Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the code) this year changing the way the financial statements are presented.</p> <p>The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.</p> <p>The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Authority's segmental analysis.</p> <p>This change in the code will require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.</p>	<p>Our Approach will focus on:</p> <ul style="list-style-type: none"> ▶ Review of the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the code ▶ Review of the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported. ▶ Agreement of restated comparative figures back to the Authority's segmental analysis and supporting working papers.

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ identifying fraud risks during the planning stages;
- ▶ enquiry of management about risks of fraud and the controls to address those risks;
- ▶ understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ determining an appropriate strategy to address any identified risks of fraud; and
- ▶ performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

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.

For 2016/17 this is based on the overall evaluation criterion:

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

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

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

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

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice which defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders.

Our initial planning procedures have not identified any significant risks. We will continue to update our risk assessment throughout the course of our audit.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Authority's:

- ▶ financial statements; and
- ▶ 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 objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

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.

4.2 Audit process overview

On 7 November 2016, we held a joint meeting with key officers from the Authority, Hampshire County Council and Hampshire Police to reflect on lessons learned from the 2015/16 audit, which was the first year we had adopted a shared service audit approach to the Integrated Business Centre. It was agreed that we would;

- ▶ Continue to adopt a joint approach to the audit of the Integrated Business Centre, with a single audit team working across the audit of the Authority, Hampshire County Council, and Hampshire Police;
- ▶ Continue to adopt a controls based audit strategy, including reliance on IT General controls, to keep the level of substantive testing to a minimum; and
- ▶ Work with officers to further refine and focus our request for working papers, to ensure that these meet the requirements for the audit while balancing the pressure on officers.

In undertaking our audit, we will look to rely upon the work of internal audit as much as possible whilst complying with the requirements of auditing standards. We have discussed our plans with internal audit, establishing which financial systems they are reviewing this year and have built this in to our work plan.

We will also rely on specialists to help us to form a view on judgments made in the financial statements in relation to valuations and pensions.

Processes

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

- ▶ procure to pay;
- ▶ accounts receivable;
- ▶ cash and bank; and
- ▶ payroll.

For the following areas we will undertake a substantive approach on the basis of our experience of efficiency:

- ▶ property, plant and equipment;
- ▶ treasury management;
- ▶ financial statement close process; and
- ▶ firefighters pensions.

Analytics

We will use our computer-based analytics tools [tailor as appropriate] 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

As in the prior year we will review internal audit plans and the results of their work. We consider these when designing our overall audit approach and when developing in our detailed testing strategy. We may also reflect relevant findings from their work in our reporting, where it raises issues that we assess could have a material impact on the year-end financial statements.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are pensions and property, plant and equipment valuation.

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 environment 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 expert 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; and
- ▶ assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ addressing the risk of fraud and error;
- ▶ significant disclosures included in the financial statements;
- ▶ entity-wide controls;
- ▶ reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- ▶ auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements of the Authority is £1,970,000 based on 2% of 2016/17 gross revenue expenditure and for the pension fund £186,000 based on 1% of benefits payable. We will communicate uncorrected audit misstatements greater than £98,500 for the main financial statements and £9,000 for the pension fund to you.

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 the circumstances that might ultimately influence our judgement. 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 financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. 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 NAO Code. The indicative fee scale for the audit of Hampshire Fire and Rescue Authority is £36,225.

4.6 Your audit team

Maria Grindley, leads the engagement team, and has significant experience on Local Government audits including Hampshire Fire and Rescue Authority. Adam Swain, supports Maria, and is responsible for the day-to-day direction of audit work and is the key point of contact.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Authority through the Standards and Governance Committee's cycle in 2016/17. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Standards and Governance Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit, we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Authority and external stakeholders, including members of the public.

Audit phase	Timetable	Standards and Governance Committee timetable	Deliverables
High level planning	April 2016	-	Audit Fee Letter Progress Report (if applicable)
Risk assessment and setting of scopes	December 2016	23 March 2017	Audit Plan
Testing routine processes and controls	January – February 2017	June 2017	Progress Report
Year-end audit	June – July 2017		
Completion of audit	July 2017	September 2017	Report to those charged with governance via the Audit Results Report, which includes our opinion on the financial statements and overall value for money conclusion. Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	September 2017	December 2017	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 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 on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during 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	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by 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. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, 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 services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal 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 are disclosed, analysed in appropriate categories.

5.2 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 any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; 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 the Authority.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Authority has approved and that are in compliance with the PSAA Terms of Appointment.

At the time of writing, there are no planned non-audit fees.

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 the Authority. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 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 other 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 your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions 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.

Overall Assessment

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

5.3 Other required communications

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 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 ended June 2016 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2016/17 £	Scale fee 2016/17 £	Outturn fee 2015/16 £	Explanation
Opinion Audit and VFM Conclusion	36,225	36,225	48,300	
Total Audit Fee – Code work	36,225	36,225	48,300	
Non-audit work	0	0	0	

All fees exclude VAT.

We base the agreed fee presented above on the following assumptions:

- ▶ officers meeting the agreed timetable of deliverables;
- ▶ the operating effectiveness of the internal controls for the key processes outlined in section 4.2 above;
- ▶ we can rely on the work of internal audit as planned;
- ▶ our accounts opinion and value for money conclusion being unqualified;
- ▶ appropriate quality of documentation is provided by the Authority; and
- ▶ the Authority has an effective control environment.

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

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Standards and Governance Committee. These are detailed here:

Required communication	Reference
<p>Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.</p>	▶ Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balances on initial audits [delete if not an initial audit] 	▶ Audit Results Report
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	▶ Audit Results Report
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Standards and Governance to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	▶ Audit Results Report
<p>Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	▶ Audit Results Report
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	▶ Audit Results Report
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ 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 	▶ Audit Results Report

Required communication	Reference
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Audit Results Report
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Audit Results Report
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Audit Results Report
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Audit Results Report ▶ Annual Audit Letter if considered necessary

EY | Assurance | Tax | Transactions | Advisory

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Fire and rescue sector audit committee briefing

Contents at a glance

Government and economic news

Accounting, auditing and governance

Key questions for the audit committee

Find out more

This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Fire sector, and the audits that we undertake.

The briefings are produced by our national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Fire sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please contact your local audit team.



Government and economic news

EY Item club winter forecast

In its latest forecast the EY Item Club cautions that, whilst it may look like the economy taking the referendum in its stride, the impression could be is deceptive. A timely reminder that trouble may lie ahead is provided by Sterling's recent performance.

The UK economy is forecast to undergo a gradual dip and recovery over the coming four years, with GDP growth slowing to 1.3% in 2017 and just 1.0% next year, before picking up to 1.4% in 2019 and 1.8% in 2020. The ability of the economy to deliver against this forecast is seen as highly dependent on its foreign trade performance, the expectation is that this will improve this year as consumer spending slows down.

In terms of inflation as measured by the Consumer Prices Index it is expected to rise in excess of 3% by the end of 2017, before falling back towards the Bank of England's 2.0% target in 2018. With the economy slowing down and wage inflation remaining subdued, the forecast is that base interest rates will be held at 0.25% by the Monetary Policy Committee until the spring of 2018.

Looking ahead, the UK's trade performance and output growth in 2019 and beyond will depend critically on the exit terms that can be agreed with the EU27 and other countries. Whilst there is greater clarity about the UK's negotiating position, elections coming up later this year in several European countries mean that the negotiating position of the EU27 will take longer to get a clear picture of. Additionally, the US election result complicates Britain's exit from the EU due to uncertainty over the US economic and foreign policy.

Future Control Room Improvement – Government update on fire and rescue authority scheme.

In January 2011 the Department for Communities and Local Government consulted on the future of fire and rescue control services. The result of the consultation was a grant of £81mn to improve control rooms. The main purpose of the grant was to help fire and rescue authorities improve the efficiency and the resilience of their local control services, strengthen their ability to interoperate with each other and with other emergency services, and thereby strengthening resilience at all levels.

23 bids were received from 44 of the 46 Fire and Rescue Authorities in England, including 15 bids from partnerships of more than one Fire and Rescue Authority.

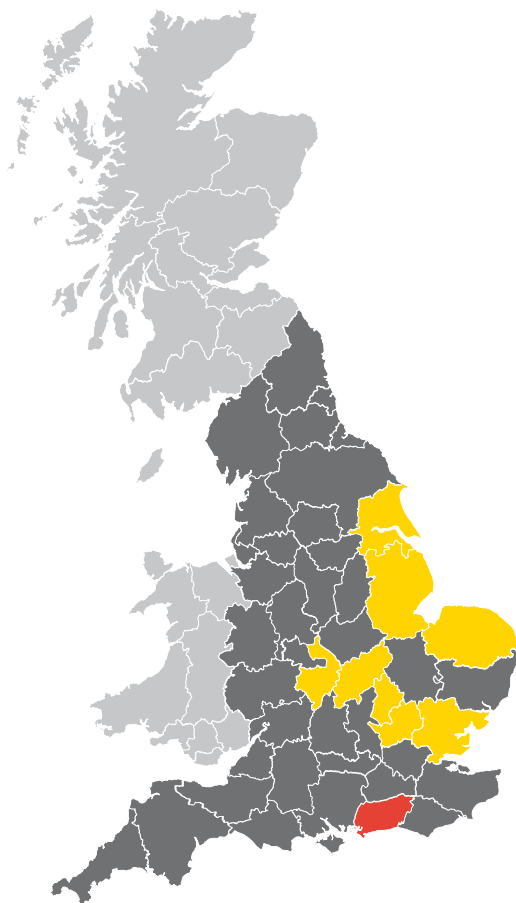
Project completion and progress update:

Six further projects have completed since the December 2015 update, they are:

- ▶ Surrey and Isle of Wight
- ▶ Staffordshire and West Midlands
- ▶ Devon and Somerset, Dorset, Hampshire and Wiltshire
- ▶ Cornwall and North Yorkshire
- ▶ Gloucestershire
- ▶ Avon



Government and economic news



Colour key:

Dark grey = completed in/before October 2016

Yellow = estimated completed March 2017

Red = estimated completed December 2017

At the moment 18 projects out of 22 are completed, which represents 82%. Remaining projects are anticipated to be completed by March 2017 (3 projects) and December 2017 (1 project)

The report contains the following map that demonstrates:

- ▶ The project partnerships that have been formed between the fire and rescue authorities
- ▶ The coverage provided by the completed projects in England, and the coverage that will be provided as the remaining projects complete

It is highlighted that already a number of authorities are taking advantage of the partnership and project management arrangements, including incident management/command support, and officer mobilising. These arrangements are expected not only to deliver efficiencies, but also to improve operational effectiveness and interoperability. Additionally there are:

- ▶ Adoption of Shared Services – One project is providing a shared IT Service Desk function for all of the partners in the collaboration
- ▶ Projects that have been designed and relocated to new control rooms providing added resilience for their critical communications equipment and an improved working environment for Control
- ▶ Projects that are beginning to harmonise common ways of working, sharing terminology and resources to maximise efficiencies and improve interoperability
- ▶ Many projects now entering into resilient arrangements with other projects that will assist during adverse or spate conditions

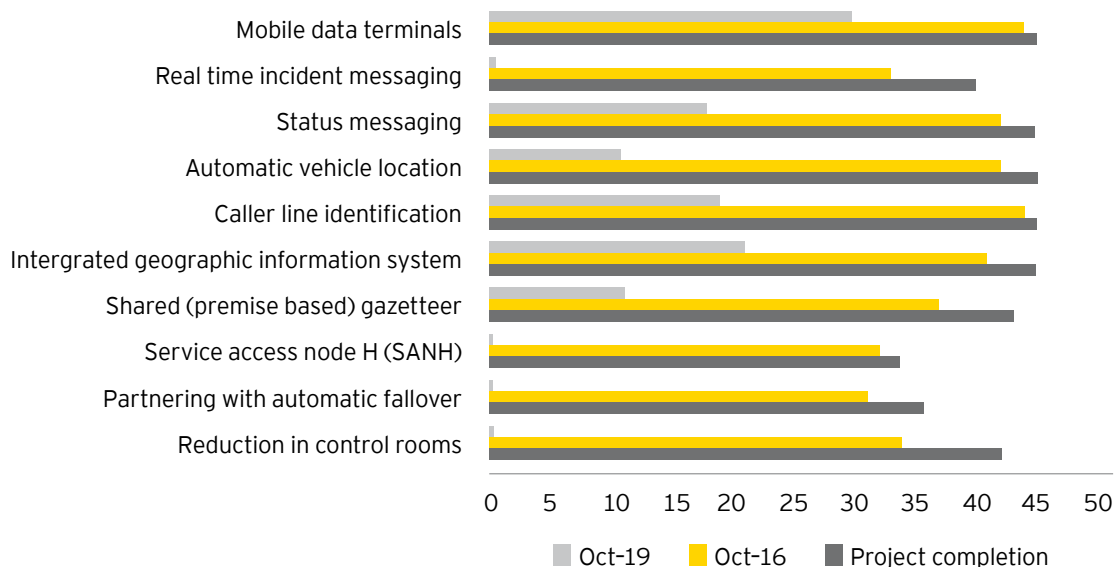


Government and economic news

Resilience benefits.

In total, 420 resilience benefits are expected to be in place when all of the projects have completed. 110 benefits were in place at the baseline of October 2009, leaving 310 resilience benefits to be delivered through the Control Rooms Scheme – see graph below.

Delivery of resilience benefits



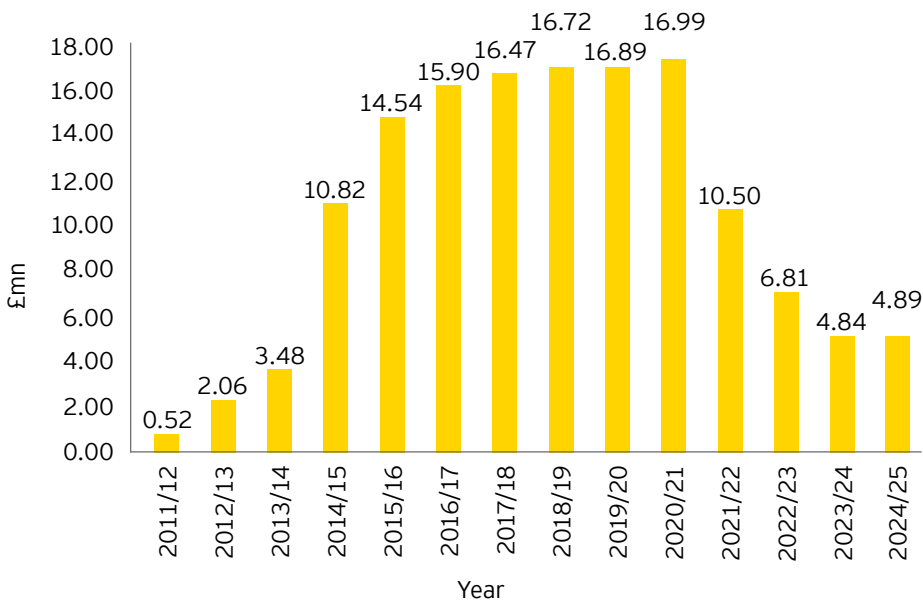


Government and economic news

Financial Benefits.

In December 2015 it was estimated that projected financial benefits from the Control Rooms Scheme would comprise £143mn. As it stands now, the total forecasted savings are £141.5mn. This is £1.5mn less than projected in December 2015, but savings remain £13.5mn more than the original 2012 base rate.

Forecast savings in £mn from 2011-2025



Savings from 2011-2025 total £141.5mn



Government and economic news

Amongst other resilience benefits that are generated by the projects, the following key improvements were highlighted:

- ▶ Improvement of the efficiency of fire and rescue control rooms
- ▶ Improvement of the ability of fire and rescue authorities to interoperate with each other and with other emergency services and agencies
- ▶ Improve local and national resilience

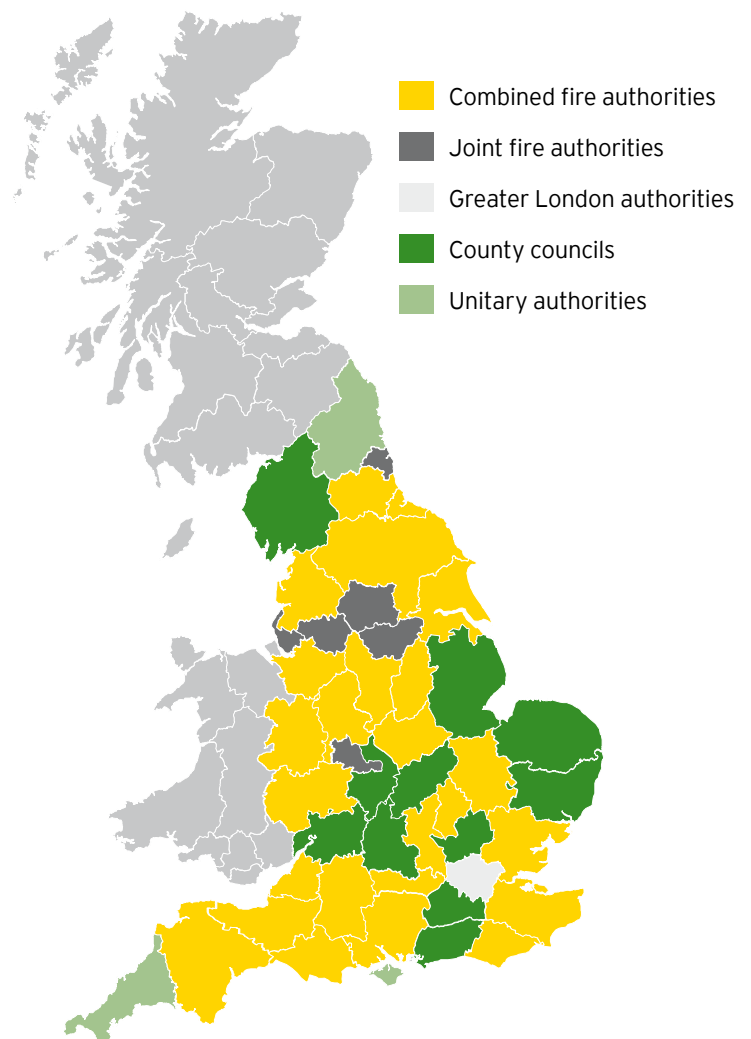
Key findings from an independent review by Adrian Thomas of conditions of service for fire and rescue staff in England

Findings from the review of efficiencies and operations in fire and rescue authorities in England, conducted and published by Sir Ken Knight in May 2013, highlighted the need for a 'condition of service' review. In his review Sir Ken identified 'inexplicable differences in the expenditure of different fire and rescue authorities in England with the net result that some authorities were spending almost twice as much as others with little relationship between that spend and any reduction in demand for operational response.'

Sir Ken also believed that there were barriers to the reform, improvement and efficiency of fire and rescue services.

As a result an independent review of condition of services for fire and rescues staff in England was launched in October 2014, under Adrian Thomas. The review covered 46 fire authorities across England (21 of them were visited), key players within government, the employers' representatives and all the employees' representative organisations.

Fire and Rescue Authority Governance and Location (March 2015)





Government and economic news

The review argues that condition of services impacts employment and operational relationships in Fire Authorities. The conclusions of the review impacts the following areas:

The working environment

Culture and trust in fire authorities require major re-building, especially in such areas as bullying and harassment, equality and diversity. There is a need for inspirational leadership to build high performing teams. To achieve improvement in these areas, the review suggests conducting an annual service wide engagement survey focused on culture, equality and trust, together with implementation of employee engagement surveys, and amendments to management objectives within each individual fire authority. In addition, management performance objectives should be linked to the results of an annual employee engagement and communication survey.

Documented conditions of service.

Currently conditions of service are documented in the Green, Grey and Gold books. The review concluded that there is little value in the Gold and Grey books. Whilst the review recommended that the Gold Book should be discontinued, the Grey Book (being an anchor of condition of services) should be significantly lessened as it is a barrier to alignment of conditions of service with local delivery by individual authority. Consideration should be given to replacing the Grey Book with a contract of employment at the local level, supported by an employee handbook.

Industrial relations

- ▶ There are a number of findings and conclusions regarding industrial relations. National Joint Council should be retained for the purposes of national pay bargaining for basic pay, whilst reforming itself to represent employers and employees on a more local basis for all other conditions of service, including the possibility of operating regionally

- ▶ Remove Technical Advisory Panels and Resolution Advisory Panel and replace with a direct to ACAS approach

Duty systems

Fire and Rescue Authorities should adopt duty systems and staffing which align fire fighter availability to the planned work load (e.g., community safety). Providing response cover appropriate to the Integrated Risk Management plan should be encouraged

Despite the difficulties in recruiting the report concluded that the retained duty system offers significant opportunity to align resources to risk at a significantly lower cost than maintaining full time cover at times of low level risk and activity

Management of the fire and rescue service

Many findings were focused on management areas of fire and rescue services. The major findings highlighted the necessity of:

- ▶ Increase in recruitment and academic standards
- ▶ Collaborative approach to the creation of succession plans and senior leader programmes with more cross authority developmental moves. It was noted that in some instances such collaboration can lead to more formal mergers. To support this the report suggests that Government should find transformational funding to support the creation of larger fire and rescue services, that offer critical mass in areas of technology introduction, recruitment, succession and development
- ▶ Maintaining an up-to-date strategic workforce plan
- ▶ Recognising that the wide and increasing range of roles and activities undertaken by fire fighters calls for a more sophisticated alignment of capability, with the activity required in support of the local Integrated Risk Management Plan, hence removing established expectation that all fire fighters attain the same level of competency across country
- ▶ Using Executive Leadership Programme in Fire Authorities



Accounting, auditing and governance

PSAA Audit Services Procurement Strategy for the appointment of local auditors

The PSAA is entering into contracts with audit firms to make auditor appointments by 31 December 2017. There are a total of 493 eligible authorities who have been invited to opt in. These include local authorities, combined authorities, police and crime commissioners, chief constables, fire and rescue authorities, waste authorities, passenger transport executives and national park authorities.

