

NOTICE OF MEETING

<i>Meeting</i>	HFRA Standards and Governance Committee	<i>Clerk to the Hampshire Fire and Rescue Authority</i> John Coughlan CBE
<i>Date and Time</i>	Tuesday, 11th June, 2019 2.00 pm	<i>The Castle, Winchester Hampshire SO23 8UJ</i>
<i>Place</i>	Meeting Room X, Fire and Police HQ, Leigh Road, Eastleigh	
<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 3 - 8)

To confirm the minutes of the previous meeting.

4 DEPUTATIONS

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

5 CHAIRMAN'S ANNOUNCEMENTS

To receive any announcements the Chairman may wish to make.

6 INTERNAL AUDIT PROGRESS REPORT 2018/19 (Pages 9 - 32)

To consider a report of the Chief Internal Auditor, which asks the Committee to note the progress in delivering the Internal Audit Plan for 2018/19.

7 HFRS REPORT ON MANAGEMENT ACTIONS (Pages 33 - 40)

To consider a report of the Chief Fire Officer, which asks the Committee to note the progress made towards the implementation of internal audit management actions.

8 INTERNAL AUDIT CHARTER AND INTERNAL AUDIT PLAN 2019/20 (Pages 41 - 64)

To consider a report of the Chief Internal Auditor, which asks the Committee to approve the Internal Audit Charter and the 2019/20 Internal Audit Plan for Hampshire Fire and Rescue Authority.

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.

Agenda Item 3

AT AN EXTRAORDINARY MEETING of the HFRA Standards and Governance Committee held at Fire and Police HQ, Eastleigh on Wednesday 27 February, 2019

Chairman:

* Councillor Liz Fairhurst

* Councillor Jonathan Glen

* Councillor Roger Price

* Councillor Geoffrey Hockley

* Councillor Sharon Mintoff

*Present

Also present with the agreement of the Chairman:

Councillor Chris Carter, Chairman of the Fire Authority

Councillor David Simpson, Member of the Fire Authority

59. **APOLOGIES FOR ABSENCE**

All Members were present and no apologies were noted.

60. **DECLARATIONS OF INTEREST**

Members were mindful of their duty to disclose at the meeting any Disclosable Pecuniary Interest they had in any matter on the agenda for the meeting, where that interest was not already 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.

61. **MINUTES OF PREVIOUS MEETING**

The minutes of the last meeting were reviewed and agreed, and signed by the Chairman.

62. **DEPUTATIONS**

There were no deputations for this meeting.

63. **CHAIRMAN'S ANNOUNCEMENTS**

There were no Chairman's announcements.

64. **HMICFRS ACTION PLAN REPORT**

The Committee received a report from the Chief Fire Officer regarding Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services

(HMICFRS) Action Plan Report (Item 6 in the Minute Book). It was heard that an Extraordinary meeting had been convened at the request of Members to review the proposed action plan following the previous Standards and Governance Committee meeting where Members received Her Majesty's Inspectorate (HMI) report. It was noted that Members had requested the opportunity to input and review the action plan before the formal response was submitted to HMI by the deadline of 12 March 2019.

Officers detailed the background to the action plan which addressed areas for improvement which were highlighted in the HMI report. It was explained that the Chief Fire Officer and senior management team had developed the action plan in liaison with other officers and were committed to addressing the individual areas raised by HMI with solutions that would be integrated into "business as usual". This would be closely monitored by the Service's Performance and Assurance Board, and the Standards and Governance Committee would be updated on progress at future meetings.

Officers highlighted the area for improvement as set out at page 14 of the agenda pack – 'The Service should ensure it gathers and records relevant and up-to-date risk information'. It was explained that HMI felt that there was a lack of clarity around who was responsible for this information in the Service and this would be addressed by reviewing current policies and clarifying responsibility, in addition to effectively targeting resources to risks and focussing on high risk premises. Officers clarified the issue of information held in whole-time station areas as opposed to on-call station areas. Officers also highlighted that all main appliances currently had access to up to date information through a mobile data terminal, and where relevant this was shared with neighbouring Fire and Rescue Services. It was noted this wasn't acknowledged in the HMI report. In response to Members questions, it was heard that whilst the HMI report had deemed that risk information held on some heritage sites across the county was out of date and these were seen as high-risk sites, the risk to life was very low, and it was important to factor this into analysis and response. The recent fire at the Ocado warehouse in Andover was also discussed, and the uniqueness of the building design was highlighted with its use of robotics deeming this a 'no life risk'. It was explained that this followed a national model which may need updating as a result. Members heard that an annual review of the strategic risk register was due to be considered at a future Full Authority meeting.