The timetable for the appointment is as follows:

Key milestone	Target date
Issue OJEU Contract Notice and Selection Questionnaire (SQ) available on request	16 February 2017
Deadline for eligible bodies to notify PSAA of their decision to opt-into the scheme for audits of 2018/19 accounts	9 March 2017
Deadline of submission of SQs	21 March 2017
Issue ITT to short-listed suppliers	6 April 2017
Deadline for submission of tenders	10 May 2017
PSAA board approves contract award	30 June 2017

The contract will be awarded for five years to suppliers but PSAA may extend this contract by two years. It is expected that opting-in will achieve lower audit fees than those authorities that choose to negotiate alone. Fees are expected to be published in March 2018.

Report on the results of auditors' work across LG bodies 2015/16

In December 2016 PSAA published its first report on the results of auditors' work across 497 principal local government bodies, including 357 councils, 31 fire and rescue authorities, 76 police bodies and 33 other local government bodies, and 9,756 small bodies, with a turnover of less than £6.5mn, including 9637 parish councils. The results within the report cover audit work on the financial statements, the WGA return, arrangements to secure value for money and any exercise of the auditor's statutory reporting powers.

The timeliness and quality is broadly consistent with prior year, however the number of early unqualified opinions (issued by 31 July 2016) doubled compared to those issued in respect of 2014/15.

96% of auditors issued an opinion on the accounts by 30 September 2016 and for the third year in a row there were no qualified opinions on principal bodies. The proportion of qualifications on value for money arrangements increased from 4% to 6%.

With faster close in place from the 2017/18 financial year, there is a need for efficiencies from both local government bodies and their auditors in order to maintain the level of performance shown in this report. EY have produced an article on 'Accelerating your financial close arrangements', this can be found by following this link [http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/\\$FILE/EY-accelerating-your-financial-close-arrangements.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/$FILE/EY-accelerating-your-financial-close-arrangements.pdf). The report provides suggestions such as reviewing the format of the accounts, reviewing the approach to estimates and managing members' expectations, amongst others.



Key questions for the audit committee

Is the Authority realising the financial savings and other benefits anticipated from the Future Control Room Improvement project?

Has the Authority considered the findings of the Thomas review of conditions of service in the Fire Service, and its response to the review?

Has the Authority made a decision on whether or not to opt into the PSAA sector-led arrangements for the local appointment of auditors from 2018-19?

Has the Authority put plans in place to meet the faster close requirements for 2017/18?



Find out more

EY Item Club winter forecast

<http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections>

Future Control Room Improvement

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/564806/Future_control_room_improvement_November_2016.pdf

Key findings from an independent review by Adrian Thomas of conditions of service for fire and rescue staff in England

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/562972/Thomas_Review_-_for_publication_in_97-2003_format.pdf

PSAA Audit Services Procurement Strategy for the appointment of local auditors

<http://www.psa.co.uk/supporting-the-transition/appointing-person/procurement-strategy/>

Report on the results of auditors' work across LG bodies 2015/16

<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/>

[http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/\\$FILE/EY-accelerating-your-financial-close-arrangements.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/$FILE/EY-accelerating-your-financial-close-arrangements.pdf)

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ED None

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Hampshire Fire and Rescue Authority

Standards and Governance Committee

23 March 2017

Internal Audit progress report 2016/17

Report of the Chief Internal Auditor

Contact: Karen Shaw, Chief Internal Auditor
01962 846194
Karen.Shaw@hants.gov.uk

1. Purpose and Summary

1.1 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 plan
- an overview of the status of 'live' reports.

2. Recommendation

2.1 That the Standards and Governance Committee note the progress of internal audit work for the period ending 28 February 2017.

3. Introduction

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

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

3.2 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 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.

3.3 The attached report summarises the activities of internal audit for the period ending 28 February 2017.

4. Contribution to corporate priorities and objectives

4.1 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.

5. Risk analysis

5.1 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.

6. People impact assessment

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

7. Environmental and sustainability impact assessment

7.1 Proposals have no environmental or sustainability impacts.

8. Resource implications

8.1 The 2016/17 plan was prepared on the basis of audit need and agreed with senior managers and endorsed by Hampshire Fire and Rescue Authority, following comprehensive risk assessment. The cost is reflected in the Authority's budget.

8.2 The audit plan will remain fluid to enable us to react to the changing needs of Hampshire Fire and Rescue Authority.

Section 100 D - Local Government Act 1972 - background documents

The following documents disclose facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of this report.

NB the list excludes:

1. published works; and,
2. documents which disclose exempt or confidential information as defined in the Act.

Title	Location
None	

Internal Audit Progress Report

March 2017

Hampshire Fire and Rescue Authority



**HAMPSHIRE
FIRE AND
RESCUE
SERVICE**

**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Contents:

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1. Role of Internal Audit

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

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

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards, updated in 2016, [the Standards].

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

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

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

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

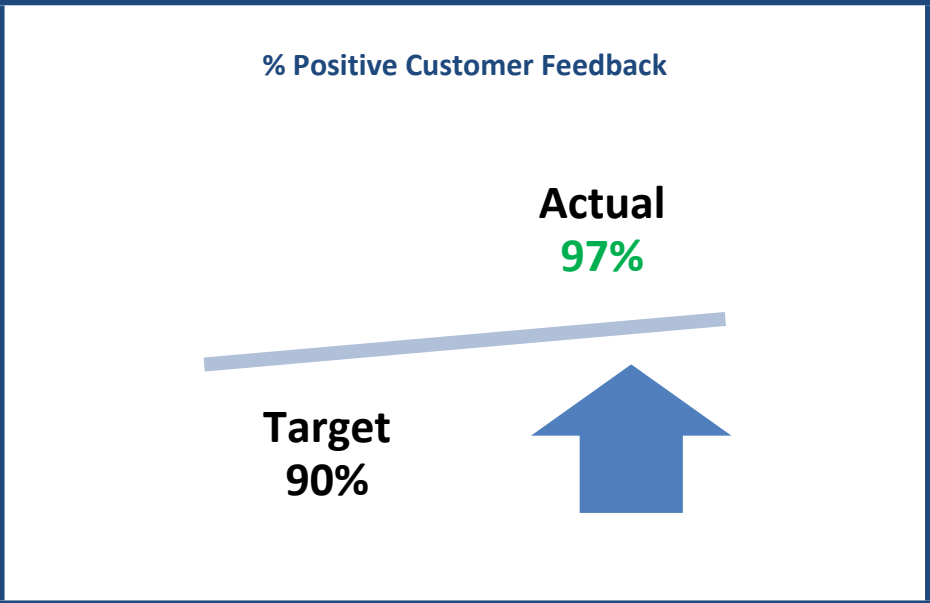
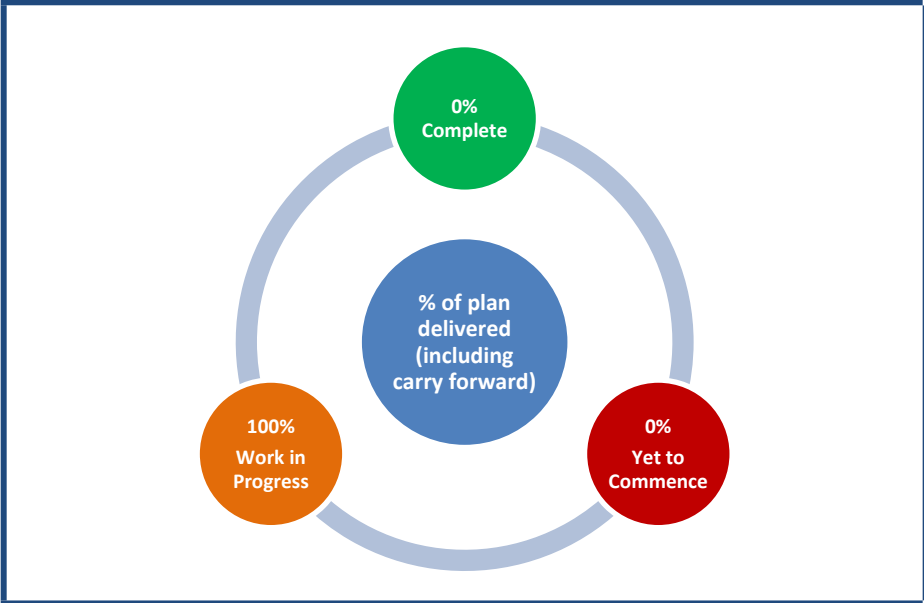
- The status of live internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.


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. Assurance opinions are categorised as follows:

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

3. Performance dashboard

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Compliance with Public Sector Internal Audit Standards / Local Government Application Note	
	<p>An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:</p> <p><i>'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to all of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).</i></p>

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

Audit Review	Report Date	Audit Sponsor	SMT Sponsor	Assurance Opinion	Management Actions ('High Priority')				
					Reported	Not Accepted	Pending	Cleared	Overdue
2013/14									
Networked control	2.7.14	Head of Response Delivery		Adequate	5(0)	0(0)	0(0)	3(0)	2(0)
2014/15									
IT-Firewatch	30.7.15	H o KM		Limited	18(0)	0(0)	0(0)	3(0)	15(0)
Partnerships and associated contracts (SCAS)	14.8.15	D o PS		Adequate	6(1)	0(0)	0(0)	5(1)	1(0)
Safeguarding	3.12.15	ACO	AM CSS	Adequate	14(3)	0(0)	0(0)	11(3)	3(0)
2015/16									
Local management of shared services processes	11.7.16	D o PS	Lead HR BP	Limited	5(2)	0(0)	3(1)	2(1)	0(0)
Business continuity	7.6.16	D o PS	H o KM	Limited	12(3)	0(0)	0(0)	7(3)	5(0)
Provided vehicles	4.7.16	D o PS	H o PA	Limited	10(3)	0(0)	0(0)	5(3)	5(0)
Property management – property	18.8.16	D o PS	H o PA	Limited	14(1)	0(0)	2(1)	12(0)	0(0)

Audit Review	Report Date	Audit Sponsor	SMT Sponsor	Assurance Opinion	Management Actions ('High Priority')					
					Reported	Not Accepted	Pending	Cleared	Overdue	
agreements										
Budget planning 2015/16	24.11.16	CFO	N/A	Adequate	3(0)	0(0)	0(0)	2(0)	1(0)	
Risk management 2015/16	19.12.16	DoPS	HoKM	Limited	8(6)	0(0)	6(5)	2(1)	0(0)	

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

There have been no reports issued in the period relating to the 2016/17 plan with a Limited or No assurance opinion.

6. Planning & Resourcing

The internal audit plan for 2016/2017 was approved by the Hampshire Fire and Rescue Authority's Management Team and the Standards and Governance Committee in April 2016.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of Hampshire Fire and Rescue Authority. Progress against the plan is detailed within section 8.

Variations to the plan are summarised below:

Plan Variations	
Removed from the plan	Reason
Main accounting system (SAP) – shared services	Substantial assurance given in 2014/15 and no changes to system
Capital accounting – shared services	Process is not the same for all partners – reviewing approach
HR – team management - shared services	2015/16 review of Information Governance covered areas in scope for this review.
Employer pension responsibilities – ABS – shared services	Full review of Employer pension responsibilities still being undertaken in 2016/17. Smaller ABS aspect removed from the plan as changes were minimal.
BACS – shared services	Delay in implementing new system – moved to 2017/18 to enable system to embed.
Property management – shared services	Common approach not in place yet. Review again as part of 2017/18 planning.
Procurement strategy and process – shared services	Common approach not in place yet. Review again as part of 2017/18 planning.
Procurement – shared services	Common approach not in place yet. Review again as part of 2017/18 planning.
HR – Team management	Information governance review covered risks identified.
Local contract management – revenue and capital	Process currently under review and therefore not an appropriate time to audit.

7. Rolling Work Programme

Audit Review	Audit Sponsor	SMT Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Audit Plan 2015/16										
Budget planning	CFO	N/A	✓	✓	✓	✓	✓	Adequate		

Audit Review	Audit Sponsor	SMT Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Risk management	D o PS	H o KM	✓	✓	✓	✓	✓	Limited		
Shared Services reviews 2015/16										
Information governance	N/A	N/A	✓	✓	✓	✓	✓	Adequate (core network and SAP security) Limited (non-automated procedures and processes)		
Procurement category management	N/A	N/A	✓	✓	✓	✓	✓	Adequate		

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Audit Review	Audit Sponsor	SMT Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Audit Plan 2016/17										
Local management of shared services (Sickness management)	D o PS	Head of HR and Workforce Development	✓	✓	✓				✗	Delay due to obtaining Occupational Health data – now underway.
Implementation of savings plan	D o PS/ CFO	ACO	✓	✓	✓	✓				
Commercial activities	D o PS	H o PA	✓	✓	✓					
Procurement processes	D o PS	H o PA	✓	✓	✓				✗	Delay in obtaining documentation from sample.
Procurement of operational equipment and vehicles	D o PS	H o PA	✓	✓	✓					

Audit Review	Audit Sponsor	SMT Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ↻ Delay)	Comment
Procurement – supplies and stores	D o PS	H o PA	✓	✓	✓					
Pro-active fraud work	FBP	Performance Review Manager	✓	N/A						
National Fraud Initiative (NFI)	FBP	Performance Review Manager	N/A	N/A	✓	N/A	N/A	N/A		
Shared services reviews 2016/17										
Payroll	N/A	N/A	✓	✓	✓					
Order to cash	N/A	N/A	✓	✓	✓	✓				
Purchase to pay	N/A	N/A	✓	✓	✓	✓				
Taxation	N/A	N/A	✓	✓	✓	✓	✓	Substantial		
Master Data Team	N/A	N/A	✓	✓	✓	✓	✓	Adequate		
Employer pension responsibilities	N/A	N/A	✓	✓	✓					

Audit Review	Audit Sponsor	SMT Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ↻ Delay)	Comment
Governance arrangements	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Assurance for briefing note to inform for CIA annual report only.		
Recruitment	N/A	N/A	✓	✓	✓					
Procurement – category management	N/A	N/A	✓	✓	✓					

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Key to abbreviations:	
ACO	Assistant Chief Officer
AM CSS	Area Manager – Community Safety Support
CFO	Chief Financial Officer

D o PS	Director of Professional Services
H o KM	Head of Knowledge Management
H o PA	Head of Physical Assets
Lead HR BP	Lead Human Resources Business Partner
N/A	Not applicable

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Hampshire Fire and Rescue Authority

Standards and Governance Committee

23 March 2017

Internal audit charter and annual internal audit plan 2017/18

Report of the Chief Internal Auditor

Contact: Karen Shaw, Chief Internal Auditor
01962 846194
Karen.Shaw@hants.gov.uk

1. Purpose and Summary

- 1.1 The purpose of this paper is to provide the Standards and Governance Committee with a copy of the Internal Audit Charter for Hampshire Fire and Rescue Authority and to present the proposed annual internal audit plan 2017/18 for consideration and approval.
- 1.2 The attached appendices provides a copy of the proposed Internal Audit Charter and annual internal audit plan.

2. Recommendation

- 2.1 That the Standards and Governance Committee approves the Internal Audit Charter for Hampshire Fire and Rescue Authority and the internal audit plan for 2017/18.

3. Internal Audit Charter

- 3.1 An Internal Audit Charter, meeting the requirements of the Public Sector Internal Audit Standards has been in place since 2014 and has since been reviewed and approved annually by the Standards and Governance Committee.
- 3.2 There have been no changes to the Charter since it was approved by the Committee last year and the Internal Audit Charter for 2017/18 is attached at appendix A.

4. Internal audit plan 2017/18

- 4.1 The internal audit plan for 2017/18 has been prepared in line with the Internal Audit Charter following consultation with HFRS staff and this is attached at appendix B for consideration. The plan will remain flexible during the year to ensure that planned reviews continue to reflect the risk profile and to enable coverage of emerging risks as required.
- 4.2 Services provided under the shared service arrangements with Hampshire County Council and Hampshire Constabulary continue to be reviewed via a joint internal audit plan that provides assurance to all parties to avoid duplication of effort. All three organisations contribute audit days to this plan which is also reported at Appendix B for information. An internal audit

protocol for this work has been agreed with partner and shared services management.

5. External Audit Liaison

- 5.1 In the past we have had regular liaison meetings with the external auditors to discuss national and local audit issues, to ensure that duplication is minimised and that reporting to Committee is co-ordinated as far as possible and we propose that this arrangement continues.

6. Contribution to corporate priorities and objectives

- 6.1 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.

7. Risk analysis

- 7.1 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.

8. People impact assessment

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

9. Environmental and sustainability impact assessment

- 9.1 Proposals have no environmental or sustainability impacts.

10. Resource implications

- 10.1 The 2017/18 plan has been prepared on the basis of audit need and agreed with senior managers following comprehensive risk assessment. The cost is reflected in the Authority's budget.

Section 100 D - Local Government Act 1972 - background documents

The following documents disclose facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of this report.

NB the list excludes:

1. published works; and,
2. documents which disclose exempt or confidential information as defined in the Act.

Title	Location
None	

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Hampshire 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.

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;
- 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; and
- 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 2016 [the Standards].

Purpose

Hampshire Fire and Rescue Authority 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 Hampshire Fire and Rescue Authority 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 Hampshire Fire and Rescue Authority 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; and
- 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 Hampshire Fire and Rescue Authority this is the Standards and Governance Committee.

Senior Management – those responsible for the leadership and direction of Hampshire Fire and Rescue Service. This is the Senior Management Team and the Chief Finance Officer.

Responsibility

The responsibility for maintaining an adequate and effective system of internal audit within Hampshire Fire and Rescue Authority lies with the Authority's Chief Finance Officer (S151 Officer).

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

For Hampshire Fire and Rescue Authority, 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 Hampshire Fire and Rescue Authority.

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 Chief Finance Officer, the Director of Professional Services, Chief Officer or Standards and Governance Committee as appropriate.

Position in the organisation

The Chief Internal Auditor reports functionally to the Board, and organisationally to the Chief Finance Officer 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 Hampshire Fire and Rescue Authority's affairs.

The Chief Internal Auditor has direct access to the Chief Officer who carries the responsibility for the proper management of Hampshire Fire and 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 Hampshire Fire and Rescue Authority'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 Hampshire Fire and Rescue Authority 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.

Quarterly liaison meetings are held with the Chief Finance Officer, Director of Professional Services and Head of Knowledge Management to facilitate discussion of key risks to ensure that internal audit plans continue to meet the needs of Hampshire Fire and Rescue Authority and to review the delivery of the plan and any issues arising from the reviews.

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 Chief Finance Officer will provide the Chief Internal Auditor with the resources necessary to fulfil Hampshire Fire and Rescue Authority'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.

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 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 Hampshire Fire and Rescue Authority.

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 Chief Finance Officer, 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 Hampshire Fire and Rescue Authority 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 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 Hampshire Fire and Rescue Authority 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 1) 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 Hampshire Fire and Rescue Authority's participation in the National Fraud Initiative (NFI) in which data from Hampshire Fire and Rescue

Authority'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 Hampshire Fire and Rescue Authority 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 Fire and Rescue Service it is imperative that the Senior Management Team 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
- 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 Hampshire Fire and Rescue Authority.

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 six years after legal proceedings have been completed. 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 Hampshire Fire and Rescue Authority 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

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 HFRA 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 Hampshire Fire and Rescue Authority's Anti Fraud and Anti Corruption Strategy.
- **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 HMIC and HMRC etc.

Internal Audit Plan

2017-18

Hampshire Fire and Rescue Authority



**HAMPSHIRE
FIRE AND
RESCUE
SERVICE**

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**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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Introduction

The role of internal audit is that of an:

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

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

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

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
- risk to the achievement of the organisation's objectives is identified, assessed and managed to a defined acceptable level.

The 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 focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant Directors and Audit Sponsors, to ensure it continues to reflect the needs of the Organisation. Amendments to the plan will be identified through the Southern Internal Audit Partnership's continued contact and liaison with those responsible for the governance of Hampshire Fire and Rescue Authority and reported to the Standards and Governance Committee through regular progress reports.

Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The team will be led by Karen Shaw, Deputy Head of Southern Internal Audit Partnership, supported by Liz Foster, Audit Manager.

Conformance with internal auditing standards

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2015 the Institute of Internal Auditors were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.

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

'It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to all of these principles. This performance is within the top decile of EQA reviews we have performed. This is a notable achievement given the breadth of these Standards and the operational environment faced by SIAP.'

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

Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

Organisation Risk

Hampshire Fire and Rescue Authority are currently reviewing their 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 their objectives. We will monitor the strategic risk register closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

Developing the internal audit plan 2017/18

We have used various sources of information and discussed priorities for internal audit with the following people/groups:

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- Geoff Howsego, Director of Professional Services
- Rob Carr, Head of Finance
- Nicki Whitehouse, Head of Knowledge Management
- Senior Management Team

Based on these conversations with key stakeholders, review of key corporate documents and our understanding of the organisation the Southern Internal Audit Partnership have developed an annual audit plan for the coming year.

Hampshire Fire and Rescue Authority are reminded that 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.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.



Internal Audit Plan 2017-18

Audit	Audit sponsor	Risk	Scope	Link to Strategic Risk Register	Proposed Timing
HFRS audit plan					
Implementation of savings plan	Director of Finance	Ineffective planning and monitoring of savings plans resulting in failure to meet strategic objectives.	Shorter review to consider progress on this, after wider Service Delivery Redesign audit in 2016/17.		Q3
Information management/security	Director of Professional	Lack of, or non-compliance with, appropriate information management	To review the information management strategy of HFRS, including electronic and manual		Q1

Audit	Audit sponsor	Risk	Scope	Link to Strategic Risk Register	Proposed Timing
	Services (H of KM and H of ICT)	processes resulting in data breaches, fines and reputational risk.	data.		
Safeguarding	Director of Community Safety and Resilience (H of Community Safety)	Inappropriate processes in place to safeguard staff and the public resulting in reputational risk.	To consider both the safeguarding role of firefighters and also controls around safeguarding issues relating to firefighters.		Q1
Workforce development	Director of Human Resources (HR Business Partner)	Ineffectual planning of workforce requirements resulting in a workforce that is not fit for purpose.	To review the controls in place for workforce development and planning.		Q2
Fleet maintenance centre	Director of Professional Services(H of Physical Assets)	Ineffective processes in place for maintaining the fleet of vehicles resulting in additional expense and/or the failure to carry out core business functions.	General review of Fleet Maintenance function due to changes in staffing, processes and partners.		Q2

Audit	Audit sponsor	Risk	Scope	Link to Strategic Risk Register	Proposed Timing
IT Strategy, management and governance	Director of Professional Services (H of ICT)	Inappropriate arrangements in place for the provision of IT services leading to financial, reputational and business failure risk.	New arrangements are in place for IT and this review will consider these arrangements along with the security of the infrastructure. To include infrastructure, security and accesses.		Q2
Contingency days – from 2016/17 – audit to be selected	TBC	To be confirmed.	To be confirmed		TBC
Pro-active fraud National Fraud Initiative (NFI)	Director of Professional Services (H of KM)	National initiative which the organisation is statutorily obliged to undertake.	To facilitate NFI.		N/A
Pro-active fraud	Director of Professional Services (H of KM)	Ineffective procedures to detect / mitigate fraud and irregularity or to promote a zero tolerance culture.	Annual - scope to be agreed.		Q2
TOTAL DAYS	Includes time for Annual Report, planning, progress reports, liaison and advice and contribution towards the Shared Services Audit Plan. Days include 20 days carried forward from 2016/17.			205	

Additional areas for consideration if days become available:
Procurement cards
Capital accounting
Employer pension responsibilities
Strategy, planning, performance and quality
Business Continuity
Use of volunteers
Networked control
Procurement (depending on outcome of 16/17 audits)

Shared Services Internal Audit Plan 2017-18

Audit	Risk	Scope
Financial Systems		
Payroll		
Payroll support		
Order to cash (OTC)		
Purchase to pay (P2P)		Coverage to meet external audit / regulatory requirements
Main Accounting System (SAP)		
Treasury management		

Audit	Risk	Scope
Debt Collection BACS		
Governance & IT		
Governance arrangements	Non - compliance with legislative requirements and lack of robust governance arrangements to support the management of information.	Follow up of the 2016/17 review of Information Governance.
Change Control	Uncontrolled / untested system change requests resulting in error or omission	Review of a sample of automated and manual change controls to ensure robust implementation and ongoing effectiveness
Statutory Checks	Non compliance with legislative requirements and safeguarding of staff and visitors	Review of processes in place to monitor and complete statutory health checks i.e. fire, legionella, asbestos etc.
HR		
Recruitment	Recruitment processes are not sufficiently robust and timely to meet recruitment needs or adequately safeguard the recruiting organisation.	Focus on the refined recruitment practices implemented in Q4 of 2016/17
Procurement		
Category management	Ineffective approach and management of product / service categories	Review of procurement categories each year on rotation.
Contract management	Ineffective management of contract performance and delivery	New contract(s) being procured in partnership with HCC, OPCC and HFRS. To review post procurement/ transitioning/ embedding.

Audit	Risk	Scope
Other		
ICT Contingency		
Management	Planning, liaison, reporting, action tracking, external audit liaison, advice	
Total Days		385 Including fire plan contribution of 35 days

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Hampshire Fire and Rescue Authority

Standards and Governance Committee

23 March 2017

Progress report on the implementation of internal audit management actions

Report of the Chief Officer

Contact: Performance Review Manager
Telephone: 023 8064 4000

1 Summary

1.1 Since the last Standards and Governance Committee meeting on 7 December 2016 the following audits have been completed:

- Risk Management
- Local Management of Shared Services – Facilities Management
- Budget Planning

Audits currently in progress are:

- Local Management of Shared Services - Sickness
- Implementation of Savings Plan
- Procurement Processes
- Procurement of Operational equipment and vehicles
- Procurement, Supplies Stores and Logistics
- Income Generation

1.2 The progress in implementing audit action plans is detailed in **Appendix 1** of this report.

1.3 The Standards and Governance Committee has agreed that we report on medium and high priority audit actions only. Low priority audit actions continue to be monitored to ensure they are completed within the timeframes specified.

2 Recommendation

2.1 That the Committee notes the report and the progress made towards the implementation of the internal audit management actions detailed in Appendix 1.

3 Introduction

3.1 HFRS see the internal audit follow-up process as an important element in our overall approach to risk management and governance. When an action is agreed by managers to address a control weakness, or to make an improvement to the way we work, it is important that the action is then implemented as planned.

4 Liaison with internal audit and the follow up process

- 4.1 The internal audit service is provided to the Authority by Southern Internal Audit Partnership at Hampshire County Council under a Service Level Agreement. There is an Internal Audit Charter that has been in place since 2014, along with the Audit Plan and both are reviewed and updated annually to reflect changing organisational priorities and needs, both of which have been approved by this Committee.
- 4.2 The Knowledge Management Department, specifically the Performance Review Team maintain a record of audits against the current Audit Plan and whether they are in progress or have been completed.
- 4.3 Once a final audit report has been issued, the agreed management actions are recorded along with:
- the priority of the recommendation,
 - the target date for implementation, and
 - the person responsible for the action.
- 4.4 When an action date is reached, the Knowledge Management Department will ask for confirmation and evidence that the action has been implemented, or if not, when it is expected to be. The response is recorded. Any recommendations that continue to remain outstanding are referred to the relevant Director.
- 4.5 On occasion, it may be necessary to extend an agreed action date. The Knowledge Management Department will make a request to the Internal Audit Manager to extend the action date. If there is agreement, we will record the new date, otherwise we will show the action as overdue, and continue to monitor it.
- 4.6 We report our progress towards meeting high and medium internal audit recommendations to this Committee to keep Members aware of progress and any emerging risks and issues.

5 Contribution to corporate priorities and objectives

- 5.1 Implementation of internal audit recommendations assists the Authority in the improvement planning process, performance management framework, and in compliance with its governance arrangements. This in turn, assists the Authority in achieving its aim to be the best fire and rescue service in the country.

6 Resource implications

- 6.1 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 at all times, that key controls are in place and working, and that opportunities to achieve value for money are taken.

7 People Impact Assessment

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

8 Risk analysis

- 8.1 Failure to implement any internal audit recommendations clearly leaves the Authority vulnerable to the consequences of the identified risks and weaknesses in control. These progress reports are considered to be an important process within the Authority's Corporate Risk Management Strategy. They 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.

9 Background information (Section 100D of Local Government Act 1972)

- 9.1 The following documents disclose the facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of the report:
- Appendix 1 – Internal Audit Management Actions

APPENDIX 1 - INTERNAL AUDIT MANAGEMENT ACTIONS – THOSE AGREED & COMPLETED SINCE DECEMBER 2016 AND THOSE IN PROGRESS

Action plan 1		Networked Fire Control Project 2013/14				
Objective	Appropriate consideration has been given to how the Networked Fire Control Services Partnership (NFCSP) and its implementation affects Hampshire Fire and Rescue Service and its employees.					
Observations	<p>Throughout the project implementation, the expected benefits of the project have been identified centrally for the project and recorded during each stage. Whilst the project lead on the measurement of benefits across the project as a whole is the Project Manager from Devon and Somerset FRS (DSFRS), it is down to individual Fire and Rescue Service to highlight their own benefits.</p> <p>Within HFRS we understand that the pressure of the implementation has impacted on the resources to capture, identify and measure the benefits being realised. Although this may not impact on the project itself, it may have implications when the project has been completed. If benefits are not seen to be realised there could be a reputational risk of the benefits of the project being called into doubt.</p>					
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete	
Review partnership and Fire and Rescue Service (FRS) benefits alignment.	Medium	Fire Control Options and DSFRS Project Managers	Area Manager Response Support	01/08/2014 Extended to 31/01/2015 Extended to 30/09/2016 Extended to 02/05/2017		
Undertake further baseline benefits measurement (FRS).	Medium	Fire Control Options Project Manager	Area Manager Response Support	01/08/2014 Extended to 31/01/2015 Extended to 30/09/2016 Extended to 02/05/2017		
Summary: The project is still live and is not due to close until December 2017. A close down report has been commissioned by the NFCSP central team on behalf of the Partnership. A new target date that aligns with the project will be agreed with Internal Audit.						

STANDARDS AND GOVERNANCE COMMITTEE – 23 MARCH 2017

APPENDIX 1 - INTERNAL AUDIT MANAGEMENT ACTIONS – THOSE AGREED & COMPLETED SINCE DECEMBER 2016 AND THOSE IN PROGRESS

Action plan 1		Partnerships and Associated Contracts – South Central Ambulance Service			
		2014/2015			
Objectives	An agreement is in place which clearly documents the aims and objectives of the scheme, along with roles and responsibilities.				
Observations	<p>There is no current HFRS partnership policy for staff to follow when entering in to partnerships and associated contracts. Nor are there procedures for staff to follow when entering in to a new partnership agreement covering the processes, documentation and approvals required.</p> <p>On the HFRS website there is a list of formal, informal and statutory partners, however, the partnership with South Coast Ambulance Service (SCAS) is not included.</p>				
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
Partnerships Policy to be updated and a Partnerships Register to be created. Both to be agreed by Service Management Team and then presented to Standards and Governance Committee.	Medium	Performance Review Manager	Head of Knowledge Management	31/01/2016 Extended to 31.03.2016 Extended to 31.12.2016 Extended to 23.03.2017	
Summary: An overall Policy Framework has now been approved by Service Management Team. Once the Register has been submitted to the next Service Management Team on 2 May 2017 it will be presented to the Authority in July 2017.					

APPENDIX 1 - INTERNAL AUDIT MANAGEMENT ACTIONS – THOSE AGREED & COMPLETED SINCE DECEMBER 2016 AND THOSE IN PROGRESS

Action plan 2 FireWatch management information and access controls 2014/15					
Objectives	Management information requirements have been clearly specified.				
Observations	<p>We looked for a strategy or project plan for the specification and delivery of management information from FireWatch. We did not find evidence of a strategy or project plan which (for example) linked to service objectives, the mitigation of key risks or getting added value from FireWatch by improving on what was available in the previous system.</p> <p>The FireWatch team are currently working on improving the management information available, but at the time of the audit it was uncertain where responsibility for future development and maintenance would rest. We understand that this uncertainty has now been resolved by the Knowledge Management restructure where specific FireWatch accountabilities have been picked up between Knowledge Management and the Information Services (IS) department.</p> <p>Currently reports can be developed by the FireWatch team using the reporting tools in FireWatch with assistance from Infographics, or by request to Business Intelligence or members of the Performance Review team to write a SQL query which runs on the database.</p>				
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
<p>Produce a documented transition plan for each Business As Usual (BAU) area and assign owners. Publish to Heads of Service for Information and endorsement.</p> <p>Reassessment of BAU is within the scope of the FireWatch Optimisation Project. Part of this reassessment will include a paper to Heads of Service Team.</p>	Medium	FireWatch Project Manager	Head of Knowledge Management	30/09/2015 Extended to June 2017	

APPENDIX 1 - INTERNAL AUDIT MANAGEMENT ACTIONS – THOSE AGREED & COMPLETED SINCE DECEMBER 2016 AND THOSE IN PROGRESS

Develop a Management Information Strategy.	Medium	Head of Knowledge Management (with significant input from IS)	Head of Knowledge Management	01/03/2016	22/02/2017
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Summary: Business as usual activities have been defined within the scope of the FireWatch Optimisation project. Internal Audit has reviewed the current status of the recommendations in the original Audit report. Responsibility for the production of management information from all systems including FireWatch has been transferred to Knowledge Management. There is no longer a need for a management information strategy specifically for FireWatch. Information Management in its wider sense will be the subject of an audit in the coming year.

Summary of Action plans **FireWatch management information and access controls 2014/15**

Action plan 5	Objective	Access applied in FireWatch is in line with documented definitions, authorised and up to date.
Observations	<p>Access to data by reports within FireWatch is controlled by the access privileges assigned to each user. So if a user cannot navigate to data within FireWatch it won't be visible to them on a report either.</p> <p>Direct access to the SQL database to write reports from the tables is controlled by access to SQL Server 2008 or 2012 and the user id having the connection string and log in details for the FireWatch database.</p> <p>The ability to run the report queries created by the Business Intelligence team is granted by adding the user's network id to the specific query accessed from hfrs.net.</p> <p>Therefore the control of access to FireWatch data is currently the responsibility of separate teams. Any regular review of access to the data needs to cover all these areas.</p>	

APPENDIX 1 - INTERNAL AUDIT MANAGEMENT ACTIONS – THOSE AGREED & COMPLETED SINCE DECEMBER 2016 AND THOSE IN PROGRESS

Action plan 6	
Objective	Access requirements, including those to personal and sensitive data, have been defined and documented.
Observations	<p>We reviewed the access templates for FireWatch to determine if restrictions to personal and sensitive data were in place and appropriate. We found the template definitions to be appropriate.</p> <p>We were informed that personal or sensitive data types were not maintained in FireWatch so even if access was enabled there may not be data to view. We checked the database tables with the Business Intelligence Manager and the FireWatch Manager for a sample of personal or sensitive data types. We found the following:</p> <p>Ethnicity – 1733 entries in the database which were not “NULL”. A corresponding table defined what the entry codes meant.</p> <p>Sexuality – 53 entries which were not “NULL”. The table which defined what the entries mean was encrypted.</p> <p>Reg Disabled – 176 entries which were not “NULL”. This is a ‘tick box’ field where “1” means there is a tick in the box. In addition to the unexpected data being present we noted that the encryption of the definition tables was also inconsistent. A member of staff with direct access to the database could work out the ethnicity recorded, but not the sexuality.</p>
Action plan 7	
Objective	Access requirements, including those to personal and sensitive data, have been defined and documented.
Observations	<p>High privilege access to functions and/or data in FireWatch is controlled by the access controls within the software or controls over who has access directly to the database.</p> <p>Members of the implementation team have the highest level of access within the software. We tested who had this access applied to them and found two issues. Staff had moved teams but the access was still in place. These have since been removed.</p> <p>There was also an “Admin” account active in the software which was confirmed as no longer required with Infographics by the FireWatch manager. This has now been disabled.</p>

APPENDIX 1 - INTERNAL AUDIT MANAGEMENT ACTIONS – THOSE AGREED & COMPLETED SINCE DECEMBER 2016 AND THOSE IN PROGRESS

	<p>We also determined who had access directly to the FireWatch database using SQL Server 2008 or 2012. We found that 4 members of the Knowledge Management Team had this access route.</p>
<p>Action plan 8 Objective</p>	<p>Access requirements, including those to personal and sensitive data, have been defined and documented.</p>
<p>Observations</p>	<p>We reviewed the members of staff with access to run the FireWatch reports written by the Business Intelligence team. The access to ten reports was covered, and one issue was found with a member of staff still having access to the “FireWatch Contract Checker” report. This member of staff was on secondment from the role which needed the access.</p>
	<p>The standard process is for the member of staff’s line manager to advise the Business Intelligence Manager of role changes so access can be amended.</p>
<p>Action plan 9 Objective</p>	<p>Access applied in FireWatch is in line with documented definitions, authorised and up to date.</p>
<p>Observations</p>	<p>We compared the FireWatch access templates provided to us on 20th January with an access report from FireWatch run on 17th February.</p>
	<p>This test took 10 users and compared all their access privileges (totalling 270) with the template for their job. We found nine differences between what the template documented and what access was granted in FireWatch. Six of the 10 users had at least one difference.</p>
	<p>We were informed that the differences we found were down to the work being done at the time of the audit to review, change and simplify access.</p>
	<p>Retesting of the same 10 users on 13th April found six differences between the access assigned in FireWatch and the new template specification. Six of the 10 users had at least one difference. However all of the differences were down to the category “Sickness Details (Core)” being “Read/Write ROselfSubordinates” in FireWatch but “Insert ROselfRWAll”</p>

STANDARDS AND GOVERNANCE COMMITTEE – 23 MARCH 2017

APPENDIX 1 - INTERNAL AUDIT MANAGEMENT ACTIONS – THOSE AGREED & COMPLETED SINCE DECEMBER 2016 AND THOSE IN PROGRESS

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<p>Action plan 10 Objective</p> <p>Observations</p> <p>Action plan 11 Objective</p> <p>Observations</p>	<p>was specified in the template. On the 13th of April we also selected a different 10 users and compared all their access privileges (totalling 284) with the new template specification for their job. This test found a total of six differences, four of which were down to the same “Sickness Details (Core)” issue mentioned above.</p> <p>Access applied in FireWatch is in line with documented definitions, authorised and up to date.</p> <p>We compared all 1040 user ids in FireWatch as at 17.2.15 with payroll output from SAP to check that users set up in the system were still active employees with HFRS.</p> <p>This resulted in the removal of 18 members of staff and one contractor who had left HFRS. It was also confirmed that six others not on the payroll were contractors but still had a need for the access. Four leavers removed were from 2012, two from 2013, eleven from 2014 and one from 2015. Three of the 2014 leavers were TUPE transfers to Hampshire County Council.</p> <p>Access applied in FireWatch is in line with documented definitions, authorised and up to date.</p> <p>Business Intelligence have provided an “Access and Privileges” report which can be used to identify all current users of FireWatch and what data and functions they have access to. This report is not currently being regularly run to review access or identify leavers missed by the notification processes.</p>				
<p>Management actions</p>	<p>Priority</p>	<p>Responsible Officer</p>	<p>SMT</p>	<p>Target date</p>	<p>Date signed off as complete</p>
<p>As part of the FireWatch Optimisation Project the team will create a process for the maintenance of user accounts and security in FireWatch and hand over to Business As Usual teams.</p>	<p>Medium</p>	<p>FireWatch Project Manager</p>	<p>Head of Knowledge Management</p>	<p>30/10/2015 Extended to June 2017</p>	<p>22/02/2017</p>

STANDARDS AND GOVERNANCE COMMITTEE – 23 MARCH 2017

APPENDIX 1 - INTERNAL AUDIT MANAGEMENT ACTIONS – THOSE AGREED & COMPLETED SINCE DECEMBER 2016 AND THOSE IN PROGRESS

Research and Intelligence will manage, review and update this process once handed over.	Medium	Research & Intelligence Manager	Head of Knowledge Management	31/10/2015 Extended to 30/04/2016	
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Summary: Internal Audit has reviewed the current status of the recommendations in the original Audit report. The way that access rights to the system and data for reporting has changed since the review.

Access within FireWatch is now managed by role based security. A user’s access to reports will be automatically changed as they move from one job to another. Access to Firewatch data and to write a report is now restricted to a small team in Knowledge Management. Each folder on Reporting Services, which is the system used to write a report has security groups assigned to them containing specific personnel that are allowed access to the reports within that folder.

The security groups are managed by Information Services, if someone leaves or moves department etc. they would be removed/added from/to security groups they no longer need/require access to. Internal Audit have concluded that although the role based security and automated management of access reduces the likelihood of incorrect access being in place it could still be beneficial to regularly run this report and review ids with high privilege or high risk access. This report will be run.

The sensitive personal data referred to in action plan 6 can only be seen by the individual themselves and systems administrator. A report will be run on a regular basis to review ids with high privilege or high risk access.

APPENDIX 1 - INTERNAL AUDIT MANAGEMENT ACTIONS – THOSE AGREED & COMPLETED SINCE DECEMBER 2016 AND THOSE IN PROGRESS

Action plan 5		Business Continuity 2015/16			
Objectives	Processes and procedures are in place to enable the effective and efficient restoration of service in the event of interruption.				
Observations	<p>Our review found that no formal testing of the plans appears to have taken place over the past five years. All recorded incidents seem to relate to live incidents and there is little evidence of follow up. The success of service resilience plans is reliant upon regular varied tests to ensure the integrity of the plan. By not pro-actively testing the plans there is a risk that the plans are not robust or useful in the event of an incident.</p> <p>Furthermore, by not reviewing the outcome of testing and updating the plan accordingly, the plan may not be fit for purpose in the event of a live incident and suitably support recovery.</p>				
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
5.1 Comprehensive review of Resilience Plan testing and exercising to be undertaken and an appropriate schedule commencing January 2017 put in place to meet organisational requirements.	Medium	SM Service Resilience	Head of Resilience	31/10/2016 Revised date 31/03/2017	
5.2 A robust recording and evaluation process to be put in place for Service Resilience events to support current arrangements and to allow lessons learned to be identified and actioned.	Medium	SM Service Resilience	Head of Resilience	31/10/2016 Revised date 31/03/2017	
Summary: A resource has been allocated to this work which will be treated as a matter of priority. We will be requesting an extension to July/ September 2017.					