Another area for improvement – 'The Service should understand why it completes proportionately fewer home fire safety checks than other services' was highlighted at page 15 of the agenda pack. It was noted that whilst the number of home safety visits was comparatively low, it was important to recognise that the Service carried out more comprehensive Safe and Well visits, which were better targeted and effective, whilst enabling greater time spent with more vulnerable people. Members heard that the number of fire related injuries and deaths in Hampshire was very low which was a positive indicator that the Service was performing well in this area, but the number of Safe and Well visits would be increased to address this area of improvement. In response to Member questions, it was explained that a target number for Safe and Well visits hadn't been formulated before, so it was seen as a positive way of addressing HMI concerns, as well as targeting more vulnerable members of the population. Officers addressed Members concerns that an increase in the quantity of visits

could reduce the quality, and Officers were confident that the quality of this wouldn't suffer. At the request of Members, Officers would ensure that acronyms would not be used in the submitted plan, and the reference to 'new' in relation to the Chief Fire Officer would also be omitted.

Officers addressed the area of improvement - 'The Service should ensure it targets its prevention work at people most at risk' (page 16 of the agenda pack). It was explained that there was positive partnership working with the Hampshire Health and Wellbeing Board, and that the Service was effective at targeting the most vulnerable through aforementioned Safe and Well visits, and low numbers of fire injuries and fatalities in Hampshire. In addressing this area of improvement, Officers highlighted that the Service would review their policy and evaluate how people were targeted, with a view to demonstrate a correlation between activity and outcomes. In response to Member questions, referrals to the Service's website 'Safe and Sound' was highlighted, and information relating to fire issues on the 'Connect or Support' website would be looked into.

In relation to the area of improvement - 'The Service should evaluate its prevention work, so it understands the benefits better' (page 17 of the agenda pack), it was heard that this would be addressed through target figures for Safe and Well visits, as well as thorough evaluation of these visits in 2019/20 to ensure their effectiveness.

The impact of the Grenfell fire was highlighted in relation to the area of improvement 'The Service should ensure it allocates enough resources to a prioritised and risk-based inspection programme' (page 18 of the agenda pack). It was heard that the impact of the Grenfell fire had led to an unexpected demand in resources as every high-rise building in Hampshire was visited and inspected. In response to the HMI report, Members heard that there were fewer resources across the Service as a whole due to a reduction in funding, which had resulted in fewer inspections being carried out overall. Officers drew Members attention to the existing Integrated Risk Management Plan which was recognised in the HMI report as prioritising how the Service matched resources to risk. In addressing points raised by HMI, it was explained that whilst there was no evidence that the Service doesn't have a prioritised and risk-based inspection programme, it was noted that existing policy does not necessarily match current resources, and these would need to be aligned, and a revised Protection Risk based Audit policy would be implemented.

Members heard that in relation to the area of improvement 'The Service should assure itself that its commitment to the trading arm does not conflict with its main protection responsibilities or its public service duties' (page 18 of the report), that whilst this hasn't created conflict within the Service, a review of this would be conducted and further clarity would be provided.

The area of improvement – 'The service should ensure it has an effective system for staff to use learning and debriefs to improve operational response and incident command' (page 19 of the agenda pack) was explained, and Members noted that this addressed smaller incidents, and the Service would ensure that policy was reviewed to make sure this was in line with national agreements. The plan also highlighted that HFRS was one of seven volunteer fire services in the

National Operational Learning pilot and was involved in developing debriefing 'best practice'.

Members congratulated Officers for their efficiency work as HMI identified no areas for improvement in efficiency.

Officers addressed the areas of improvement in relation to 'People' which were set out at pages 20 – 28 of the agenda pack. It was explained that HFRS had conducted detailed analysis in this area and was looking to change its culture, and this was already a priority within the Service. Changes that had occurred within the Service could be seen to be unsettling and may have had a negative impact on staff. Members noted that the Chief Fire Officer and Head of HR and Workforce Development would continue to work towards an agreed set of values that would be meaningful for the Service, and work would be undertaken with teams to embed these. Members attention was drawn to how areas of improvement would be addressed and it was heard that these would include new performance and promotional processes and a greater understanding of grievance and absence management policies. A new Performance Development Plan (PDP) would also be designed to encourage continual learning and development for staff, and the Head of HR and Learning and Development would lead in formulating this. In relation to Occupational Health, it was noted that a new Occupational Health Manager had recently taken up post and would work closely with the Service to address issues raised in this area in the HMI report. Members requested that further information be provided in the action plan in relation to the development of an Occupational Health Improvement Plan to address concerns raised in the HMI report, and Officers would ensure this is included in the final version of the action plan before submission.

Whilst the areas of improvement would be addressed, Officers believed that some causes for concern highlighted in the HMI report were over stated, and there was a misunderstanding by HMICFRS of the combined cultural journey and aspirations of the Chief Fire Officer and team, which were not taken into consideration in the HMI report. It was noted that cultural changes, by their nature, take time to embed and this was an ongoing piece of work within the Service. Other concerns that the Service had relating to the reporting of these areas for improvement in the HMI report were also highlighted in the action plan and drawn to Members attention. Officers concluded that the HMI inspection should be seen as a positive experience and has raised challenging questions which would be addressed and monitored.

Members wished to formally record their thanks to Officers for all their hard work in producing the HFRS action plan, and also requested progress update reports be brought to future Standards and Governance Committee meetings.