APPENDIX 1 - INTERNAL AUDIT MANAGEMENT ACTIONS – THOSE AGREED & COMPLETED SINCE DECEMBER 2016 AND THOSE IN PROGRESS

Action plan 1		Provided Vehicle Policy 2015/16			
Objectives	There are comprehensive and clear policy and procedures for the use of provided vehicles.				
Observations	<p>Testing has identified there are some inconsistencies with the use and recording of business and private mileage for provided vehicles and that the policy is not fully comprehensive. For instance the policy does not cover what the normal place of duty should be for officers, what is considered as a business journey and when a business only vehicle can be taken home. There is also no detailed guidance on the use of the telematics machines and checking the monthly report and the timescales this needs to be completed in. The Provided Vehicle Policy also states that “travel to normal place of work ...” is considered private use. In special circumstances (such as the flexible duty system) where officers are using emergency vehicles some commuting journeys within a duty period may be allowed as business use according to the specific rules for those circumstances.'</p> <p>Testing identified that the provided vehicle is sometimes taken home by two out of the five officers in the sample who had elected business only use when they are not on duty. For instance the vehicle has been taken home:</p> <ul style="list-style-type: none"> • where the officer has a meeting the following day not at their usual place of work • prior to the officer going on call so they have the vehicle from the start of the on call. <p>The policy is not clear if taking the car home in these circumstances when not on duty is allowable and adheres to HMRC rules.</p>				
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
1.1 To review the current policy and address the points observed by IA above. Report to Project Board.	M	Fleet manager	Director of Professional Services	31/08/2016 Revised date 31/12/2016 30/04/2017	
Summary: Draft policy has been completed but not yet finalised.					

APPENDIX 1 - INTERNAL AUDIT MANAGEMENT ACTIONS – THOSE AGREED & COMPLETED SINCE DECEMBER 2016 AND THOSE IN PROGRESS

Action plan 2		Provided Vehicle Policy 2015/16				
Objectives	There are comprehensive and clear policy and procedures for the use of provided vehicles.					
Observations	The Driver's Handbook does not require line managers to check mileage reports and personal mileage figures for provided vehicles. There are no checks carried out to verify that provided vehicles mileage is correctly recorded and adheres to the policy. There is a risk that the policy and procedures may not be correctly applied without checks of provided vehicle data.					
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete	
2.1 Driver's Handbook to be reviewed in light of the above observations and amended where needed. Report to Project Board.	Medium	Fleet Manager	Director of Professional Services	31/08/2016 Revised Date 31/12/2016 30/04/2017		
2.2 Ensure that systems are understood and support the ability of managers to check reported mileage. Report to Project Board.	Medium	Fleet Manager	Director of Professional Services	31/08/2016 Revised Date 31/12/2016 30/04/2017		
Summary: Line managers have no access to webfleet data due to data protection regulations. Line Manager review and approval of mileage needs to be included in the Policy not the drivers hand book. Draft policy has been completed but not yet finalised.						

APPENDIX 1 - INTERNAL AUDIT MANAGEMENT ACTIONS – THOSE AGREED & COMPLETED SINCE DECEMBER 2016 AND THOSE IN PROGRESS

Action plan 4		Provided car policy 2015/16			
Objectives	Vehicle usage is accurately recorded and private usage costs are correctly calculated and recovered where applicable.				
Observations	<p>As part of our testing we compared the mileage reports to the duty rota to ensure that journeys had been correctly classified as business or private. Whilst it was not always possible to confirm comprehensively the reason for the journey, we were able to identify some inconsistencies:</p> <ul style="list-style-type: none"> • Testing highlighted for one officer in the sample, who had elected business and personal usage of their provided vehicle, that they infrequently visited their 'normal place of work'. Often their day started at their local station and this officer's personal commute mileage was therefore low. Clarification of their normal place of work is required to ensure private and business mileage is correctly recorded. • For others in the sample, testing identified that when not travelling to or from their normal place of work and home, journeys are normally recorded as business mileage. It is not clear if an adjustment should be made to deduct their normal daily commute mileage from their business miles at the end of the month. <p>There is a risk that mileage may be incorrectly classified as business or private without a clear policy on vehicle usage.</p>				
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
4.1 Clarification through Project Board of what constitutes 'normal place of work' and communicated to Flexible Duty System (FDS) officers. Report to Board.	Medium	Group Manager Response	Director of Professional Services	31/07/2016	
4.2 Clarification to FDS what constitutes as business or private mileage. Report to Project Board.	Medium	Group Manager Response	Director of Professional Services	31/07/2016	
Summary: Draft policy has been completed but not yet finalised.					

APPENDIX 1 - INTERNAL AUDIT MANAGEMENT ACTIONS – THOSE AGREED & COMPLETED SINCE DECEMBER 2016 AND THOSE IN PROGRESS

Action plan 3		Property management – property agreements 2015/16			
Objectives	Arrangements have been put in place in line with agreed guidance, having sought legal advice where appropriate.				
Observations	<p>Our audit testing identified that there is no record held by HFRS of when agreements are nearing the end of the agreement which require review with a view to deciding whether terms need to be extended, re-negotiated or ended.</p> <p>Use of the Property Asset Management System (PAMs) printout detail is not a reliable method of reviewing the end dates of agreements due to the high number of agreements with no end date recorded.</p> <p>In the past the Shared Services Estates Surveyor has monitored the agreements and has liaised with HFRS towards the end of an agreement. It would appear that the historical review of the HFRS estate portfolio has been undertaken on a piecemeal basis as and when leases have come to an end. We have been advised that a more strategic review is now being undertaken via the Strategic Asset Management Plan (SAMP) review.</p>				
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
3.1 A review of the HFRS property portfolio is being carried out as part of the SAMP work.	Medium	Estates Surveyor	Head of Physical Assets	31/12/2016	28/02/2017
3.2 Estates check which agreements are coming up for review/expiry and report to HFRS for instructions. Reported as a standing item at the 8 weekly HFRS Estates liaison meetings.	Medium	Estates Surveyor	Head of Physical Assets	31/12/2016	28/02/2017

APPENDIX 1 - INTERNAL AUDIT MANAGEMENT ACTIONS – THOSE AGREED & COMPLETED SINCE DECEMBER 2016 AND THOSE IN PROGRESS

Action plan 7		Property management – property agreements 2015/16			
Objectives	Arrangements have been put in place in line with agreed guidance, having sought legal advice where appropriate.				
Observations	<p>PAMs shows that there are five agreements are in place between HFRS and external agencies regarding easements, non-occupancy licence, user rights or a lease from a third party. However, during the audit we were advised that HFRS are using offices within Portsmouth City Council (PCC). We understand that this accommodation is used for a variety of roles and provides a joint community service hub within the Community Safety Team.</p> <p>We could find no formal documentation on this agreement and no record can be found on PAMS although we have been informed by the Portsmouth Group Manager that discussions are taking place with PCC with regard to the rent.</p> <p>We are concerned that local agreements may have been put in place without any formal strategic review of the requirements. As a consequence we are unable to give assurance that PAMs accurately reflects all agreements in place, whether these are local or formalised.</p> <p>We understand that the completion of the Strategic Asset Management Plan should be able to pick all of these arrangements up as part of the full review of all estate assets held by HFRS. This will provide the opportunity to ensure that PAMS is a complete record and to put in place arrangements for regular review thereafter.</p>				
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
7.1 As part of the SAMP review we will ascertain whether there are any other informal arrangements in place and ensure Property Services are advised where necessary. And make staff aware that all property agreements should be referred to the Director of Property/Property Services.	High	Head of Physical Assets	Head of Physical Assets	31/03/2017	28/02/2017

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7.2 Property Services team will meet on a regular basis with station managers to review each property.	Medium	Head of Physical Assets, Estates Programme Manager	Head of Physical Assets	31/03/2017	28/02/2017
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Action plan 1		Risk Management 2015/2016				
Objectives	Roles and responsibilities for risk management are clearly defined and assigned.					
Observations	<p>During 2015 the Risk Management Strategy was removed from the intranet in order to update it. At the close of audit (March 2016) this document remained in draft format. Discussions held with the Assurance and Compliance officer confirmed that the document still needs to be completed and authorised before it can be published.</p> <p>Until the process is re-published and available to all staff there may be variations in how risk is managed and how risk management is embedded throughout the organisation</p>					
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete	
Risk Management Strategy to be reviewed, approved and published	H	Performance Review Manager	Head of Knowledge Management	30/04/2017		

APPENDIX 1 - INTERNAL AUDIT MANAGEMENT ACTIONS – THOSE AGREED & COMPLETED SINCE DECEMBER 2016 AND THOSE IN PROGRESS

Action plan 2		Risk Management 2015/2016			
Objectives	Processes and procedures are in place to ensure emerging risks are identified and evaluated appropriately.				
Observations	<p>As part of the governance structure we were informed that the Corporate Management Team (CMT) review the Strategic Risk Register. However, testing has shown that the last time strategic risk was discussed at CMT was during October 2014 and no strategic risk management briefing was provided to them in 2015.</p> <p>The Senior Management Team (SMT) periodically reviews all risks appearing on the Strategic Risk Register however risk is not a standard agenda item. Our testing identified risk being discussed at SMT on 3 November 2014, 3 August 2015 and again on the 1 February 2016. The SMT briefing note of the 1st February 2016 recommended that strategic risk should be reviewed in detail every six months.</p> <p>Over the last year a number of risks have been removed from the Strategic Risk Register and placed on the Service Delivery Risk Register and these risks are now reviewed locally by the Director of Service Delivery. In addition to this a Professional Services Risk Register exists with a number of emerging risks during 2015. At the time of audit we did not identify any mechanism to feedback/report regularly to SMT the status of risks appearing on either of these two registers.</p>				
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
2.1 Establish a regular agenda item for the Strategic Risk Register at SMT.	H	Performance Review Manager	Head of Knowledge Management	31/12/2016	28/02/2017
2.2 Establish a risk management framework.	H	Performance Review Manager	Head of Knowledge Management	30/04/2017	

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Action plan 3		Risk Management 2015/2016				
Objectives	Processes and procedures are in place to ensure emerging risks are identified and evaluated appropriately.					
Observations	<p>Risks relating to fire stations were previously highlighted within Group Plans. These were put in place during 2014/15 and they outlined emerging operational and local risks for each station. The 2014/15 plans are available on the Intranet.</p> <p>However, no update was completed of the plans in 2015/16 and discussions with the Group Manager responsible confirmed that this area is currently a work in progress and a piece of work is being undertaken to identify risk for all stations. We were informed that these risks will be included within a Group Plan covering 2016- 19. We understand that the intention is for this to be published by April 2016.</p> <p>We cannot give assurance that Station risks have been reviewed during 2015/16 as there is no evidence to support this.</p>					
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete	
3.1 The risk management framework will encompass local risks.	H	Performance Review Manager	Head of Knowledge Management	30/04/2017		
Action plan 4		Risk Management 2015/2016				
Objectives	A documented framework of risk management is in place, to enable identified risks to be managed appropriately.					
Observations	Our audit testing reviewed a sample of discharged risks from the Strategic Risk Register and we verified these to supporting documentation.					

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<p>We noted that four risks were not identified on the discharged list and did not appear on the Strategic Risk Registers versions 37 – 40 (which appear to be April 2015 to current).</p> <p>We are unable to determine when and why the risks were discharged and the Assurance and Compliance Officer has confirmed that there is no audit trail to confirm this as we understand these were old risks and would have been managed by the previous post holder.</p> <p>We were however able to view an audit trail for those risks which we know were discharged during the year and could evidence that these were approved by senior management.</p>					
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
4.1 We will identify how and why historical risks have been discharged.	M	Assurance & Compliance Officer	Head of Knowledge Management	31/01/2017	28/02/2017
4.2 The risk management framework will include an effective process to ensure risks are discharged appropriately and archived.	H	Performance Review Manager	Head of Knowledge Management	30/04/2017	
Action plan 5 Risk Management 2015/2016					
Objectives	A documented framework of risk management is in place, to enable identified risks to be managed appropriately.				
Observations	<p>Although a numeric version control process is used for the Strategic Risk Register this does not include the date of the version and is not completed for either the Service Delivery or Professional Service Risk Registers.</p> <p>Although both registers are fairly new each one will require risks to be regularly monitored and updated and without a version control system in place, a complete audit trail cannot be maintained.</p>				

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Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
5.1 A sound version control process, specifying dates for the Corporate Risk Register will be established and included in the risk management strategy.	M	Performance Review Manager	Head of Knowledge Management	30/04/2017	
Action plan 6 Risk Management 2015/2016					
Objectives	Processes and procedures are in place to ensure emerging risks are identified and evaluated appropriately.				
Observations	<p>Our review of the content of the Strategic Risk Register identified that the proposed controls section appeared to be being used to record actions rather than proposed controls.</p> <p>If proposed controls are required to be documented then another section will need to be added for actions, owners and their tracking.</p> <p>For clarity, separately recording controls in place and further action required to mitigate the risk would support the development of a Board Assurance Framework.</p>				
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
6.1 We will establish clear guidance for management and recording risks within the risk management framework.	H	Performance Review Manager	Head of Knowledge Management	30/04/2017	
Summary: The updated Risk Policy and Strategy is included on the agenda for the Committee. The remaining actions, most of which relate to the framework are in progress and will be developed and considered with the oversight of the recently formed Risk and Assurance Board which reports into Service Management Team.					

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Action plan 1		Budget Planning 2015/16				
Objectives	Responsibilities for planning and budget setting are clearly defined and supported by policies and procedures.					
Observations	<p>A comprehensive timetable of budget planning key dates was issued to all Operational Finance staff. A review of this timetable however shows that it doesn't include all key dates for the Hampshire Fire & Rescue Service (HFRS) consistently as its does for Hampshire County Council departments, specifically in regards to the reporting dates.</p> <p>Whilst it is recognised that the Fire budget is managed by a relatively small cohort of staff there remains a risk that HFRS staff are not aware of all key dates that they are working towards which could prevent key deadlines from being met.</p>					
Management actions		Priority	Responsible Officer	SMT	Target date	Date signed off as complete
1.1 All dates to be added for HFRS budget setting process		M	Finance Manager	Head of Finance	Completed before report finalised	29/11/2016
Action plan 2		Budget Planning 2015/16				
Objectives	Budgets are based on up to date and accurate information, including the operational management structure.					
Observations	We were unable to evidence that the Hampshire Fire and Rescue Service (HFRS) inflation model had been reviewed by the Head of Finance. It was also noted that the Principal Accountant was responsible for calculating inflation and had both submitted and signed off the inflation virement.					

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Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
2.1 Corporate Finance / Business Partners (aligned appropriately with financial planning accountability) will be responsible for calculating inflation rates	M	Finance Manager	Head of Finance	Completed before report finalised	Completed
2.2 All inflation rates to be signed off by Chief Finance Officer (CFO) or Deputy CFO for HFRS	M	Deputy Head of Finance	Head of Finance	30/11/2016	Date to be confirmed

Hampshire Fire and Rescue Authority

Standards and Governance Committee

23 March 2017

Risk Policy and Strategy

Report of the Chief Officer

Contact: Nicki Whitehouse, Head of Knowledge Management
Telephone: 023 8062 6828

1 Summary

- 1.1 The Risk Policy and Strategy has been updated and is presented to the Committee for comment and approval.

2 Recommendation

- 2.1 That the Committee approve the refreshed HFRA Risk Policy and Strategy which is attached in appendix A.

3 Introduction and background

- 3.1 The corporate risk management process aims to identify, prioritise, and manage risks to the Authority's ability to achieve its aims and priorities, and manage its business. Regular review of risk is a key part of our corporate planning process.
- 3.2 The Risk Management Policy and Strategy was last reviewed and approved by the Authority in 2012. We have taken the opportunity to refresh it, and a draft updated version was reviewed by Service Management Team (SMT) in February. It is attached in Appendix A for Members' comment and approval. Although no major changes have been made we have ensured that it remains compliant with current best practice.
- 3.3 The objectives of risk management at Hampshire Fire and Rescue Service are to:
- Safeguard our employees, the public and others affected by the Authority's operations by preventing injury, damage and loss.
 - Safeguard the resources and reputation of the Authority
 - Anticipate and respond to changing social, cultural, environmental and legislative requirements
 - Reduce the threat of service disruption
 - Facilitate innovation and opportunity

- 3.4 The Register is regularly reviewed by SMT and was last reported to this Committee in December 2016.
- 3.5 The approach taken is that Members and senior managers are responsible for identifying and managing any significant corporate risks to the Authority's ability to achieve its corporate aims and objectives. Operational risks are identified and managed within the Service Delivery and support departments, both as part of their planning processes, and on a day-to-day basis. Risk registers are also maintained to enable good project management practice.
- 3.6 Issues of corporate significance identified at operational levels are escalated for further assessment. Horizon scanning considers emerging threats, risks and opportunities.
- 3.7 SMT examines and evaluates the strategies and controls put in place to mitigate or manage the identified risk to the required level. A current and target risk score are determined, which comprise a score between one to five, and which relate to the perceived likelihood of the event occurring. This score is multiplied by the perceived impact or consequence relating to that risk. SMT review the risk entries on the Strategic Risk Register, and their scores, formally on a regular basis. Paragraph 4.1 below explains the newly formed Service Risk and Assurance Board which examine risk management processes and registers prior to SMT in the future.
- 3.8 Risks remain on the Register until they are given a score of ten or less which equates to low or very low risk, and have been reported to the Authority. When a risk is taken off the 'active' Strategic risk register, it is retained in a separate 'Green risk register' which itself is reviewed periodically by SMT to ensure that the low score is still appropriate. If necessary it can be returned to the active corporate risk register.
- 3.9 A key element of the risk strategy is the monitoring of the progress against the action plans to prevent and mitigate the risks. These are monitored and reviewed formally by SMT.

4 Risk and Assurance Board

- 4.1 To further improve the internal governance over risk management we have set up a Service Risk and Assurance Board. The core purpose of this Board is to act for SMT providing scrutiny and oversight of key governance items. It will bring key themes together and be the key decision making body for all aspects of its designated accountabilities. It will advise SMT on decisions taken and provide recommendations for action where appropriate. It will sign off key documents on behalf of the Service prior to making recommendations to the Authority. The aims are to:

- Ensure that the Service manages risk effectively through a robust Risk Management Framework.
- Act as the Strategic Risk Management Board ensuring that there are robust processes in place for the Service to identify, evaluate and treat risks and their related opportunities.
- Provide a challenge role to risk owners to ensure that identified risks are based on sound risk information and that risk prevention and mitigation measures are appropriate.
- Agree changes to the risk scores of all corporate level risks, including moving risks to the 'green register'.

5 Next steps

- 5.1 There are some actions that we now need to take. These will be overseen by the Risk and Assurance Board.

1	Review Strategic risks to ensure controls are relevant. Revisit the scores/ratings and report the Register to the Fire Authority.
2	Review and evaluate 'Directorate' risks ensuring that relevant controls identified and actioned where appropriate.
3	Ensure there is an adequate escalation process for risk.
4	Communicate risk management processes and provide clear guidance on the registers in use and where to find them
5	Include risk management in the overall Performance Framework which will encompass process used for the identification and management of community risk.

6 Contribution to corporate aims and Priorities

- 6.1 Our aim is to be the best fire and rescue service in the country and make life safer for everyone by reducing risks in the community. Sound risk management processes – that are embedded throughout the organisation – are critical to sound decision making, especially in the current financial climate. The process helps identify new and emerging issues which could impact on existing corporate aims and objectives, and provide a focus for new ones.

7 Risk Analysis

- 7.1 It is essential that a risk management policy and strategy is in place across the organisation to ensure that there is a consistent and robust approach to the identification, analysis, and treatment of corporate risks. This in turn ensures that major threats are considered and managed appropriately with adequate control measures, and equally that opportunities are identified and considered.

8 Resource implications

- 8.1 The Authority has a corporate membership with Alarm, the Public Risk Management Association, and staff involved with the function have attended training courses and seminars in order to develop their knowledge, and keep up to date with best practices. These costs are met from existing training and departmental budgets.

9 People Impact Assessments

- 9.1 Carrying out people impact assessments will strengthen our risk management practices by ensuring that the consequences of our proposed policies and actions comply with current legislation and expectations for improving equality and diversity in the workplace and in the delivery of services to the public.
- 9.2 The proposals in this report are considered compatible with the provisions of the equality and human rights legislation.

10 Background information (Section 100D of Local Government Act 1972)

The following documents disclose the facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of the report: None

Note: The list excludes: (1) published works; and (2) documents that disclose exempt or confidential information defined in the Act.

Appendix A – HFRA Risk Management Policy and Strategy

Hampshire Fire and Rescue Authority

Risk Management Policy and Strategy

March 2017

Policy

Hampshire Fire and Rescue Authority (the Authority) provides a range of services to the people who live in, work in and visit the county, as well as providing support to other agencies and fire services. The nature of our work and our changing environment means that there is always potential for uncertainty. To actively manage risk, we apply a systematic approach by identifying, assessing, analysing and monitoring risks. This allows us to plan and implement risk reduction activities to ensure we provide an efficient and effective service to make life safer and make our service stronger.

The Authority will apply best practice to manage risks and deal with uncertainty. This will help ensure the continuity of our service, improve efficiency, support innovation and deliver value for money. We accept our responsibility to manage the risks associated with all areas of our activity to an acceptable level, according to our risk appetite. We acknowledge that some risks will always exist and can never be completely eliminated. Risk Management is not about being risk averse but managing threats and opportunities.

Risk Management is applied to ensure we improve internal controls in a cost effective way to support sound decision making to ensure our aims and priorities are met.