RESOLVED:

- (i) That the Standards and Governance Committee praised Officers for their work in producing a comprehensive and excellent action plan for HFRS.
- (ii) That the report and action plan for HFRS is approved by the Standards and Governance Committee, and the Committee note that progress update reports will be brought to future meetings of the Committee.

Chairman,

This page is intentionally left blank

Standards and Governance Committee

Purpose: Noted

Date: **11 JUNE 2019**



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Title: **INTERNAL AUDIT PROGRESS REPORT 2018/19**

Report of the Chief Internal Auditor

SUMMARY

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

BACKGROUND

2. The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:
'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
3. In accordance with 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.
4. **Appendix A** summarises the activities of internal audit for the period ending May 2019.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

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

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

RESOURCE IMPLICATIONS

6. The 2018/19 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.
7. The audit plan will remain fluid to enable us to react to the changing needs of Hampshire Fire and Rescue Authority.

ENVIRONMENTAL AND SUSTAINABILITY IMPACT ASSESSMEN

8. Proposals have no environmental or sustainability impacts.

LEGAL IMPLICATIONS

9. There are no legal implications from this report.

EQUALITY IMPACT ASSESSMENT

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

RISK ANALYSIS

11. The risk based approach to internal audit planning and reviews aims to ensure that internal audit resource focuses on key business risks and as such the Authority's risk register has been used to inform the planning process and ensure that key risks are reflected in planned work.

CONCLUSION

12. Appendix A outlines the progress made in delivering the internal audit plan for 2018/19 and the issues arising to date. The plan remains on schedule for completion to enable the annual internal audit opinion to be provided to support the Annual Governance Statement.

RECOMMENDATION

13. That the progress in delivering the internal audit plan for 2018/19 and the outcomes to date be noted by Hampshire Fire and Rescue Authority Standards and Governance Committee.

APPENDICES ATTACHED

Appendix A: Internal Audit Progress Report 2018/19

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

This page is intentionally left blank

Internal Audit Progress Report 2018/19

June 2019

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



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Contents:

1.	Role of Internal Audit	3
2.	Purpose of report	4
3.	Performance dashboard	5
4.	Status of 'live' reports	6
5.	Executive summaries 'Limited' and 'No' assurance opinions	8
6.	Planning and resourcing	13
7.	Rolling work programme	14

1. Role of Internal Audit

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

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

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

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

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

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

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

2. Purpose of report

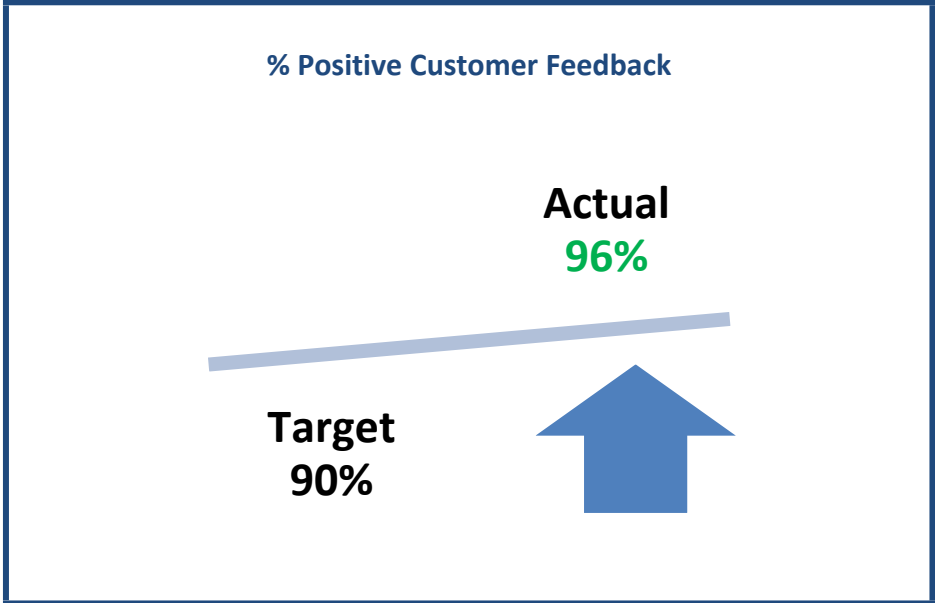
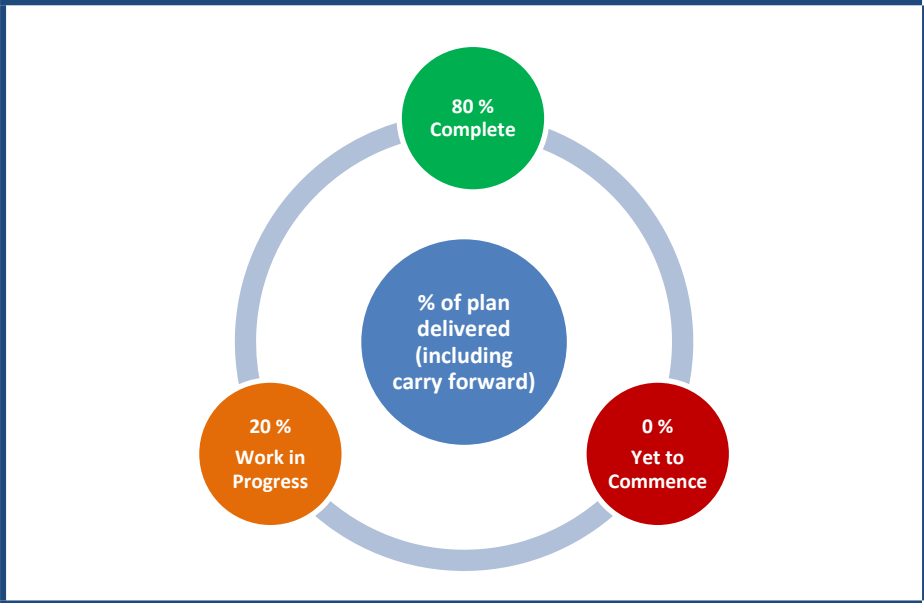
In accordance with proper internal audit practices (Public Sector Internal Audit Standards) and the Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to Senior Management and the Board, summarising:

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

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



Page 17

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 <u>all</u> 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>

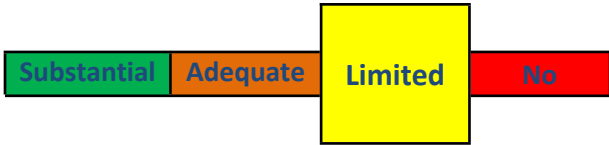
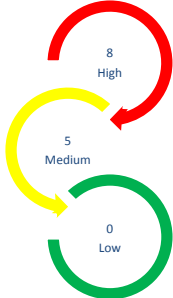
4. Status of 'Live' Reports and reports closed since our last progress report

Audit Review	Report Date	Audit Sponsor	SMT Sponsor	Assurance Opinion	Management Actions ('High Priority')				
					Reported	Not Accepted	Pending	Cleared	Overdue
2015/16									
Business Continuity	7.6.16	H of R&S	DCFO	Limited	12(3)	0(0)	0(0)	7(3)	5(0)
2016/17									
Procurement processes	22.6.17	RM	C of S	Limited	9(3)	0(0)	0(0)	9(3)	0 (0)
2017/18									
Safeguarding	15.06.18	H of CS	D of O	Limited	17(11)	0(0)	0 (0)	13 (7)	4(4)
HFRS Information Management/Security (GDPR)	03.08.18	G&CM	C of S	Limited	13 (4)	0 (0)	0 (0)	13 (4)	0 (0)
CIPFA Counter Fraud Assessment	02.04.19	FBP	CFO	N/A	4 (0)	0 (0)	2 (0)	2 (0)	0 (0)
2018/19									
Contract Management	10.01.19	RM	C of S	Limited	9 (3)	0 (0)	8 (2)	1 (1)	0 (0)
Business Continuity (IT)	21.01.19	H of ICT	C of S	Limited	10 (8)*	0 (0)	9 (7)	1 (1)	0 (0)

Resource Management	16.05.19	H of P&OD	CFO	Limited	13 (8)	0 (0)	8 (5)	4 (3)	1 (0)
Pay Claims	16.05.19	H of F	CFO	Limited	17 (0)	0 (0)	12 (0)	0 (0)	5 (0)
Cyber Security	23.05.19	H of ICT	C of S	Limited	9 (8)	0 (0)	9 (8)	0 (0)	0 (0)
IT Strategy	23.05.19	H of ICT	C of S	Limited	8 (4)	0 (0)	8 (4)	0 (0)	0 (0)

*target dates have been extended for 6 of the actions

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

<p>Resource Management</p> <p>SMT Audit Sponsor: Neil Odin, Chief Fire Officer</p> <p>Key Contacts: Molly Rowland, Head of People and Organisational Development</p>		
<p>Assurance opinion:</p> 	<p>Management Actions:</p> 	
<p>Summary of key observations:</p> <p>There is no over-arching Workforce Planning Strategy in place to outline and support the future resource requirements for Grey Book staff. Despite training being given to all budget holders in January 2018 we found that there is a lack of budget monitoring by the Resource Management Group RMG and Station Managers on the overall staff costs. In addition, we could find no evidence that the financial implications of filling resource gaps are considered and understood before decisions are made. Short term gaps are generally filled using the staff bank, with longer term gaps addressed through fixed term contracts where appropriate. Where fixed term contract appointment were made, we could not always find evidence of appropriate approvals.</p> <p>Due to the fragmented nature in the way that claims are submitted to support additional hours worked, there is no oversight of the total numbers of hours a fire fighter has completed each week which could lead to a breach of the EU working time directive.</p> <p>Hours worked via the “staff bank” are not assigned against the station/area where the work has been completed and the costs are being coded to a single cost centre which means that the financial monitoring reports for each station/area do not reflect the true cost.</p>		

There is no interface between Firewatch and the SAP accounting system which means that pay claims are completed on paper forms and reinput into the system manually. This increases the risk of error and reduces efficiency.