The Authority and its Senior Management Team are committed to ensuring that there is an effective risk management process and culture within the organisation.

Objectives

The objectives of the policy are to:

- Safeguard our employees, the public and others affected by the Authority's operations by preventing injury, damage and loss.
- Safeguard the resources and reputation of the Authority
- Anticipate and respond to changing social, cultural, environmental and legislative requirements
- Reduce the threat of service disruption
- Facilitate innovation and opportunity.

What is risk?

Risk is defined as an uncertain event or set of events that should it or they occur will have an effect on the achievement of objectives. The effect can be an opportunity to improve or threat to the delivery of the objectives.

By recognising uncertain event(s) and assessing the risk, we are able to identify possible actions to mitigate the likelihood and impact of it happening.

Risk Management Strategy

By identifying, assessing, analysing and monitoring the changing dynamics of risk we are able to ensure we are working towards making life safer for everyone living in, working in or travelling in Hampshire. It also helps us to better understand how to make best use of our resources and deliver the Service Plan.

Risks are dynamic and can change frequently. We look at how risk changes in response to many factors, such as demographic changes over time or the state of the economy. We look at these factors from several perspectives - from a national level to changes that are shaping individual communities, households or businesses. This enables us to ensure that our planned activities are appropriate to the individual needs of a specific community and also align with our corporate objectives.

Local Resilience Forum

Hampshire Fire and Rescue Service is a partner in the Local Resilience Forum which consists of representatives of representatives from emergency services, local authorities and any other organisations that potentially would be involved in an emergency. A Hampshire and Isle of Wight Community Risk Register is maintained as a requirement of the Civil Contingencies Act 2004. Its purpose is to assure the people of Hampshire and Isle of Wight that an assessment of potential risks has taken place and is informing the approach to joined up emergency planning both locally, at a regional and national level.

Health and Safety

The Health and Safety team support the assessment and control of risks affecting the safety, health and welfare of those employed by the Authority or who are under its duty of care. We have a clear Health and Safety Statement of Intent. The Health and Safety Committee monitor health and safety within the Service and to assist in the development of the Health and Safety Objective and Improvement plan.

Community risk

Analysis of data and information from a variety of internal and external data sources provides an understanding and identification of community risk. These risks include associated with demographic, urban, or socio-economic changes affecting the organisation's ability to deliver its services. Our Strategic Risk Assessment and more locally, 'Group' risk profiles help us to identify risk which is then managed by our planning processes. We design our services to reduce or remove community risks through the Integrated Risk Management Planning process.

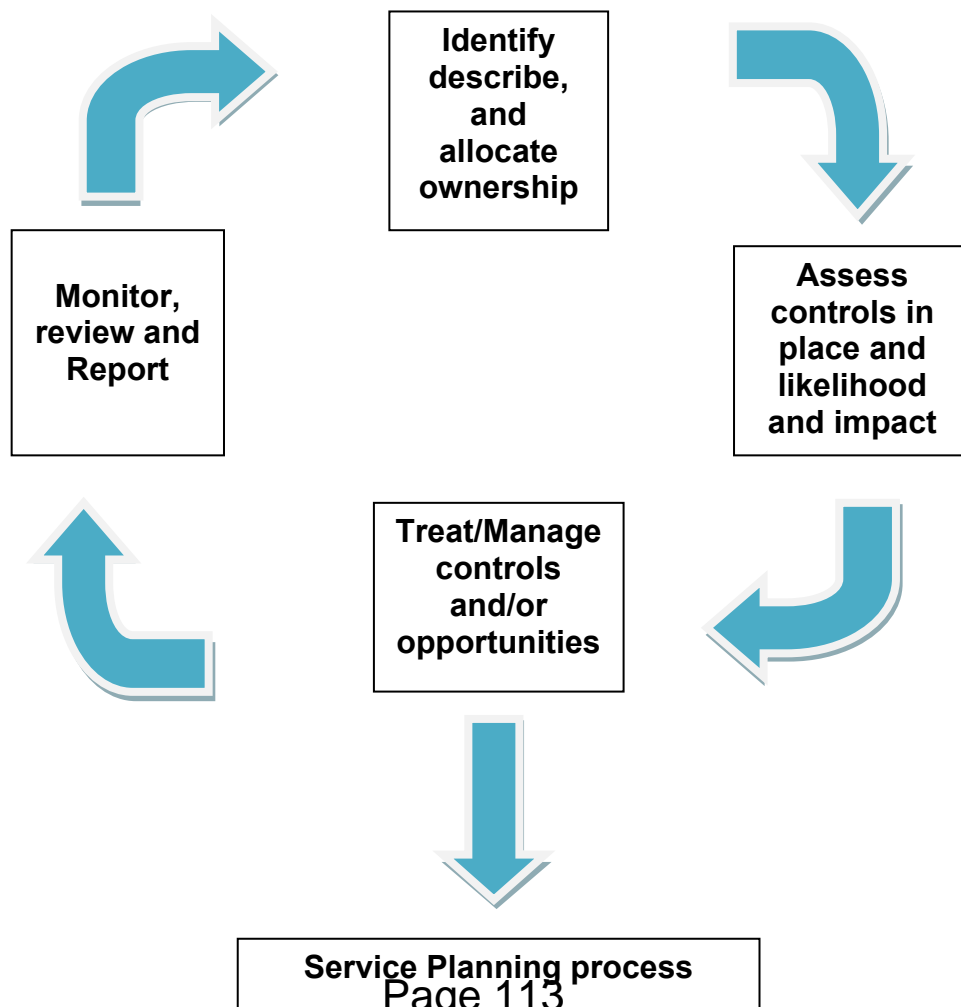
Our approach

Hampshire Fire and Rescue Service (HFRS) have a corporate risk management methodology. This strategy focussed on the way we manage our 'corporate' level risks which include project and partnership risks.

The aims of risk management at Hampshire Fire and Rescue Service are to:

- embed risk management into our culture
- incorporate risk management in to the decision making and the overall performance framework
- promote a risk tolerant culture and support well thought through informed risk taking
- be responsive and adaptable to the changing external and internal pressures we face
- optimise opportunities that risks provide
- ensure that the cost of controls are always considered against the risk they are designed to manage
- provide assurance to stakeholders that potential risks are being managed
- be transparent about the risks we face and the actions we are taking to mitigate them
- continue to be a learning organisation to continuously improve

Risk Management Cycle



Risk Appetite

Risk appetite can be described as the amount of risk we are prepared to take when balanced with the related opportunities. We understand the importance of risk taking and accept that there is an element of risk in most of the activities we undertake. It has been agreed that our risk appetite should not be prescriptive but will depend on which of our objectives would be affected by the risk, and the impact the risk would have should it materialise. We see this approach as the best way to allow us to make informed decisions in each risk situation. Risks are dynamic, not static, it is therefore important to be responsive to any internal or external factors they may affect the risk appetite.

Embedding of risk management

Effective risk management is embedded into the organisation by everyone having a role to play and specific responsibilities to fulfil. All managers, staff, elected members should understand the nature of risk and accept responsibility for managing those risks associated with their area of activity. Identifying, assessing, controlling and managing risks are the responsibility of everyone within the organisation.

Identifying and describing risk

Identifying risk is key to ensuring that potential risks are not missed. The identification stage should include all risks whether they are under the control of the organisation or not. Risks should be described clearly so that the nature of the risk is understood and controls appropriate.

Risks can be considered against one or more of the following categories:

- People:** The ability of the Authority to provide sufficient numbers of skilled, competent, motivated and effective employees in a secure environment.
- Financial:** the ability of the Authority to meet its financial commitments, such as internal budget constraints or to provide value for money.
- Environmental:** the environmental consequences and issues of sustainability associated with pursuing the Authority's strategic aims and objectives.
- Reputation:** the impact upon the reputation of the Service within the local, or wider, community and the need to meet the current or changing needs and/or expectations of customers.
- Service Delivery:** the impact upon the Authority's ability to deliver its strategic objectives to respond to changes in demographic, residential or socio-economic trends.
- Physical:** the impact upon the Authority's ability to maintain a safe working environment.
- Legal and Litigation and compliance:** the impact of failing to comply with, or adequately enforce, national or European law.
- Information Communication Technology and Systems:** the impact of technology used within the Authority or upon which it is reliant. Also risks associated with the malfunction or obsolescence of technological equipment (IT systems, equipment etc.).

Describing risks

Risks are best understood and managed in the first instance if they are framed as scenarios, broken down into three component parts:

- the root cause or source
- the events or triggers that lead to the consequence arising
- the likely impact or consequences

Ownership:

An essential requirement in the management of any risk is to make sure that the correct people are identified and that they take on responsibility for that risk. Specific roles in the management of risk are the:

Risk Owner:

the person with overall responsibility for monitoring the progress being made in managing a given risk. In relation to corporate level risks this is normally a member of Service Management Team (SMT).

Control Owner:

those people responsible for implementing the agreed control measures to manage the risk and informing the Risk Owner of the effectiveness of those control measures. In relation to corporate risks this is normally a member of SMT.

Assessing and analysing the risk

After risks have been identified, they need to be assessed and analysed.

The analysis and assessment of risks involves a consideration of information to determine how often specified events may occur and the impact of their consequences. This entails determining the cause, consequence and impact of the risk and identifying controls measures currently in place and those that are proposed.

This results in the calculation of:

- the likelihood that it will occur
- the impact if it does occur

The analysis and scoring of risks gives an overall picture of minor risks compared with more significant ones.

Risk Treatment

Whilst assessing and analysing the risk consideration should be given to identify if the risk should be avoided, eliminated, reduced, transferred, or accepted. A useful framework for considering these questions is detailed below.

AVOID	Decide not to proceed with the activity likely to generate the risk, where this is practicable.
REDUCE	Take action to control the risk by identifying mitigating actions and implementing them. For most of the risks on the corporate risk register this is what we are doing.
TRANSFER	this involves another party bearing or sharing some part of the risk by the use of contracts, insurance, outsourcing, joint ventures or partnerships to a third party.
TOLERATE	If we cannot reduce the risk in a specific area (or if doing so is not proportionate to the risk we can decide to accept it.

Controls

A control is any action, procedure or operation undertaken to either contain a risk to an acceptable level, to mitigate the risk completely or to decrease the likelihood and impact if the risk were to occur.

When identifying controls, an owner and target date should be identified.

Scoring

A scoring matrix is used to assess a risk score. Appendix 1 details the approach for Strategic risks.

Risks are scored on a 5x5 matrix. An initial and target score should be determined for both likelihood and impact using these criteria.

If we wish to reduce the risk then we should commence the process of identifying control measures to minimise the likelihood of the risk occurring and/or reducing the severity of the consequences should it occur.

It is important that:

- any proposed control is SMART – Specific, Measurable, Achievable, Realistic and Time-bound and has a nominated control owners
- The proposed control is proportionate to the risk.
- any new risks caused by the control are identified
- There is clarity around which dimension of the risk is being considered – i.e. likelihood or impact
- A regular review is undertaken to ensure that controls are being progressed and that they are working.

Types of Risk and Registers

Strategic Risks

Strategic risks can be defined as the uncertainties and untapped opportunities which may affect the Authority's ability to reach its overall vision and values.

Strategic risks which are identified are analysed in the first instance with the assistance of the Knowledge Management Team. They are then reviewed and evaluated by the Risk and Assurance Board. The Strategic Risk register is maintained by Knowledge Management. It is overseen by the Risk and Assurance Board and reported Service Management Team and the Authority for consideration and approval.

The Register will be regularly monitored and reviewed until the risk is felt to be under an acceptable level of control. Once at this stage, the risk will stay on the Register until its removal is approved by the Fire Authority. These discharged risks are still monitored and revisited to ensure that they are still adequately controlled.

Directorate Risks

Directorate risks are those that may affect our ability to achieve our Priority end states.

Directorate risks which are identified are analysed in the first instance with the assistance of the Knowledge Management Team. They are then reviewed and evaluated by the Risk and Assurance Board. The risk register is maintained by Knowledge Management. It is overseen by the Risk and Assurance Board and reported Heads of Service Team and Service Management Team.

The Register will be regularly monitored and reviewed until the risk is felt to be under an acceptable level of control after which it will be monitored and revisited to ensure that is still adequately controlled.

Project risks

Every project will set its own risk tolerance at the outset. The project manager will maintain a risk register which is monitored by the Project Board. Key risks to projects within the Service's Portfolio are reported to the Safer Stronger Board within the regular highlight report. If it is identified that a project risk poses a Strategic or Directorate risk, this will be escalated to the Risk and Assurance Board.

Partnership risks

Partnership arrangements should include the maintenance of a shared risk register which is regularly reviewed.

Monitoring, review and reporting

Risk are evaluated and reviewed periodically. Risk owners continually review and update their risk ensuring an evaluation of the current control measures and scoring

is carried out. This part of the process is important as it ensures that the appropriate control measures are being applied to the risk. During this process it may be necessary to re-assess the scoring. Risks are not static and it is important to note that risk scores may increase or decrease depending on a variety of factors.

The Performance Review and Assurance Team in the Knowledge Management Department is responsible for ensuring owners of strategic or corporate risks regularly review them and record any changes as a result of the review.

Roles and Responsibilities

Key roles and responsibilities related to risk management are detailed in appendix 2. Risks can be escalated where appropriate. The Knowledge Management team will always provide help and support.

Transparency

We have an open approach to managing risks. Staff and other stakeholders have access to information on risks and how we are managing them.

The Strategic Risk register is available to internal staff and a copy published on our website annually after reporting to the Fire Authority.

Project risk registers are available to all members of the project team. The project risk register forms part of the governance of the project. A highlight report including the risk status of the project is shared with the Safer Stronger Board.

Group and Station profiles are available to internal staff and are published on our website. The Group and Station Profiles illustrate People and Community risk. Our Service, Group and Station plans are available on our website and outline our risk reduction activities.

Strategy and Policy – Review and Audit

The management of risk within the organisation and the effectiveness of the risk management strategy will be subject to an ongoing review process.

Risk Management is a component of the Internal Audit plan and strategy.

Any comments or feedback in respect to this document or our risk management process are always welcome and should be addressed to the Performance Review and Assurance Team in the Knowledge Management Department.

Appendix 1

Risk scoring matrix

Likelihood

Risk	Score	Likelihood	Chance of occurring
Very Low Rare	1	Most improbable that this will occur	Less than 5%
Low Unlikely	2	Very unlikely to occur	5% to 20%
Medium Possible	3	Likely to occur chance of occurrence The risk will occur at some time.	21% to 50%
High Likely	4	Will probably happen - more likely to occur than not	51% to 80%
Very High Almost certain	5	Almost certain to occur The risk is expected to occur	81% to 100%

Impact score	Description	Impact on delivery of Service/aims and objectives	Financial	Safety of people	Reputation	Legislation/statutory duty
1	Very low	No service disruption	Insignificant financial loss Below £25k	No obvious harm or injury	No external interest	No or minimal impact or breach of guidance/statutory duty
2	Low	Slight impact on service delivery	Moderate financial loss Between £25k and £100k	No obvious harm or injury	Localised short term media coverage – short-term recovery Elements of public expectation not being met Some complaints	Breach of statutory/legislation - reduced performance rating if unresolved
3	Medium	Service delivery is disrupted	Unplanned significant financial loss Between £100k and £400k	Injury	Adverse local publicity and some longer term loss of confidence	Single breach in statutory duty - external recommendations
4	High	Permanent and/or significant impact on service delivery Priorities/aims negatively impacted or not met	Unplanned major financial loss Between £400k and £800k	Fatality	Major loss of public confidence National publicity service well below reasonable public expectation	Enforcement action/ multiple breaches in statutory duty - Investigation/Improvement notices/ critical report Low performance rating
5	Very high	Unable to function or deliver services Objectives/priorities not met	Unplanned financial loss Over £800k	Fatalities	Highly damaging severe loss of public confidence National publicity	Multiple breaches in statutory duty Prosecution Complete systems change required Severely critical report

Likelihood	5					
	4					
	3					
	2					
	1					
		1	2	3	4	5
	Impact					

Risk scoring – this table illustrates how we categorise risks using Red, Amber and Green status.

If the score is below 12 the risk is green, between 12 and 15 it is amber and over 15 it is red.

Appendix 2

Responsibilities and reporting lines

All members, employees, and partner organisations must understand the nature of risks and accept responsibility for managing those risks associated with their area of activity.

<p>Elected Members of the Fire Authority Hold the Service accountable for the effective management of risk throughout the organisation including the delivery of our services.</p> <p>Approve the Authority's risk management policy and reviews the Strategic Risk Register.</p> <p>Challenge senior managers to gain assurance that risks have been identified and addressed.</p> <p>Raise any potential new risks that they identify.</p>	<p>Directors</p> <p>Provide top level commitment to risk management.</p> <p>Set the appetite and tolerances for risk.</p> <p>Horizon scans to identify and assess new and emerging risks.</p> <p>Acknowledge potential risks that have been raised by Elected Members of the Fire Authority and Service Management and cascade them as appropriate.</p>
<p>Risk and Assurance Board</p> <p>Ensures that the Service manages risk effectively through a robust Risk Management Framework.</p> <p>Acts as the Strategic Risk Management Board ensuring that there are robust processes in place for the Service to identify, evaluate and treat risks and their related opportunities.</p> <p>Provides a challenge role to risk owners to ensure that identified</p>	<p>Service Management Team (SMT)</p> <p>Monitors strategic risk, ensuring that appropriate control mechanisms are in place and agrees the register before approval by the Authority.</p> <p>Forecasts and horizon scans the internal and external environment to ensure that appropriate issues are taken account of.</p>

<p>risks are based on sound risk information and that risk prevention and mitigation measures are appropriate.</p> <p>Agree changes to the risk scores of all strategic level risks, including moving risks to the 'green register'.</p>	
<p>Heads of Service Team (HoST)</p> <p>Own individual strategic and directorate risks.</p> <p>Ensure that agreed control measures are maintained, monitored and implemented for corporate and directorate risks.</p> <p>Horizon scan to identify and assess new and emerging risks this includes corporate risk and also risk that affect the achievement of department objectives.</p> <p>Escalate any potential risks to the Risk and Assurance Board for consideration</p>	<p>Project and Partnership Managers</p> <p>Set risk tolerances for the project at the outset</p> <p>Conduct an initial risk assessment in accordance with the management methodology</p> <p>Maintain a risk register for the project/partnership at an appropriate level</p> <p>Own and take responsibility for specific risks</p> <p>Regularly review and update risks</p> <p>Report project risks to the Safer Stronger Board</p> <p>Escalate risks as appropriate</p>
<p>Line Managers</p> <p>Maintain an awareness of risk management, and its importance to the effective operation of the Service</p> <p>Carry out risk assessments and any action plan as a result of the risk assessment.</p> <p>Use all appropriate forums to regularly review risks and identify new risks as appropriate</p> <p>Communicate the importance of risk identification and management of risk to staff</p>	<p>All staff</p> <p>Are alert to risks in their own area and ensuring that action is taken to manage them.</p> <p>Escalate any perceived risk to a level where it can be dealt with effectively if they do not feel they can address it themselves.</p> <p>Carry out risk assessments and any action plan as a result of the risk assessment.</p>

<p>Identify and manage risks to the achievement of department objectives.</p>	
<p>Knowledge Management</p> <p>Supports the management of foreseeable strategic risks.</p> <p>Develops and maintains the strategic assessment of risks in our community and influences the activity undertaken to reduce existing and potential risks.</p> <p>Ensures a systematic and consistent approach to managing, recording, updating and reporting risks within the project environment.</p> <p>Supports SMT/Directors and HOST by maintaining the Strategic Risk Register and providing constructive advice and challenge to risk and control owners.</p> <p>Ensures that there is effective version control on risk registers.</p> <p>Ensures that best practice is applied to the risk management process and advises managers and staff on matters relating to risk.</p> <p>Plays a key role on the Risk and Assurance Board and reports the Strategic Risk Register to the Risk and Assurance Board, Service Management Team and the Fire Authority.</p> <p>Provides clear guidance for management and recording risks.</p>	

Hampshire Fire and Rescue Service

Standards and Governance Committee

23 March 2017

Health and safety 'Statement of Intent'

Report of the Chief Officer

Contact: David Lack, contact: 0791 888 7578

1 Summary

- 1.1 The Health and Safety (H&S) 'Statement of Intent' is reviewed on an annual basis. The current statement dated 7 September 2016 illustrates our commitment to H&S and also includes a personal statement from the CFO. The current statement was subject to a further review in December 2016 following which it is proposed not to change it at this time.

2 Recommendations

- 2.1 That the Standards and Governance Committee receives the reviewed Statement of Intent (Attached in Appendix 1).
- 2.2 That the Standards and Governance Committee recommend to the Full Authority that the Statement of Intent be approved and be signed by the Chairman on behalf of the Authority.

3 Introduction and background

- 3.1 It is HFRA and Hampshire Fire and Rescue Service's (HFRS) intent to demonstrate an ongoing and determined commitment to improving health and safety at work.
- 3.2 We strive to provide and implement a process of continuous improvement to ensure a safe and healthy working environment.
- 3.3 The Statement of Intent makes clear our full commitment to health and safety. We will achieve this through the development and implementation of a strong and robust safety management system. This is designed to meet legal requirements and reduce the risk exposure of all those affected by our activities as far as reasonably practicable.
- 3.4 The Authority has overall corporate responsibility for health and safety and the Chief Fire Officer has operational responsibility. The Health and Safety at Work, etc, Act 1974 requires an annual review of the Health and Safety Statement of Intent. For governance purposes, the Health and Safety Statement of Intent is presented annually to the Service Management Team and the Standards and Governance committee.