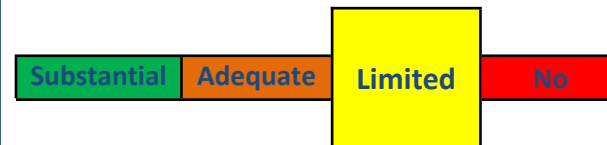
Appropriate corrective actions and a timescale for improvement have been agreed with the responsible managers.

Business Continuity and Disaster Recovery (IT)

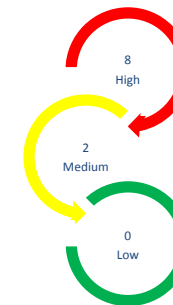
SMT Audit Sponsor: Matt Robertson, Chief of Staff

Key Contacts: Tony Oliver – Head of ICT

Assurance opinion:



Management Actions:



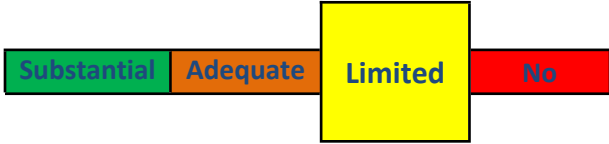
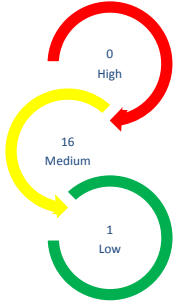
Summary of key observations:

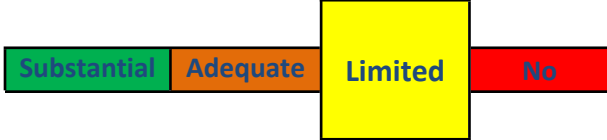
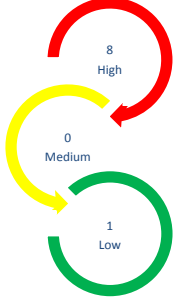
At present there is no disaster recovery plan. This should be created and tested at the earliest opportunity to ensure that recovery of IT services in the event of a disaster can be efficient and effective.

In the event of a power loss at the secondary data centre it is likely that the UPS batteries will be depleted before a member of staff can arrive on site to engage the backup generator leading to a complete loss of site function.

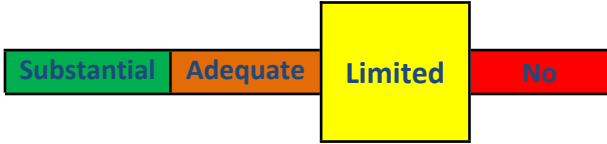
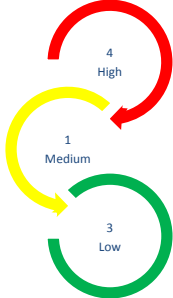
Work is already underway to provide sufficient bandwidth for the internet link between the primary and secondary data centres, however, to enable realisation of the plan to allow automatic switch-over between the primary and secondary sites in the event of a disaster, additional servers and network equipment will be required at the secondary site.

Appropriate corrective actions and a timescale for improvement have been agreed with the responsible managers.

<p>Pay Claims</p> <p>SMT Audit Sponsor: Neil Odin, Chief Fire Officer</p> <p>Key Contacts: Rob Carr, Head of Finance; Shantha Dickinson, Director of Assurance and Performance; Molly Rowland, Head of People and Organisational Development</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>The Allowance Handbook does not detail all allowance types that can be made to staff. Lack of guidance could result in the incorrect application of an allowance type and in addition staff involved with the initiation and authorisation of allowances have not been given any instruction/training. Testing highlighted that a number of allowances were applied to the incorrect allowance type, which may affect the requirement for re-authorisation and lead to allowances remaining in place for longer than required.</p> <p>Neither overall budget or detailed expenditure monitoring of allowances is undertaken at senior or operational management level. Authorisation remains at the point of allowance submission and is not monitored as part of any retrospective financial control and review process.</p> <p>We also found that allowances are not being reviewed regularly to ensure they remain timely and relevant and end dates are not always being input onto the payroll record in accordance with system requirements, which could result in allowances continuing to be paid beyond the approved timescale. There are no systems in place to generate reports for the purposes of validating paper or self service allowance claims or selecting claims for random detailed checks to be carried out.</p> <p>Appropriate corrective actions and a timescale for improvement have been agreed with the responsible managers.</p>		

Cyber Security		
<p>SMT Audit Sponsor: Matt Robertson, Chief of Staff</p> <p>Key Contacts: Tony Oliver, Head of ICT</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>Remote access to HFRS IT systems is secured through the use of a virtual private network (VPN) to protect data in transit and two factor authentication to secure user’s accounts from inappropriate access. We found that robust processes are in place to ensure that anti-malware software is installed, configured, and kept up to date on all computers and cyber security threats have been identified and recorded in the IT Security risk register. The HFRS network is also being monitored to identify and protect against cyber security threats.</p> <p>However, we found the following issues:</p> <ul style="list-style-type: none"> • Server operating system and application updates are not always being applied promptly to mitigate against known security vulnerabilities. • There is no cyber security incident response plan in place. Such a plan would aid in the response to and efficient recovery from cyber security incidents. • Elements of cyber security training are covered and made available to HFRS support staff as part of the compulsory GDPR training, however the completion rate at the time of testing was only 76%. As staff are the first line of defence against social engineering attacks such as phishing, awareness of such attacks is of high importance. <p>Appropriate corrective actions and a timescale for improvement have been agreed with the responsible managers.</p>		