4 Supporting our corporate aims and objectives

- 4.1 Robust health and safety arrangements support our aim of being the best fire and rescue service in the country.

5 People Impact Assessment

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

6 Risk Analysis

- 6.1 It is legally incumbent on HFRA and HFRS to ensure the health, safety and welfare of its staff and that it complies with all of the applicable health and safety legislation and regulations. The maintenance of a positive health and safety culture throughout the Service must be key in all activities and supported at all levels.
- 6.2 Responsibility for health and safety lies both with the HFRS and with the HFRA. It is crucial that Members have a full understanding of our arrangements and are satisfied that they are both suitable and sufficient to meet our statutory obligations as an employer.

7 Resource implications

- 7.1 There are no additional human resources, information and communications technology, physical resources or financial implications arising from this report.

8 Conclusion

- 8.1 Our Health and Safety Policy is provided to ensure that all staff are committed to health and safety and are fully engaged with our core health and safety values:
- Health and Safety is everyone's responsibility
 - Personal safety is our highest priority
 - Health and Safety can and will be effectively managed
 - Every work related injury or illness could, and should, have been prevented

Background papers

The following documents disclose the facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of the report:

None

Note: The list excludes: (1) published works; and (2) documents that disclose exempt or confidential information defined in the Act.



Health and Safety – Statement of Intent

Commitment

“You have our absolute commitment that Health and Safety will always be at the forefront of our decision making and we ask you to prioritise it in the same way, it must always be the first consideration in anything we do”. CFO Dave Curry and the Chairman of Hampshire Fire and Rescue Authority.

Purpose

The purpose of this statement is to help reinforce our organisational culture and working environments, in which we all aspire to prevent harm and ensure everyone goes home unharmed everyday.

Principles

Our Health and Safety Policy defines the responsibilities at each organisational level, providing direction on how to manage workplace risks.

Legislation provides for a minimum standard, however, where reasonably practicable we will seek to achieve the highest possible standards and continually seek to improve our health and safety performance. The prevention of injury and illness is an indispensable part of our organisational culture.

Our intent is to:

- Meet and where practicable exceed legal compliance requirements.
- Demonstrate the strategic importance of Health and Safety by the provision of visible leadership.
- Ensure the availability of resources needed to implement this policy.
- Empower our employees to carry out their work in a competent and diligent manner and to report and rectify any unsafe act or condition.
- Make a continuous effort to prevent accidents and cases of work related ill health.
- Investigate accidents, incidents and near misses and to identify and implement improvements.
- Ensure a framework exists for setting and reviewing health and safety improvement plans.
- Provide access to competent health and safety advice.
- Provide adequate control of the health and safety risks associated with our activities.
- Employ competent and qualified people and provide training and support as necessary.
- Provide appropriate information, instruction and supervision.
- Consult with our employees on matters affecting their health and safety.
- Commit the organisation to maintain effective systems of communication.
- Provide and maintain safe plant and equipment.
- Ensure safe handling and use of substances.
- Undertake regular measuring and monitoring to check health and safety performance.
- Ensure that this statement remains effective and relevant through regular reviews.

Employees are reminded that there is a legal requirement for them to co-operate and take care of their own safety and health and that of others affected by their activities.

Hampshire Fire and Rescue Authority have overall responsibility for the health, safety and welfare of all employees in the Hampshire Fire and Rescue Service and others who may be affected by our activities.

Signed:

Councillor

Chairman of Hampshire Fire and Rescue Authority

Date:

For and on behalf of Hampshire Fire and Rescue Authority

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Hampshire Fire and Rescue Authority

Standards and Governance Committee

23 March 2017

New policy – Firefighters 2015 Pension Discretions Policy

Report of the Chief Financial Officer

Contact: Melanie Swain, Strategic HR Adviser HR Tel: 023 80 383337

1 Summary

1.1 In law, employers are able to make a number of local decisions, called `discretions`, around the pension schemes they operate. There is a legal requirement for employers to:

- have a Pensions Discretions Policy for each of the Schemes it offers
- publish the policy and keep it under review

In addition, the published policy must be sent to the Pension Fund administering authority (Hampshire Pension Services). Any future amendments to the policy must be sent to Hampshire Pension Services within one month.

1.2 The attached paper is HFRA`s draft Pensions Discretions Policy for the 2015, 2006 and 1992 Firefighter Scheme.

1.3 Consultation has been undertaken with heads of service, directors and local unions.

1.4 Each discretion is divided into 3 boxes

Box 1 – discretion reference

Box 2 = what the discretion is

Box 3 = HFRA`s recommended position on the discretion. (Where the box states `agreed` this means that HFRA agree to follow the discretion, as outlined in box 2).

2 Recommendations

2.1 That HFRA`s 2015 Pensions Discretion Policy is agreed

3.0 Financial implications of any changes

3.1 No particular financial implications to note.

4.0 People Impact Assessment

4.1 Drawing up the policy ensures a consistent approach is applied.

5.0 Consultation

5.1 Local Firefighter unions and professional associations have been consulted over the contents of this Paper.

6.0 Attached Papers

6.1 HFRA - 2015 Firefighters Pensions Discretions Policy (with 2006 and 1992 attachments)

HAMPSHIRE FIRE AND RESCUE AUTHORITY

The Firefighters Pension Scheme Discretionary Policies - 2015, 2006 and 1992

- PART 1** The Firefighters' Pension Scheme (England) Regs. 2014
- SCOPE** This policy applies to all firefighters who are members of 'The Firefighters' Pension Scheme (England) 2015.
- Discretions relating to the 2006 and 1992 schemes are appended to this Policy
- SPECIAL NOTE** There are 52 employer discretions within the 2015 Firefighter's Scheme. Each discretion is separated, in this policy, into 3 boxes
- 1st box (in grey) = reference to the discretion number
 - 2nd box = outline of the discretion the employer needs to consider
 - 3rd box = HFRA's local decision around the discretion. Where the word 'Agreed' is placed in box 3, this means that HFRA has agreed to the discretion arrangements included in box 2.

The Firefighters Pension Scheme Discretionary Policy – 2015 Scheme

Delegation (Regulation 5)

The scheme manager must ensure that delegated powers are appropriate and current.

Under the Scheme of Delegation the Chief Officer has discretion from the Authority to exercise all matters of day-to-day administration and operational management of the services and functions

Pensionable pay (Regulation 17)

The scheme manager has discretion to determine if continual professional development payments are to be treated as pensionable pay. [Regulation 17(1)(d)]

Continual Professional Development (CPD) will be treated as pensionable pay.

Contributions during absence from work due to illness, injury, trade dispute or authorised absence (Regulation 111)

Where an active member is absent from scheme employment because of illness or injury and not entitled to receive pensionable pay, or because of trade dispute or authorised unpaid absence, they may pay member contributions; if they do, the scheme employer may require that they should also pay employer contributions. [Regulation 111(2), (3) and (4)]

Illness and injury (Regulation 111(2)) – HFRA agree to delegate the authority to the Chief Officer, in consultation with directors, to consider each case on an individual basis to determine whether the individual or the employer pay the employer contributions.

Trade dispute (Regulation 111(3)) - Members will be required to pay the employer's contributions in accordance with regulation 117(3) in all cases of active member pension buy-back involving trade dispute(s) (unless exceptionally agreed differently by the Chief Officer).

Authorised unpaid absence (Regulation 111(4)) - HFRA agree to delegate the authority to the Chief Officer, in consultation with directors, to consider each case on an individual basis to determine whether the individual or the employer pay the employer contributions.

For all cases where regulations 111 paragraphs 2, 3 or 4 apply, contributions must be paid within 6 months of HFRA requesting the money and at the rate of pay applicable to the period of time. HFRA will normally make the request for the monies within 6 months of the absence/dispute ending.

Opting in/out (Regulation 12)

Opting into this scheme (Regulation 12) *An optant-in will become an active member of the scheme with effect from the beginning of the first pay period following the date on which the option is exercised. There is an option for the scheme manager to vary the date on which the person becomes an active member, to such other time as the scheme manager considers appropriate. [Regulation 12(5)]*

The opting-in date will take effect from the beginning of the first pay period following the date on which the option is exercised. (For information – the pay period is 2 weeks in advance and 2 weeks in arrears of the monthly pay date)

Opting out after the first three months (Regulation 16)

An optant-out ceases to be in pensionable service with effect from the first day of the first pay period following the date on which the option is exercised. If the scheme manager considers that day to be inappropriate, it may vary the date to the first day of any later pay period as the scheme manager does consider appropriate. [Regulation 16(2)(b)]

The opting-out date will be the first day of the first pay period following the date on which the option is exercised.

Active membership (Regulation 19)

A person who is on unpaid authorised absence can count the period as active membership if the scheme manager permits them to be treated as an active member during that period.

HFRA agree to delegate the authority to the Chief Officer, in consultation with directors, to consider each case on an individual basis to determine whether the individual or HFRA pay the employer contributions (this is consistent with HFRA's response to **Regulation 111(4)**).

Establishment of pension accounts: general (Regulation 28)

The scheme manager must establish and maintain pension accounts for scheme members, but they may be kept in such form as the scheme manager considers appropriate. [Regulation 28(2)]

Agreed

Closure and re-establishment of active member's account (Regulation 37)

If a member has more than two active member's account and ceases pensionable service

with less than three months' qualifying service in respect of one account, that account must be closed and benefits aggregated with one of the others; the member may select which one. If the member fails to choose, the scheme manager has discretion to choose. [Regulation 37(3), (4) and(5)]

Agreed

Closure of deferred member's account after gap in pensionable service not exceeding five years. (Regulation 49)

If a deferred member re-enters pensionable employment after a gap of five years or less, the scheme manager must close the deferred member's account and re-establish the active member's account, transferring entries from the deferred account. If the person had more than one relevant deferred member's account, they must select – within three months of re-entering scheme employment - which one should close. If they fail to make a selection, the scheme manager must make the choice for them. [Regulation 49(3) and (4)]

Agreed

Employer initiated retirement (Regulation 62)

An employer can determine that an active member age 55 or over but under age 60 who on the grounds of business efficiency is dismissed or has their employment terminated by mutual consent, can receive immediate payment of retirement pension without the early payment reduction. An employer may only use this discretion if the employer determines that a retirement pension awarded on this basis would assist the economical, effective and efficient management of its functions having taken account of the costs likely to be incurred in the particular case. [Regulation 62(1) and (2)]

HFRA will not normally grant early payment of benefits for business efficiency purposes or waive any actuarial reduction, except in exceptional circumstances, after considering the business case. Agreement must be given by the Chief Officer, in consultation with directors.

Exercise of partial retirement option (Regulation 63) (i.e. flexible retirement)

An active member aged at least 55 who would be entitled to immediate payment of pension if they leave pensionable service and who claims payment of the pension, may opt to claim the whole of their accrued pension but continue in pensionable service. The person concerned must give appropriate notice to the scheme manager and the partial retirement option is taken to be exercised on a date agreed between the member and the scheme manager. [Regulation 63(5)]

Agreed

Review of ill-health award or early payment of retirement pension (Regulation 68)

The scheme manager must have a policy for reviewing, at such intervals as it considers appropriate, the award of ill-health pensions where the recipient is under deferred pension age and has been receiving the award for less than 10 years, and for reviewing the early payment of deferred pensions on ill-health grounds for so long as the recipient is below deferred pension age. [Regulation 68(1) and (2)]

Refer to the 'Firefighters Ill Health Retirement Policy and Injury Award Review'.

Consequences of review (Regulation 69)

If, following the review of a lower tier ill-health pension under Regulation 68, the scheme manager determines that the recipient is capable of performing the duties appropriate to the role from which the person retired on grounds of ill-health, the employer must consider whether or not to make an offer of re-employment. [Regulation 69(3)]

Refer to the 'Firefighters Ill Health Retirement Policy and Injury Award Review'

Commencement of pensions (Regulation 70)

If a deferred member requests, and is entitled to, the early payment of retirement pension on grounds of ill-health, the scheme manager must determine the date of payment as being the date on which the person became incapable of undertaking regular employment because of infirmity of mind or body or, if that date cannot be ascertained, the date of the member's request for early payment. [Regulation 70(7)]

If a deferred member requests deferral of payment of a deferred pension beyond deferred pension age, or requests early payment with an early payment reduction before deferred pension age, the scheme manager will decide the payment date after the claim for payment has been made. [Regulation 70(8)]

Agreed

Allocation election (Regulation 72)

The scheme manager must give consent for the allocation of a portion of pension to a dependant who is not the spouse, civil partner or cohabiting partner of an active or deferred member. (Consent can be withheld if the scheme manager is not satisfied that the person nominated is not substantially dependent of the active member.) [Reg.72(3)(b) and (4)]

A decision will be made by the Chief Officer, in consultation with directors. The person nominated must be substantially dependent on the member.

Adjustment of allocated benefit (Regulation 75)

If a member who has made an allocation election dies after reaching age 75, and the amount of allocated pension does not qualify as a dependant's scheme pension under section 167 of the Finance Act 2004 (pension death benefit rules), the amount may be adjusted in a manner determined by the scheme manager. [Regulation 75(1) and (2)]

Agreed

Meaning of "surviving partner" (Regulation 76)

A cohabiting partner may be considered a "surviving partner" and potentially qualify for a pension provided they meet certain conditions, one of which is that they must have been in a "long-term relationship" – a continuous period of at least two years – at the date at which entitlement needs to be considered. The scheme manager has discretion to allow the person to qualify where the period is less than two years. [Regulation 76(1)(b)(v) and (2)]

The Chief Officer, in consultation with directors, will use his/her discretion in cases where the relationship is less than 2 years.

Person to whom lump sum death benefit payable (Regulation 95)

The scheme manager has absolute discretion as to the recipient of any lump sum death benefit payable. [Regulation 95]

The Scheme Manager will use their discretion on who receives any lump sum death benefit where the matter does not appear straightforward.

Payment of pensions under Part 6 "Death Benefits" (Regulation 100)

If a child's pension is due in respect of an eligible child under age 18, the scheme manager will determine to whom it should be paid and will give directions to that person as to how the payment should be applied for the eligible child's benefit. [Regulation 100(2)]

Agreed

Surviving partner's pensions and eligible child's pensions: suspension and recovery (Regulation 101)

A scheme manager has the right to cease paying a surviving partner's pension and/or eligible child's pension and recover any payment made in respect of a pension where it

appears to the scheme manager that the recipient made a false declaration, or deliberately suppressed a material fact in connection with the award. (This does not affect the scheme manager's right to recover a payment or overpayment under any other provision where the scheme manager considers it appropriate to do so.) [Regulation 101(2) and (3)]

Agreed

Provisional awards of eligible child's pensions: later adjustments (Regulation 102)

If children's pensions have been made to certain persons on the basis that they were eligible children and there were no others, and subsequently it appears that any of those children were not eligible, or there was a further eligible child to whom no payment has been made, or that a child born after the member's death is an eligible child, the scheme manager has discretion to adjust the amount of pensions as required in view of the facts as they subsequently appear. The adjustments may be made retrospectively. (This does not affect the scheme manager's right to recover a payment or overpayment under any other provision where the scheme manager considers it appropriate to do so.) [Regulation 102(2) and (3)]

Agreed

Adjustment of benefits to comply with FA 2004 where members die over 75 (Regulation 104)

If a member dies after reaching age 75 and any part of a pension to which a person becomes entitled on the death would not qualify as a dependant's scheme pension for the purposes of section 167 of the Finance Act 2004 (the pension death benefit rules), the scheme manager has discretion to adjust the benefit payable to the person so that it would qualify under that section of the Act. [Regulation 104(1)(a) and (2)]

Agreed

Member contributions (Regulation 110)

Where there is a change in scheme employment or a material change which affects the member's pensionable pay in the course of a financial year and the revised amount falls into a different contribution rate band, the scheme manager must determine that this rate should be applied and inform the member of the new contribution rate and the date from which it is to be applied. [Regulation 110(5)]

When identifying the appropriate contribution rate, a reduction in pay in certain circumstances as listed in Regulation 110 are to be disregarded. In addition, the scheme manager can specify the circumstances in a particular case where a reduction in pensionable pay will be disregarded. [Regulation 110(7)(h)]

Regulation 110(5) - Any revision to the pension contribution rate will be noted on the individual's pay slip and a note included on the 'Movement Notification' sent to the individual.

Regulation 110(7)(h) - For the purposes of calculating the correct contribution rate, under this regulation, any reduction in pensionable pay which occurs as a result of any of the following absences is to be disregarded

- (a) any statutory leave entitlement
- (b) child-related leave
- (c) authorised leave
- (d) sick leave
- (e) leave due to injury
- (f) reserve forces service leave
- (g) absence due to a trade dispute or
- (h) circumstances specified by the scheme manager in a particular case

Deduction and payment of contributions (Regulation 114)

Member contributions due under Regulation 110 may be deducted by the scheme employer from each instalment of pensionable pay as it becomes due, unless another method of payment has been agreed between the scheme manager and the member. [Regulation 114(1)]

Contributions due in respect of absence from work on reserve forces service leave may be deducted from any payment made under Part 5 of the Reserve and Auxiliary Forces (Protection of Civil Interests) Act 1951. [Regulations 114(2)]

Contributions which the member is required to pay, or has elected to pay under Regulations 111 and 113 may be paid by a lump sum or by deduction from instalments of pensionable pay as agreed between the member and the scheme manager. [Regulation 114(3)]

Regulation 114(1) – Pension contributions will normally be deducted, at source, on a monthly basis by Payroll
Regulations 114(2) /114(3) - Agreed

Statement of entitlement (Regulation 135)

The scheme manager must specify in a statement of entitlement the "guarantee date" date by reference to which the cash equivalent or club transfer value is calculated; this date must fall within the three months beginning with the date of the member's application for the statement of entitlement and within ten days ending with the date on which the member is provided with the statement. The scheme manager has discretion, if it believes reasonable, to extend this date to within six months of the date of the member's application if, for reasons beyond the scheme manager's control, the information needed to calculate the transfer value cannot be obtained before the end of the three month period. [Regulation 135(4)]

Agreed

Request for acceptance of a transfer payment (Regulation 141)

*There is a time limit of one year from becoming an active member in which a person can request a transfer payment from a **non-occupational pension scheme**. The scheme manager has the discretion to extend this period. [Regulation 141(3)]*

The individual must request a transfer payment from a non-occupational pension scheme within the first 12 months of employment with HFRA. Exceptionally, this period may be extended by the Chief Officer, in consultation with directors.

Transfer statement (Regulation 142)

*The scheme manager can require an active member to ask the scheme manager of a previous **non-club pension scheme** to provide a statement of the amount of transferred pension that the member would be entitled to count provided that the transfer date falls within two months of the date of the statement. [Regulation 142(2)]*

Agreed

Club transfer value statement (Regulation 144)

*The scheme manager can require an active member to ask the scheme manager of a previous **club pension scheme** to provide a statement of the amount of transferred pension that the member would be entitled to count provided that the transfer date falls within two months of the date of the statement. [Regulation 144(2)]*

Agreed

Appeals and determinations concerning entries on the certificate (Regulation 148)

If a member is not satisfied with a certificate setting out the details in their pension account(s) as required under Regulation 146, they can require the scheme manager to deal

with their disagreement under arrangements implemented by the scheme manager in accordance with the requirements of section 50 of the Pensions Act 1995 (resolution of disputes) and the Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008. The scheme manager must have these arrangements in place. [Regulation 148(1)]

The agreed HFRA IDR procedure will be followed.

Determinations by the scheme manager (Regulation 151)

It is the scheme manager that must determine whether a person is entitled to an award or to retain an award. [Regulation 151]

Agreed

Role of IQMP in determinations by the scheme manager (Regulation 152)

The scheme manager must select an Independent Qualified Medical Practitioner to provide a written opinion in respect of medical matters which may only be decided by having regard to such an opinion. [Regulation 152(1)]

If a person wilfully or negligently fails to submit to medical examination by the selected IQMP and the IQMP is unable to give an opinion on the basis of the medical evidence available, the scheme manager can make the determination based on such medical evidence as the scheme manager thinks fit, or without medical evidence. [Regulation 152(7)]

Regulation 152(1) / 152(7) – Agreed

Review of medical opinion (Regulation 153)

Where a member requests a review of an IQMP's opinion in the light of new evidence received by the scheme manager within 28 days of the member having received the opinion, the scheme manager may agree to giving the IQMP the opportunity of reviewing the opinion. Regulation 153(1).

Upon receiving the IQMP's response the scheme manager must confirm or revise its original determination and advise the member accordingly. [Regulation 153(4) and (5)]

Regulation 153(1) – The Senior HR Business partner and Head of Finance will consider the additional information and why it was not submitted previously and will decide whether the additional new information is substantial and should be referred to the IQMP (advice should be sought from the Occupational Health Department, as necessary)

Regulation 153(4) and (5) - Agreed

Notice of appeal (Regulation 155)

If a member wishes to appeal against a determination made by the scheme manager and their grievance lies in the medical opinion upon which the determination was based, they can appeal to a board of medical referees. The appeal must be made within 28 days of the date on which the member receives the relevant documents under Regulation 154(4). If the appeal is not made within this time limit and the scheme manager is of the opinion that the person's failure to give notice within the required period was not due to the person's own default, the scheme manager has a discretion to extend the time limit for such period as the scheme manager considers appropriate, not exceeding six months from the date the Regulation 154(4) documents were supplied. [Regulation 155(2)]

Agreed

Reference of appeal to the board (Regulation 156 - See also Regulation 161)

Where a member has given notice of appeal to a board of medical referees, before the Board arranges a time and place for the interview and medical examination, a member of the

Board will review the documents supplied to the Board in accordance with Regulation 156. If the Board member is of the opinion that the Board may regard the appeal as frivolous, vexatious or manifestly ill-founded the Board member will notify the Secretary of State accordingly. This will be copied to the scheme manager who must, in turn, send a copy of it to the scheme member advising that if their appeal is unsuccessful, the member may be required to pay the scheme manager's costs and requesting notification from the member as to whether, in the circumstances, they wish to continue with, or withdraw, the appeal. [Regulation 156(8) to (12)]

Agreed

Procedure where appeal to be pursued (Regulation 157)

The scheme manager must decide which persons will attend the interview as its representatives. The scheme manager must also decide whether or not to submit written evidence or a written statement (and must decide a response to any written evidence or written statement from the appellant). [Regulation 157(6) to (9)]

A written statement/evidence must be provided by the appellant or their representative. Where appropriate, a written statement/evidence will be submitted by the Scheme Manager.