Page 23

IT Strategy		
<p>SMT Audit Sponsor: Matt Robertson, Chief of Staff</p> <p>Key Contacts: Tony Oliver, Head of ICT</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>Although the 'ISB Deliverables' tracker demonstrates that activities and deliverables of the ICT department are aligned with the HFRS Service Plan and a high-level strategy has been created and presented to the Infrastructure and Security Board, this does not include any strategic future planning or the technical details of how these plans would be realised.</p> <p>Whilst there is no single document that articulates a full and detailed IT strategy, many of the existing documents provided cover individual elements of this. Bringing these elements together in addition to roadmaps for future strategic and technical developments would provide a good basis for a fuller, more complete IT strategy document once reviewed by the relevant governance boards.</p> <p>We also found that although Service Level Agreements (SLAs) have been documented, there are no current SLAs in place and that no key performance indicators have been established to measure and demonstrate the success of the ICT department in delivering services.</p> <p>Appropriate corrective actions and a timescale for improvement have been agreed with the responsible managers.</p>		

6. Planning & Resourcing

The internal audit plan for 2018/2019 was approved by the Hampshire Fire and Rescue Service Management Team and the Standards and Governance Committee in March 2018.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of Hampshire Fire and Rescue Authority. Progress against the plan is detailed within section 7. Four days have been moved from the management allocation to enable follow up work to be undertaken on the budgetary control and safeguarding reviews carried out in 2017/18. Additional work has been undertaken on a special investigation.

Following discussions with the Head of ICT, the Network and Communications review has been removed from the plan and replaced with an audit of IT Security.

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
Shared services audit plan 2017/18										
Statutory Checks			✓	✓	✓	✓	02.11.18	Limited		
Audit Plan 2018/19										
Contract Management	RM	C of S	✓	✓	✓	✓	10.01.19	Limited		
Resource Management	H of P&OD	CFO	✓	✓	✓	✓	16.05.19	Limited		
Data Quality - IT Asset Management - Data	H of ICT	C of S	✓	✓	✓	✓			✗	
GDPR	G&CM	C of S	✓	✓	✓	✓			✗	
Special Investigation		D of P&A	✓	✓	✓	✓	Complete	N/A		
Pay Claims	H of P	CFO	✓	✓	✓	✓	16.05.19	Limited		

Audit Review	Audit Sponsor	SMT Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
NFI	H of P	D of P&A	N/A	N/A	N/A	N/A	N/A	N/A		
Firewatch										Removed from plan
IT Strategy	H of ICT	C of S	✓	✓	✓	✓	23.05.19	Limited		
Business Continuity (IT)	H of ICT	C of S	✓	✓	✓	✓	22.01.19	Limited		
Cyber Security	H of ICT	C of S	✓	✓	✓	✓	23.05.19	Limited		
Networks & Communications	H of ICT	C of S								Removed from plan
Follow up	H of P	D of P&A	N/A	N/A	✓	N/A	✓			
Shared services audit plan 2018/19										
Payroll			✓	✓	✓	✓	6.3.19	Substantial		
Order to Cash (OTC)			✓	✓	✓	✓	10.4.19	Adequate		
Purchase to pay (P2P)			✓	✓	✓	✓	27.02.19	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
Treasury Management										Audit deferred due to change in Prudential Code
Debt Collection			✓	✓	✓	✓	1.4.19	Adequate		
Governance arrangements			✓	✓	✓	✓	7.11.18	Adequate		
ICT – User Access			✓	✓	✓				✗	
Recruitment & Induction										Deferred due to timing of new system and ongoing development work with the Transformation Team

Audit Review	Audit Sponsor	SMT Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⚠ Delay)	Comment
Workforce Development			✓	✓	✓	✓	Complete	N/A		Consultancy/ Advisory work
Ill Health Retirement & Death in Service			✓	✓	✓	✓	14.5.19	Substantial		
Sick Pay			✓	✓	✓	✓			⚠	
IR35										Audit deferred
Occupational Health										Clinical review
Category Management										Audit deferred – no new category plans since last review.
Procurement			✓	✓	✓	✓	20.3.19	Adequate		
Master Data Team			✓	✓	✓	✓	2.4.19	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
Commercial Waste Contract			✓	✓	✓				✗	

Page 30

Key to abbreviations:	
CFO	Chief Fire Officer
DCFO	Deputy Chief Fire Officer
D of O	Director of Operations
C of S	Chief of Staff
H of F	Head of Finance
H of ICT	Head of ICT
H of P&OD	Head of People and Organisational Development
D of P&A	Director of Performance and Assurance
H of P	Head of Performance
RM	Relationship Manager

H of R and S	Head of Risk and Strategy
H of CS	Head of Community Safety - Prevention, Protection, Response, Blue Light Collaboration
G&C M	Governance and Compliance Manager
FBP	Finance Business Partner
N/A	Not applicable

This page is intentionally left blank

Standards and Governance Committee

Purpose: Noted

Date: **11 JUNE 2019**



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Title: HFRS REPORT ON MANAGEMENT ACTIONS

Report of the Chief Fire Officer

SUMMARY

1. This report provides the Standards and Governance Committee with an overview of the work we do to oversee the implementation of internal audit recommendations and their respective actions.
2. It provides an update on those actions that have not been completed within their target date and their status. The Standards and Governance Committee has a key scrutiny role in monitoring the implementation of internal actions.
3. This report also provides some initial feedback in respect of several limited assurance audits that are being reported in the separate report on this agenda from the Southern Internal Audit Partnership.

BACKGROUND

4. The internal audit follow-up process is 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.
5. The internal audit service is provided to the Authority by Southern Internal Audit Partnership (SIAP) at Hampshire County Council. There is an Internal Audit Charter that has been in place since 2014. This, and the Internal Audit Plan, are reviewed and updated annually to reflect changing organisational priorities and needs.
6. The Performance Team maintains a record of audits against the current Internal Audit Plan, noting whether they are in progress or have been completed. The respective managers are responsible for the delivery of actions that fall within their areas of responsibility.

7. 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;
 - The person responsible for the action.
8. The Performance Team will ask for confirmation and evidence that an 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. Our internal Performance and Assurance Board now keeps an overview of outstanding recommendations.
9. Performance of the implementation of audit recommendations has improved. We do however, recognise the need to make further improvements in the speed with which we progress the individual audits at times. We are committed to this and the internal Performance and Assurance Board oversees progress.
10. The table below lists those recommendations that are currently outstanding beyond their agreed target date and of medium (M) or high (H) priority. There is a brief commentary against each to explain the status and any mitigating factors.

Internal Audit Management Actions			
Audit Plan year 2018/19			
Safeguarding			
Update the DBS policy to reflect the appropriate levels of check to be undertaken for each role, and re-checking regime	December 2018 revised to July 2019	H	The process of completing the spreadsheet to identify what level of check is required for each position number in SAP has been completed and the HCC reporting team are working on getting this uploaded into SAP. Completion of the spreadsheet took longer than expected due to the complexity of the relevant legislation and its application, and because it was necessary to consult a greater number of managers to obtain the necessary detail about some of our roles to assess whether they met the criteria for a DBS check. Once the reporting team have completed the upload, they will be able to compare the information about the position with the level of check of the incumbent. There will then be a further piece
Once knowledge gaps are identified, provide HFRS managers with further communications around their responsibilities to include the provision of the updated DBS policy.	December 2018 revised to July 2019	H	
Analyse and interrogate the data used to report on the dates and levels of check recorded against each officer to check for accuracy.	September 2018 revised to July 2019	H	
Following analysis of the data used to report on the dates and level of check recorded against each officer, compile an action plan to ensure where there are any real instances of non-compliance with the HFRS	December 2018 revised to July 2019	H	

DBS policy, that these are actioned.			of work to correct any errors or gaps in SAP and to undertake additional checks as necessary. However, until the above is completed, it is difficult to estimate how long this stage will take to complete. The aim for completion of the above is 31 July, including the launch of the new DBS Service Order and associated communications.
IBC/Shared Services - Debt Collection (HFRS/HC/OCC)			
Bad debt policy - Policy will be updated as part of the London Borough take on.	November 2018 revised to September 2019	H	Policy under review by senior management team. Revised target date = September 2019
Large Value Debts - policy on chasing debt will be reviewed with Adults.	November 2018 revised to September 2019	M	Policy under review by senior management team. Revised target date = September 2019
Business Continuity & disaster recovery			
Identify and document capabilities of UPS and generator at current proposed DR site and implement remedies (Basingstoke).	March 2019 revised to December 2019	M	Due to delays in the handover process in relation to the new Basingstoke Fire Station, this action has not been able to progress as quickly as anticipated. Resources are working to close this by the end of the calendar year.
Document process for activating the UPS and generator at proposed DR site.	March 2019 revised to October 2019	M	This continues, but was delayed as outlined above.
Resource Management			
Reduction in WDS establishment means use of staff bank will have increased. To support this, current exploring how FireWatch can support this process	April 2019 revised to September 2019	H	Work in progress, but with the introduction of the new flow chart and process the need for the Ghost station (fire-watch) may negate the need for it.

INITIAL RESPONSE TO RECENT AUDIT OPINIONS

11. A separate item on this agenda outlines the audit findings on a range of audits that have been completed since the last Standards and Governance Committee. For the majority of these a limited assurance opinion has been given.
12. Members will recall that the pattern of internal audit reviews for last year showed mainly adequate controls in place for those audits covered by the

shared services arrangements and several limited assurance opinions for audits that were 'internal' to HFRS.