Expenses of each party (Regulation 161)

If the medical appeal board determines in favour of the scheme manager and states that in its opinion the appeal was frivolous, vexatious or manifestly ill-founded, the scheme manager can require the appellant to pay it such sum not exceeding the total amount of the fees and allowances payable to the board under Regulation 160(1) as the scheme manager considers appropriate.

[Regulation 161(2)] - If the appellant withdraws the appeal requesting cancellation, postponement or adjournment of the date appointed for interview and/or medical examination less than 22 working days before the date appointed, the scheme manager can require the member to pay it such sum not exceeding the total amount of the fees and allowances payable to the board under Regulation 160(1) as the scheme manager considers appropriate. [Regulation 161(3)(a)]

If the appellant's acts or omissions cause the board to cancel, postpone or otherwise adjourn the date appointed or interview and/or medical examination less than 22 days before the date appointed, the scheme manager can require the member to pay it such sum not exceeding the total amount of the fees and allowances payable to the board under Regulation 160(1) as the scheme manager considers appropriate. [Regulation 161(3)(b)]

Regulation 160(1) / 161(2) / 161(3)(a) / 161(3)(b) - Agreed

Appeals on other issues (Regulation 163)

If a member disagrees with a scheme manager's determination of award under Regulation 151 and the disagreement does not involve an issue of a medical nature, the member can require the scheme manager to deal with the disagreement under requirements which the scheme manager must have in place in accordance with section 50 of the Pensions Act 1995 (requirement for dispute resolution arrangements) and the Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008. [Regulation 163]

HFRA` agreed IDR procedure will be followed

Commutation of small pensions (Regulation 167)

If the pension entitlement of a member of the scheme, or the pension entitlement of a member's beneficiary, does not exceed the small pensions commutation maximum the

scheme manager may pay the entitlement as a lump sum. This would, however, be subject to the consent of the recipient and must comply with the commutation provisions that apply in the circumstances. [Regulation 167(3)]

Agreed

Payments for persons incapable of managing their affairs (Regulation 168)

If it appears to the scheme manager that a person other than an eligible child who is entitled to benefits under the scheme, is by reason of mental incapacity or otherwise, incapable of managing his or her affairs, the scheme manager may pay the benefits or any part of them to a person having the care of the person entitled, or such other person as the scheme manager may determine, to be applied for the benefit of the person entitled. If the scheme manager does not pay the benefits in this way, the scheme manager may apply them in such manner as it may determine for the benefit of the person entitled, or any beneficiaries of that person. [Regulation 168]

Agreed

Payments due in respect of deceased persons (Regulation 169)

If, when a person dies, the total amount due to that person's personal representatives under the scheme (including anything due at the person's death) does not exceed the limit specified in the Administration of Estates (Small Payments) Act 1965, the scheme manager can pay the whole or part of the amount due to the personal representatives or any person or persons appearing to the scheme manager to be beneficially entitled to the estate, without requiring the production of grant of probate or letters of administration. [Regulation 169]

Agreed

Forfeiture: offences committed by members, surviving partners or eligible children (Regulation 171)

If a member, surviving partner or eligible child is convicted of a relevant offence, the scheme manager can withhold pensions payable under the scheme to a member, any person in respect of the member, a surviving partner or an eligible child, to such extent and for such duration as it considers appropriate. "Relevant offence" is defined in this Regulation. The definition includes offences injurious to the State (including treason) or likely to lead to a serious loss of confidence in the public service. There are certain conditions set out in the Regulation, e.g. it is only the part of the pension that exceeds any guaranteed minimum pension that can be withheld. [Regulation 171(1), (2), (3) and (5).]

Where a pension is withheld, the scheme manager can at any time, and to such extent and for such duration as the manager thinks fit, apply the pension for the benefit of any dependant of the member or restore it to the member. [Regulation 171(4)]

Any withholding of pension, under these circumstances, will be agreed by the Chief Officer, in liaison with directors.

(Info only - <http://www.kentpensionfund.co.uk/firefighter/firefighters-pension-scheme-1992-fps-1992/pensioner-member-receiving-a-pension/guaranteed-minimum-pension-gmp> provides a useful explanation on `guaranteed minimum pension`)

Forfeiture of pensions: offences committed by other persons (Regulation 172)

If a surviving partner or eligible child is convicted of the murder of a scheme member from whose benefits their pension would be derived the scheme manager must withhold all of the survivor's or child's pension otherwise payable. However, if a surviving partner or eligible child is convicted of the manslaughter of the member or any other offence, apart from murder, of which the unlawful killing of the member is an element, the scheme manager has discretion as to whether or not to withhold the pension to which they would otherwise be

entitled. The amount withheld must only be that part of the pension which exceeds any guaranteed minimum pension. If the conviction is subsequently quashed, the pension must be restored with effect from the day after the date on which the member died. If, after the conviction has been quashed, the person is again convicted of murder, manslaughter or an associated offence as outlined above, any restoration is cancelled.

[Regulation 172(1) to (5)]

Any withholding of pension, under these circumstances, will be agreed by the Chief Officer, in consultation with directors. Legal advice may be taken before reaching a decision.

Forfeiture of lump sum death benefit: offences committed by other persons (Regulation 173)

If a person is convicted of a relevant offence, i.e. the murder or manslaughter of the member, or any other offence of which the unlawful killing of the member is an element, the scheme manager must withhold all of any lump sum death benefit payable to that person. If, however, the conviction is subsequently quashed on appeal, the scheme manager may, to such extent and for such duration as it thinks fit, restore to the person the amount of benefit withheld. If, after the conviction has been quashed, the person is again convicted of murder, manslaughter or an associated offence as outlined above, any restoration is cancelled.

[Regulation 173]

A decision will be made by the Chief Officer, in consultation with directors. Legal advice may be taken before reaching a decision.

Forfeiture: relevant monetary obligations and relevant monetary losses (Regulation 174)

If a member has a relevant monetary obligation or has caused a relevant monetary loss, the scheme manager may, to such extent and for such duration as it considers appropriate, withhold benefits payable to that person under the scheme. "Relevant monetary obligation" and "relevant monetary loss" are defined in the Regulation. There are certain limits, e.g. the amount withheld may only be that which exceeds the person's guaranteed minimum pension and the scheme manager may only withhold it if there is no dispute about the amount or, if there is, there is a court order or the award of an arbitrator. The monetary obligation must have been incurred to the employer after the person became an active member and arising out of or connected with the scheme employment in respect of which the person became a member of the scheme, and arising out of the person's criminal, negligent or fraudulent act or omission. The procedure is set out in Regulation 176. [Regulation 174]

Any withholding of pension, under these circumstances, will be agreed by the Chief Officer, in consultation with directors.

Set-off (Regulation 175)

A scheme manager has discretion to set off a "relevant monetary obligation" against a member's entitlement to benefits under the scheme, subject to certain conditions which are similar to those contained in Regulation 174 (Forfeiture). The procedure is set out in Regulation 176. [Regulation 175]

Any withholding of pension, under these circumstances, will be agreed by the Chief Officer, in consultation with directors.

Payment on behalf of members of lifetime allowance charge (Regulation 178)

At a scheme member's request the scheme manager may pay, on the member's behalf, any amount that is payable by way of the lifetime allowance charge under section 214 of the Finance Act 2004. The scheme manager may only comply with the request if the member pays the amount in question on or before the date on which the event occurs or the member authorises the deduction of the amount from a lump sum becoming payable to the member under the scheme at the same time as the event occurs. [Regulation 178]

This will be considered by the Chief Officer and directors on a case-by-case basis

Evidence of entitlement (Regulation 184)

The scheme manager can require any person who is in receipt of a pension or may have entitlement to a pension or lump sum under the scheme to provide such supporting evidence as the scheme manager may reasonably require so as to establish the person's identity and their continuing or future entitlement to the payment of any amount under the scheme. [Regulation 184(1) and (2)]

If a person fails to comply with the scheme manager's requirements in this respect, the scheme manager can withhold the whole or part of any amount that it otherwise considers to be payable under the scheme. [Regulation 184(3)]

Regulation 184(1) and (2) / Regulation 184(3) - Agreed

Amount of accrued added pension may not exceed overall limit of extra pension (Schedule 1 Part 1, Paragraph 4)

The total amount of accrued added pension must not exceed a certain limit. If it appears to the scheme manager that a member who has elected to make periodical contributions will exceed the limit the scheme manager may cancel the election (by written notice to the member). [Schedule 1 Part 1, Paragraph 4]

Agreed

Member's election to make periodical contributions for added pension (Schedule 1 Part 1, Paragraph 7)

If a scheme member wishes to make periodical payments for added pension, the scheme manager can set a minimum amount which must be paid. [Schedule 1 Part 1, Para 7(3)]

Agreed and the Scheme Manager will liaise with the IBC Employers Pensions Admin Team before a method of payment is agreed.

Periodical payments (Schedule 1 Part 2, Paragraph 8)

If a scheme member wants to make periodical payments for added pension, but does not want them to be deducted from pensionable pay, the scheme manager may agree another method of payment. [Schedule 1 Part 2, Paragraph 8 (3)]

Agreed.

Periodical payments during periods of assumed pensionable pay (Schedule 1 Part 2, Paragraph 10)

After a period of assumed pensionable pay or a period of reduced pay, the member may give written notice to the scheme manager authorising the employer to deduct the aggregate of payments – which would have been made but for the leave – from the member's pay during the period of six months from the end of the period of reduced pay. The scheme manager can extend this period of six months. [Schedule 1 Part 2, Paragraph 10(4)]

Agreed.

Meaning of "tapered protection closing date" (Schedule 2 Part 1, Paragraph 3)

1992 Scheme - *The tapered protection closing dates for tapered protection members are given in the 1992 scheme tables in Schedule 2 Part 4. In most cases the appropriate closing date can be ascertained by reference to the band of dates in which the firefighter's birthday falls.*

2006 Scheme - *The tapered protection date for a tapered protection member of FPS 2006 to whom paragraph 9(5) or 21 applies (members returning to pensionable service) is determined by the scheme manager. [Schedule 2 Part 1, Paragraph 3(3); Schedule 2 Part 2, Paragraph 9(5); and Schedule 2 Part 3, Paragraph 21]*

Agreed.

The Firefighters Pension Scheme Discretionary Policies - 2006 and 1992

PART 2 The Firefighters' Pension Scheme (England) Regs 2006 & 1992

SCOPE Part 2 applies to all firefighters who are members of 'The Firefighters' Pension Scheme (England) Regulations 2006 or 1992'.

Temporary Pay	<ul style="list-style-type: none"> • 1992 Scheme - (Amendment) (No.2) (England) Order 2013 • 1992 Scheme – SI 2013/1392 • 2006 Scheme – SI 2013/1393 	<p>HFRA has determined that temp. promotion, effected after 1 July 2013, will no longer be pensionable, however, APBs (Additional Pensionable Benefits) can accrue for those in the 1992 Pension Scheme who are on Temporary Promotion.</p>	
Abatement	<ul style="list-style-type: none"> • 1992 Scheme -Reg. K4 • 2006 Scheme Reg. Part 9 Rule 3. 	<p>It is HFRA`s policy not to re-engage staff except in exceptional circumstances and only on a temporary basis for a maximum of 12 months. This excludes RDS roles where separate arrangements exist.</p> <p>The abatement of pension, on a £ for £ basis, will apply where earnings + pension in the new role exceed earnings in the previous role.</p>	
Medical required for purchase of 60ths	<ul style="list-style-type: none"> • 1992 Scheme - Reg G6 	No medical is required	
Ceasing purchase of 60ths on the grounds of Financial hardship	<ul style="list-style-type: none"> • 1992 Scheme Reg. G7 • 2006 Scheme Reg Part 11 Rule 8 (1) & (2) 	Will grant a request in accordance with the 2006 Regulations - any period of greater than 6 months will result in cancellation of the additional purchase election.	
Allow full 25% commutation where normally this would be 2.25 x annual pension	<ul style="list-style-type: none"> • 1992 Scheme(Amend.) (No.2)(England) Order 2013 • 1992 Scheme - SI 2013/1392 • 2006 Scheme – SI 2013/1393 	<p>If an employee is over 50 but below 55 years of age and has over 25 but less than 30 years' pensionable service, the lump sum must not be greater than 2.25 times the pension before commutation. For employees who meet one of the following criteria, the maximum commutation is 25% of pension: i) with an ill health pension; ii) with an age retirement based on 30 years' pensionable service;</p>	<p>Discretion will be considered on a case-by-case basis. The cost to HFRA would not normally exceed any statutory or enhanced redundancy pay where relevant and should result in associated savings from the</p>

		iii) with a deferred pension, or iv) at or after normal pension age (55)	resultant decrease in salary costs.
Unpaid absence - employer contributions	<ul style="list-style-type: none"> • 1992 Scheme 2008 consolidation F2 (4) • 2006 Scheme - Reg. Pt 11, Rule 9, para.4(c) 	<p>Illness and injury – HFRA agree to delegate the authority to the Chief Officer, in consultation with the Head of Finance, to consider each case on an individual basis to determine whether the individual or the employer pay the employer contributions.</p> <p>Trade dispute - Members will be required to pay the employers contributions in accordance with regulation 117(3) in all cases of active member pension buy back involving trade dispute(s) (unless exceptionally agreed differently by the Chief Officer).</p> <p>Authorised unpaid absence - HFRA agree to delegate the authority to the Chief Officer, in consultation with the Head of Finance, to consider each case on an individual basis to determine whether the individual or the employer pay the employer contributions.</p> <p>For all cases, contributions must be paid within 6 months of the employer requesting the money and at the rate of pay applicable to the period of time. The employer will normally make the request for the monies within 6 months of the absence/dispute ending.</p>	
Extension of time limits - transfer outs	<ul style="list-style-type: none"> • 1992 Scheme - Reg. F9 (5) • 2006- Scheme Reg. Pt 12, Rule 3 	HFRA has chosen not to set a time limit by which you must ask to transfer your HFRA pension into another provider’s scheme. There will be no cost to you for HFRA providing this information to your new provider	
Incapacity	<ul style="list-style-type: none"> • 1992 Scheme K1 (1 -3) • 2006 Scheme - Reg. Part 9 Rule 1 	Refer to the ‘Firefighters Ill Health Retirement Policy and Injury Award Review Policy’.	
Ill Health / Injury Reviews	<ul style="list-style-type: none"> • 2006 scheme -Reg.Pt 8 Rule 3 	Refer to the ‘Firefighters Ill Health Retirement Policy and Injury Award Review Policy’.	
Ill Health / Injury Appeals	<ul style="list-style-type: none"> • 2006 Scheme - Reg. Part 8, Rule 4 • 1992 Scheme - Schedule 9 Part 1 Annex 2 	Extensions to timescales for appeals will not normally be agreed. However, there may be exceptional or compassionate grounds and on these occasions a decision will be made on a case-by-case basis after seeking advice from the (Senior) HR Business Partner.	
Ill Health / Injury Appeals	<ul style="list-style-type: none"> • 1992 Scheme, Schedule 9 Part 1, Para. 8 • 2006 Scheme, Annex 2, Para. 10 	HFRA would not expect the individual to pay the cost for referral to the Medical Appeal Board. However, if their claim is found to be “frivolous, vexatious or manifestly ill founded” (in liaison with the (Senior) HR Business	

		Partner and sometimes by taking legal advice or advice from Occupational Health), or if they withdraw their appeal within 21 days of the interview, or medical examination, and a cost is incurred HFRA will recover this cost from them.	
Repayment of Widow's pensions	<ul style="list-style-type: none"> 1992 Scheme C9 	Under the 1992 Scheme a person entitled to a widow's pension who marries, remarries, forms a civil partnership or a subsequent civil partnership is not entitled to receive any payment on account of the pension in respect of any subsequent period; but if the marriage or civil partnership is dissolved or the other party to it dies the fire and rescue authority may pay the whole or any part of then pension for such period after the dissolution or death as they think fit.	HFRA will determine on a case-by-case basis whether to re-instate a widow's pension upon the subsequent death of the latter spouse / civil partner or dissolution of that latter marriage /civil partnership
Payment of children's pensions	<ul style="list-style-type: none"> 1992 Scheme - Reg.D(5) & (3) 	HFRA would not automatically reinstate a child's pension to a child age 17 or over, where there has been a break in full time education. Each would be reviewed on a case-by-case basis	
Payment of children's pensions	<ul style="list-style-type: none"> 1992 Scheme - Reg L5(1) 2006 Scheme, Part 14, Rule 5 	Should you die and your child be left with no surviving parents, HFRA may pay the benefits or any part of them to the person having the care of the child, or such other person as the Scheme Manager may determine, to be applied for the benefit of the child. If the Scheme Manger does not pay the benefits in this way, the Scheme Manager may apply them in such manner as they may determine for the benefit of the child.	
Payment of children's pensions	<ul style="list-style-type: none"> 1992 Scheme, Reg. D5(4) (c) & 3(a) 2006 Scheme,Part 4, Rule 7 	Should you die and leave a permanently disabled child, HFRA will determine the eligibility of their pension at this point. HFRA will ascertain, through the child's GP, whether their condition requires reassessing and at what intervals. If the child is no longer assessed as being permanently disabled, HFRA would cease payment of the child's pension. There may be exceptional or compassionate grounds where this may be re-considered depending on the circumstances of the case	
Spouse's Pension on	<ul style="list-style-type: none"> 1992 Scheme, Reg.C8 (6 & 7) 	1992 Scheme only - If there is evidence that the individual is permanently separated from	

living apart		<p>their spouse and living apart (although not legally divorced) at the time of their death, their spouse would be entitled to a benefit payable at the rate of 1/160th of their average pensionable pay at the date of death for each year of service after 1978 (which is known as a requisite benefit).</p> <p>If they have remained financially dependent on them, they may be entitled to a higher benefit. HFRA would review this on a case-by case basis.</p>
Incapacity	<ul style="list-style-type: none"> • 1992 Scheme - Reg. K1A(2) • 2006 Scheme Part 9, Rule 3 	<p>If the IQMP recommends that the individual is now capable of carrying out the duties of their previous role, there is no automatic entitlement to be offered employment by HFRA. Each case will be referred to the Chief Fire Officer who will consult with directors before reaching a decision.</p>
Trivial commutation	<ul style="list-style-type: none"> • 1992 Scheme Reg B8, E5 & E7 • 2006 Scheme Part 3, Rule 10 	<p>If, upon retirement, the individual's pension is under the HMRC limits (less than 1% of the Life Time Allowance (LTA), HFRA will normally pay the pension in full, as a one-off lump sum. No further pension payments would be payable.</p>
Dependent relative's gratuity (Reg. E3 FPS)	<ul style="list-style-type: none"> • 1992 Scheme Reg.E3 	<p>HFRA does not normally approve payment to a dependent relative, other than that set out by the pension scheme. There may be exceptional or compassionate grounds where this may be considered by the Chief Officer, in consultation with directors.</p>
Overpayments on death of pensioner	<ul style="list-style-type: none"> • 2006 Scheme Reg Part 14, Rule 3 	<p>Where a person dies after receiving a payment, in advance, in respect of a pension or allowance, no claim for repayment shall be made.</p> <p>HFRA would normally seek recovery of any overpayment of £100+ for any period after the initial advance payment.</p>
Normal retirement	<ul style="list-style-type: none"> • 1992 Scheme Reg. 1(2)(b) 	<p>1992 Scheme - To be eligible to retire under the 1992 Scheme, you must be:</p> <ul style="list-style-type: none"> • aged 55 or over with at least 2 years' service, or • aged between 50 and 55, with at least 25 years' service. <p>In both cases you must receive permission from the Chief Officer to retire.</p> <p>2006 Scheme - To be eligible to retire under the 2006 Scheme, you must:</p> <ul style="list-style-type: none"> • be aged 60 or over, with at least 3 months'

		<p>service; or</p> <ul style="list-style-type: none"> aged between 55-60 <p>In both cases you must receive permission from the Chief Officer to retire.</p>	
Member initiated early retirement	<ul style="list-style-type: none"> 2006 Scheme Reg. Part 3, Rule 5 	Under the 2006 Scheme, agreed retirement between 55 and 60 is referred to as “member initiated retirement”; benefits will be actuarially reduced to take into account the fact that the benefits will be paid for a longer period.	
HFRS initiated early retirement	<ul style="list-style-type: none"> 1992 Scheme - Reg. A14 2006 Scheme - Part 3, Rule 6 	If the individual is retired on the grounds of efficiency of the service and is aged 50 with at least 25 years’ service in the 1992 Scheme or aged 55 and over in the 2006 Scheme, they will have an automatic entitlement to payment of their pension benefits with no reductions.	
Survivor Pension	<ul style="list-style-type: none"> 2006 Scheme Reg Part 4, Rule 1 	If the retiree’s spouse is convicted of the retirees manslaughter, HFRA may seek to reduce the value of their spouse’s pension benefits depending on the circumstances of the case.	
Family Friendly Leave (ext. of time limits to repay contributions).	<ul style="list-style-type: none"> 1992 Scheme - Reg. G2A (3) 2006 Scheme Part 11, Rule 4 	<p>The individual can choose to pay contributions for the period of their unpaid family friendly leave.</p> <p>For the period to count towards scheme membership the individual must choose to do this within 30 days of either a) the day on which they return to work, or b) if they do not return to work, the day they cease to be Employed.</p> <p>Exceptionally the 30 day time limit may be extended by the Chief Officer, in consultation with directors.</p>	
Maternity & Adoption Leave - (deduction from death grant)	2006 Scheme, Reg Part 11, Rule 4	<p>2006 scheme only - Deduction of contributions in respect of unpaid additional maternity or adoption leave from the death grant, without giving notice within the election time limit</p>	To be considered on a case-by-case basis
Ill Health Pension	<ul style="list-style-type: none"> 1992 Scheme Reg K3(1) 	Where a firefighter has wilfully contributed to their condition or knowingly disregards medical advice and contributes to their ill-health, HFRA may reduce the level of an ill-health pension to not less than half of the full amount. The Chief Officer, in consultation with directors, will consider each ill health retirement on a case-by-case basis.	
Purchase of previous service	<ul style="list-style-type: none"> 1992 Scheme Reg Schedule 6 Part 1 	If the individual is re-paying by regular instalments and there are outstanding payments at the time of retirement, this	

- outstanding contributions		amount will be deducted from the commuted lump sum
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Policy Governance	

Hantsfile reference:	
Date shared with trade unions:	
Date of publication:	
Planned review date:	As requested by either the Chief Officer or Trade Union / Professional Organisation representative
Version:	Draft for consultation
Owner:	HR Pay and Reward Team
Potential Equality Impact Assessment	

Firefighters of non Hampshire Fire and Rescue Service bodies are excluded from this policy and should refer to their own employer's policies and procedures.

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Hampshire Fire and Rescue Authority

Standards and Governance Committee

23 March 2017

New policy – Retired Firefighters Re-employment, Re-engagement and Pensions Abatement Policy

Report of the Chief Financial Officer

Contact: Melanie Swain, Strategic HR Adviser HR Tel: 023 80 383337

1 Summary

- 1.1 HFRA do not currently have a policy on the re-employment or re-engagement of Firefighters following retirement (and any impact on their tax and pension). It has been identified as a need to clarify the local position, particularly in light of some high-profile national cases involving tax and public perception, particularly in relation to senior staff.

The Home Office has recently released the consultation document **Re-engagement of Senior Fire Officers Post-retirement**. Consultation ends 4th April 2017. The attached Policy reflects key recommendations within the consultation document.

2 Recommendations

- 2.1 That HFRA's **Retired Firefighters Re-employment, Re-engagement and Pensions Abatement Policy** is agreed.

3.0 Financial implications of any changes

- 3.1 No particular financial implications to note.

4.0 People Impact Assessment

- 4.1 Drawing up the policy ensures a consistent and considered approach is applied when considering the re-employment or re-engagement of retirees who are accessing their Firefighter's pension.

5.0 Consultation

- 5.1 Heads of service, directors and local unions have been consulted.

6.0 Attached Papers

- 6.1 HFRA - **Retired Firefighters Re-employment, Re-engagement and Pensions Abatement Policy**

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Hampshire Fire and Rescue Authority

Retired Firefighters Re-employment, Re-engagement and Pensions Abatement Policy

Scope	<p>Re-employment – HFRA will permit retired employees to apply for vacancies, through an open recruitment process, provided the role is fundamentally different from the post from which they retired. Where there is doubt, advice will be sought from the Director of Professional Services (in liaison with the HR Business Partner).</p> <p>Re-engagement – Only in very exceptional circumstances will a retired employee be temporarily re-engaged (up to a maximum of 12 months with no further re-engagement beyond this), into the role they were undertaking prior to their retirement and only with the express agreement with the Chief Officer, in consultation with directors.</p> <p>RDS – Retired employees may undertake an RDS role, providing they meet the required criteria, irrespective of whether or not they were undertaking this role immediately prior to retirement.</p> <p>This policy applies to all HFRA employees and retired staff coming from other public sector employments.</p>
Policy outcomes	<p>The aims of the policy are to:</p> <ul style="list-style-type: none">• provide information to individuals thinking about paid employment post-receipt of their pension• define the pension abatement rules• set out the potential implications of re-employment for individuals in the 1992 Firefighters Pension Scheme who retire with a Pension Protection Age (PPA) between the ages 50-55.

Re-employment and Re-engagement

<p>Undertaking an RDS role post-retirement</p>	<p>Undertaking an RDS role at the time of retirement If the employee has multiple Grey Book contracts (including RDS) at the time of employment, the employee must resign from all those contracts (including the RDS role) and there must be a clear gap of a calendar month and a day. The individual can re-join as an RDS employee after one calendar month and 1 day has elapsed (linked to tax rules) and only requires the agreement of the Group Manager.</p> <p>Not undertaking the role of RDS at the time of retirement If the individual wishes to become an RDS employee following retirement and was not in this role at the time of retirement, they must apply for any RDS vacancies, through the normal recruitment procedure. There must still be a gap of a minimum one calendar month and 1 day before employment starts.</p>
<p>Re-employment in a substantially different role, post-retirement</p>	<p>All recruitment will be through an open-recruitment process as and when vacancies arise and the successful candidate will be paid in accordance with the terms and conditions of the role.</p>
<p>Re-engagement</p>	<p>Members of the Firefighter`s pension scheme (excluding Brigade managers)</p> <p>Temporary re-engagement may very exceptionally be agreed when:</p> <ul style="list-style-type: none"> • a post has been advertised internally and externally; it has not been possible to fill it as a result of a lack of skills / experience / knowledge and; the role is considered essential to the delivery of the service and the retiree has the skills, knowledge and experience needed. • an individual is working on a particular project at the point of retirement, which is near to completion, and their skills and knowledge are needed to complete the project. <p>Any decision to temporarily re-engage must take into account previous work record, skills, qualifications, experience, fitness,</p>

	<p>attendance.</p> <p>A temporary re-engagement will not exceed a total of more than 12 months. There will be no further period of re-engagement.</p> <p>On these occasions the Chief Officer, in consultation with directors, must agree to the temporary re-engagement before any offer is made.</p> <p>Brigade managers</p> <p>Any temporary re-engagement of a Brigade Manager, should be:</p> <ul style="list-style-type: none"> • exceptional • agreed by the Authority by way of a vote of the elected members of HFRA • in the interest of public safety <p>Where HFRA temporarily re-engages a Brigade Manager, they should publish the reason for this</p> <p>The Brigade Manager`s pension will be abated during the period of temporary re-engagement</p> <p>The Chief Officer will keep a record of any re-engagements agreed and the reason for this.</p>
<p>No automatic right to temporary re-engagement or re-employment</p>	<p>There is no automatic right to temporary re-engagement or re-employment following retirement, consequently, there is no right of appeal.</p>
<p>2006 & 2015 Schemes - Break in service before RDS, re-employment or temporary re-engage can start</p> <p>1992 Scheme - Break in service and other important info. for Scheme members</p>	<p>2006 and 2015 Pension Scheme</p> <p>For retirees in the 2006 and 2015 Firefighter`s Pension Schemes a break of one month is needed (HFRA require one calendar month and 1 day).</p> <hr/> <p>1992 Pension Scheme</p> <p>From 6 April 2010, retirees in the 1992 Firefighter`s Pension Scheme who retire between the ages of 50-55 and have achieved a minimum 25 years at the time of retirement receive a</p>
<p>HFRA Firefighters Re-employment, Temporary Re-engagement and Pensions Abatement Policy – Draft 4 – 24 Feb. 2017</p> <p style="text-align: right;">Page 3 of 6</p>	

	<p>PPA (personal protection age) from HMRC. In order not to break the PPA and incur significant tax penalties on both the pension and lump sum when carrying re-employed or temporarily re-engaged, a number of conditions must be met:</p> <p><i>There must be:</i></p> <ul style="list-style-type: none"> • At least 6 calendar months’ break in service from the same employer, sponsoring employer* or anyone connected with the employer, or • At least 1 calendar month and 1 day’s break in service from the same employer,(or sponsoring employer*, or anyone connected with the employer); and either <ul style="list-style-type: none"> ○ The new employment is materially different from the previous employment (legislation is silent on the definition of “materially different” and HMRC advise that the normal meaning should be applied. FPS Guidance note 1/2010; or ○ The Scheme rules provide for abatement (<i>which the HFRA Pension Scheme does and we are advised by HMRC that this satisfies the abatement requirement</i>); or ○ Is re-called by the Armed Forces <p><i>*HFRA’s interpretation of a “sponsoring employer” in this context is the relevant employing authority, whether a fire and rescue authority or county council.</i></p> <p>The 1992 firefighter’s pension payments will be abated if the new salary and pension exceed the salary they were on at the point of retirement.</p> <p>Those with PPA are responsible for obtaining their own independent advice on tax and other financial implications of re-employment. They must write to confirm they have taken independent advice. HFRA will not accept liability for tax or other financial charges incurred by individuals.</p> <p>Whether abatement is actually applied is not material. Under Rule K4 of the FPS, a Fire Rescue Authority has the discretion to abate where a person entitled to a pension is employed as a regular Firefighter</p>
Effect of break in	Taking the required break before being re-employed or

service on terms and conditions	<p>temporarily re-engaged will break all previous continuous service for annual leave / sick leave / CPD and other key terms. Pay and terms and conditions will be in accordance with the normal rules for a new starter.</p> <p>The individual will be entitled to join the 2015 Firefighters' Pension Scheme or the Local Government Pension Scheme depending on the role they are in and provided they meet the membership criteria.</p>
Support	<p>Queries should be directed to your line manager, in the first instance.</p> <p>Trade union or professional association representatives may provide additional support to their members.</p>
Roles and Responsibilities	<p>Firefighters Pension Board – The role of the Pension Board is to assist the Scheme Manager in complying with the scheme regulations, all legislative requirements and with any matters imposed by the Pension Regulator; making sure the scheme is being effectively and efficiently governed and managed.</p> <p>Senior HR Business Partner – has overall responsibility for ensuring the policy is up-to-date and in-line with employment / pensions legislation.</p> <p>Line managers, Human Resources, Trade Union Representatives are responsible for providing guidance to employees on the application of this policy.</p> <p>Firefighters – considering re-employment/ re-engagement within a local government setting are responsible for obtaining their own independent advice on tax and other financial implications of re-employment. HFRA will not accept liability for tax or other financial charges incurred by individuals.</p>

Policy Governance

Hantsfile reference:	
Date shared with trade unions:	

Date of publication:	
Planned review date:	Where there is a statutory change or at the request of management or unions
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Owner:	HR Operations
Potential Equality Impact Assessment	medium

Hampshire Fire and Rescue Authority

Standards and Governance Committee

23 March 2017

Pensionable Allowances (Additional Duty / Training)

Report of the Chief Financial Officer

Contact: Melanie Swain, Strategic HR Adviser HR Tel: 023 80 383337

1 Summary

- 1.1 As a result of an earlier legal case - Norman V Cheshire Fire and Rescue Services 2011, all Fire and Rescue Authorities (FRA) have been reviewing their local allowances to confirm whether or not their current pensionable or non-pensionable status should change.
- 1.2 In 2016, the Local Government Association (LGA) advised that there is not a 'one-size-fits-all' solution for all FRAs across the country and each service should reach its own conclusion looking at contracts of employment, local policies and custom and practice.
- 1.3 HFRA has previously reviewed all of its allowances except 'Additional Responsibility Allowances' and the '10% Training Allowance'. This Paper deals with these last remaining allowances.

2 Recommendations

2.1 **10% Training Allowance - Substantive trainers**

Becomes pensionable from 1st April 2017.

As an exception, current substantive trainers may apply to have the Training Allowance backdated and treated as a pensionable emolument to 1st April 2016.

10% Training Allowance - Temporary promotion trainers

2015 pension scheme – Non-pensionable under pension scheme rules

2006 and 1992 pension scheme – Becomes pensionable from 1st April 2017 but is included as part of the Additional Pensions Benefit (APB) calculation (to be consistent with the approach taken with RDS payments last year).

- 2.2 All current **Additional Duty Responsibility Allowances** continue to be paid as non-pensionable. Any new ARAs developed to be assessed for pensionable status against the Blackburne Principles.

3 Introduction and background

- 3.1 The legal case 'Norman v Cheshire Fire and Rescue Service' surrounded the issue of pensionable pay and the interpretation of Rule G1 of the 1992 Firefighters' Pension Scheme. The case was heard in October 2011 and the Judgment made public December 2011.
- 3.2 The case was raised by Mr Norman, a firefighter with Cheshire FRA. Mr Norman retired in 2008 and said that his pension should have been higher and that his day-crewing allowance and RDS payment should have been pensionable.
- 3.3 However, in October 2007, the terms and conditions of pay for retained officers in Cheshire FRA changed and Mr Norman believed that he lost out in pension pay as a result. Cheshire FRA chose not to appeal against the decision.
- 3.4 The outcome of the case was that, under Rule G1, the consolidated pay received by Firefighters working the Day Crewing system in Cheshire fell within the meaning of pensionable pay. Additionally, that flexible duty pay payable to Officers working the Flexible Duty System and London Weighting is pensionable.
- 3.5 The judge referred to an earlier case and stated that the Blackburne Rules should be considered when determining which allowances should be pensionable.
- 3.6 As a result of this case, FRAs across the country have subsequently been reviewing their own allowances paid to Firefighters to determine whether they should be pensionable or not, using the Blackburne Principles.
- 3.7 A number of Fire Authorities chose not to look at the matter until central advice was provided by the Local Government Association. In 2016, a workshop was held for Authorities but the conclusion was that it was for individual fire authorities to determine their own rules recognising local precedent and application.

4 The Blackburne Principles*

- 4.1 A payment should be deemed pensionable if it is:
 - A. a regular payment (not one-off or episodic in nature)
 - B. a payment entitled to under the contract of employment
 - C. payable at a rate applicable to the role (is an additional amount calculated as a percentage increase in the individual`s salary)
 - D. Is paid in the ordinary course of fulfilling their duties (so not an exceptional payment related to a special event or circumstance)
 - E. Has something of a permanent nature (not only payable if called upon)

See end of report for assessment of allowances against Blackburne Principles

* From Mr Justice Blackburne in the case of Kent & Medway Towns –v- Pensions Ombudsman & another [2001] OPLR 357

5 Current status of the HFRA's 10% Training Allowance and ARA's

5.1 10% Training Allowance

The allowance is calculated as 10% of the recipient's basic salary and is

contractual (referenced in the Statement of Particulars). The training duties carried out are intrinsic to the job role and are non-discretionary. The Allowance is paid to trained firefighters who carry out the role of Instructor as part of their role.

There is no reference in the Grey Book¹ to the treatment of a 10% Training Allowance.

¹ *The Grey Book is a national set of T&Cs for those eligible to join the Firefighters' Pension Scheme. The Grey Book has not been updated for a number of years and can no longer be relied upon to provide accurate guidance.*

Additional Responsibility Allowances (ARAs)

5.2 There is no reference to ARAs within the Statement of Particulars.

5.2.1 There is no automatic entitlement to an ARA.

5.2.2 ARA duties are voluntary and outside the substantive role-map. Unlike the Training Allowance, they are non-compulsory, not part of the written statement of particulars and are not linked to the recipient's basic pay. The payment for a particular 'Additional Responsibility' is fixed over the year, divided into 12 and paid monthly.

5.2.3 Additional responsibility duties enable individuals to train in new skills and therefore provides job enrichment to those who volunteer to undertake them.

5.2.4 The service requires a certain number of additional responsibilities to be carried out in any one year, dependent on service need and determined by the Training Department. Invariably more staff volunteer and are trained in additional responsibilities than positions exist during any given year.

5.2.5 It is custom and practice for the staff to take on a responsibility for a fixed period (usually 12 months) before handing over the responsibility to a colleague for the following year. Hazemat and DIM responsibilities may be held for longer as they are undertaken by Station Managers and therefore there is a smaller pool of volunteers to undertake the role, however, the same assessment applies as the other ARAs in all other respects. Staff can choose to stop an additional responsibility at any time during the year, if they no longer want to undertake it, and the responsibility simply transfers to a suitably qualified colleague. This process enables all eligible and interested personnel to gain valuable experience.

5.2.6 **Amounts payable, subject to authorisation from the Training Team, are as follows:**

Additional Responsibilities	Monthly	Annual
FF Instructor	£22.09	£265.00
2 x FF Instructor qualifications	£33.13	£397.56
National Vocational Qualification (NVQ) A1 Assessors	£17.92	£215.00
National Vocational Qualification (NVQ) V1 Assessors	£22.09	£265.00
Hazardous materials	£22.09	£265.00
Hazardous materials & Detection / Identification and Monitoring (DIM) vehicles	£26.25	£315.00
Fire Investigation	£42.92	£515.00
Co-Responders	£26.25	£315.00
Marine Instant Response Group	£22.09	£265.00
Officer in Charge – Retained Duty System (RDS) Stations	£26.25	£315.00

5.2.7 The Grey Book states that “*An employee may be paid an allowance or allowances to reward additional skills and responsibilities that are applied and maintained outside the requirements of the role but within the job function. Payments will be based on the requirements of the fire and rescue authority’s Integrated Risk Management Plan and may include payment for skills’ shortages where these are directly applicable to the delivery of the Integrated Risk Management Plan.*”

5.2.8 It goes on to state that “*The maximum payable to any individual employee will be determined locally. Additional responsibility payments are temporary and non-pensionable and may be withdrawn following reasonable notice from the fire and rescue authority*”.

6.0 **Discussion and Recommendation**

6.1 Fire and Rescue Services who have already gone through the process of reviewing all their allowances have implemented changes from different dates and based decisions based on local circumstances and precedent.

6.1.1 **Substantive trainers**

That the 10% Training Allowance, paid as a percentage of basic pay, changes from non-pensionable to pensionable for substantive trainers with effect from 1st April 2017. Exceptionally, current substantive trainers may apply to have the Training Allowance backdated and treated as a pensionable emolument to 1st April 2016 (1 full calendar year). To exercise this option the employee will be required to make a ‘one-off’ payment of the additional pension contributions relating to the 10% training allowance paid over the 12 month period (1st April 2016 to 31st March 2017). No part year backdating is permissible.

6.1.2 **Temporary Trainers (resulting from temporary promotion)**

2015 pension scheme – Under the rules of the national scheme, allowances cannot be pensionable, when linked to temporary promotion

2006 and 1992 pension scheme – The Training Allowance will be treated as pensionable but included as part of the Additional Pensions Benefit (APB) calculation. This arrangement provides a consistent approach to the treatment of

the RDS payments taken last year).

6.1.3 ARAs

It is recommended that the existing rules continue for ARAs whereby they remain non-pensionable. Any proposal to have made them pensionable could require the process, including selection and appointment, to be reviewed which could be disproportionate to the size of the allowances.

Any new ARAs developed in the future to be assessed for pensionable status against the Blackburne Principles.

7.0 Financial implications of any changes

7.1 The total estimated cost of the employers pension contribution are as follows:

	Estimated employer pension contribution costs
2017/18 (onwards)	6 substantive Trainers and 3 temporary promotion Trainers active in either the 2006 or 1992 Pension Scheme
10% Training Allowance	£6406 (2017/18)
One-off backdating of TA to 01.04.16 (6 substantive trainers)	£4,512
ARAs	Approx. £23,000 (although recommended that ARAs remain non-pensionable)

People Impact Assessment

The proposals, if agreed, will mean that all those in receipt of the 10% Training Allowance and who are a member of the Firefighter's Pension Scheme, will be required to pay pension contributions on their allowances from **1st April 2017**.

Consultation

Heads of Service, Directors and unions have been consulted over the contents of this Paper.

Background Papers

None

Assessment of current allowances using the Blackburne Principles

	Regular payment (not one-off or episodic)	A payment entitled to under the contract of employment	Payable as a % of base pay)	Paid as part of role map (not exceptional / related to a special event)	Has a perm. nature (not only paid if called upon)
10% Training Allowance	Yes	Yes	Yes	Yes	Yes
2 x FF Instructor quals	Payment inc.in mthly pay for up-to a yr. Individual may opt-out at any time.	Not written into contract but may be viewed as contractual as role usually held for a year	No	No - Voluntary - outside of individual`s role map	No – usually payable for a max. of one year. Individual may opt-out of role at any time.
NVQ A1 Assessors	As above	As above	No	As above	As above
NVQ V1 Assessors	As above	As above	No	As above	As above
Hazmat	Payment inc.in mthly pay.Indiv. may opt-out at any time.	Not written into contract but may be viewed as contractual as role usually held for a year or more	No	As above	Paid to Station Mgrs. (who volunteer and can opt-out at any time)
Hazmat & DIM	Payment inc.in mthly pay. ndiv. may opt-out at any time.	Not written into contract but may be viewed as contractual as role usually held for a year or more	No	As above	Paid to Station Mgrs. (who volunteer and can opt-out at any time)
Fire Investig.	As above	As above	No	As above	As above
Co-Responders	As above	As above	No	As above	As above
MIRG	As above	As above	No	As above	As above
Officer in Charge - RDS Stns.	As above	As above	No	As above	As above

By virtue of paragraph(s) 5 of Part 1 of Schedule 12A of the Local Government Act 1972.

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