13. That pattern has been repeated in 2018/19, which is of course disappointing, but not altogether surprising, since there are several reasons why audits that are internal to the service are likely to have lower levels of assurance:
 - Audit planning within the service mean that audit days are targeted at areas where there are known to be issues or problems (whereas the shared service audit programme is similar in nature each year and is auditing systems and processes that have limited changes year on year).
 - Some areas of review relate to items that had limited assurance opinions last year, in some instances there has not been enough time for management actions to fully bed in.
 - There have been significant changes and pressures within HFRS which have stretched resources, on top of reducing staffing because of the implementation of savings, the service has been concentrating on the HMICFRS inspection, the proposed creation of a new CFA and organisational changes, during the past year.
14. Going forward, greater stability in the structure, together with a clear understanding of where accountabilities lie, will mean that there can be a greater focus on addressing the areas of weakness over the coming year, albeit we will continue to target audit days to areas of known weakness.
15. Whilst greater levels of information on the individual management action plans produced in response to the audits is available, it was felt helpful to provide an initial management response in relation to each limited opinion, as set out below:

Contract Management (Contract Management Audit 2018/19)

Across the Service there are good examples of pro-active contract management, however the Audit highlighted that corporate oversight of contracts has not been fully established. The Service has an existing Contracts Register for all contracts and procurement activity sourced via the Hampshire County Council procurement team but does not have similar visibility of directly awarded contracts. A Strategic Relationships Manager has been recruited and is now in post to lead a new team under the Chief of Staff function which will establish corporate contract and procurement management across the Service. Actions identified within this Audit will form part of a roadmap for this team. The recruitment of the Strategic Relationships Manager took longer than anticipated which has resulted in the completion dates for the Audit actions being revised to December 2019.

IT Business Continuity

Several observations recorded refer to the new DR location at Basingstoke Fire Station. HFRS ICT were aware prior to the Audit that the DR was yet

to be fully implemented at this secondary location. Therefore, the Audit has helpfully prioritised several lines of enquiry required to be undertaken to progress this further. The ICT Team, working with our ISP will have a programme in place to establish the DR by the end of 2019. Delays to date have largely resulted from contractual discussions which have been necessary to ensure the correct specification of the DR bandwidth and operation.

Notwithstanding the above, our main ICT networks are backed up in other ways. Fire Control (our only critical system) would in the event of failure default to Devon & Somerset or Dorset & Wiltshire servers which would mean that even without our own DR in place, the system is resilient. Equally our non-critical systems – such as Office 365 – are now all cloud based and therefore accessible without any servers at all. Impact to our business continuity is therefore limited, however having our own DR established would add additional resilience.

IT Strategy

The findings outline that specific documentation may not be in place, but the organisation can evidence how ICT is aligned to organisational direction. The Head of ICT sits on the Infrastructure & Security Board and is also a member of the Chief Officers Group, therefore ensuring that ICT is aligned to the organisational direction and overall strategic objectives.

The ICT Strategy Audit highlighted that the ICT team do not have a current roadmap outlining their deliverables. Although it is correct that no specific 2019 roadmap exists, the ICT team have several on-going deliverables which are documented in support of the Service Plan 2015-20. The implementation of these deliverables is monitored monthly at the Infrastructure & Security Board and reported to the Executive Group and to Members regularly throughout the year. The Service is currently going through a cycle to establish a new Integrated Risk Management Plan (IRMP) for the 2020-25, once established the ICT team will create a roadmap, reviewed annually, to ensure ICT enables and delivers in support of the new IRMP.

Cyber Security

Significant network improvements in HFRS cyber security infrastructure has been put in place over the last 12 months. The Audit identified that more could be done to raise awareness of cyber security which is a valid observation but is arguably less important than the underlying infrastructure. Additionally, two ICT Administrator accounts were identified as not having had additional security applied. Given that these accounts sit within a Firewall environment, HFRS feel that the risk is low, however the accounts have (since the Audit) been changed to improve their security credentials. The other observations highlighted within the Audit relate to documents and procedures not being up-to-date. These activities were known about before the audit was conducted but with finite resourcing were not prioritised over more risk-critical activities to upgrade and repair servers and the network systems. Whilst on balance, therefore, the limited

opinion is probably correct at the time of audit, we do not feel that it accurately represents the current picture.

Resource Management and Pay Claims

Although these were separate audits they deal with the procedures and processes of staff movements, payments and allowances. Internal audit had been requested to look at these areas following issues that arose in the previous year. The audits were requested to assist HFRS in making changes in these areas, but it should be noted that in virtually all cases payments checked on the system as part of the audits were legitimate and properly authorised. There is now a separate project board in place being chaired by the Chief Financial Officer to address the range of issues that have been identified across the Service and to put in place centralised control through a dedicated Resource Management Team, together with tidying up the documentation, processes and systems that generate pay and allowances payments. It may take some time for all the different elements to have an impact and fundamentally, changes are required to the payroll system to underpin the planned improvements. Irrespective of this, the appropriate senior manager oversight and focus is being applied in this area.

16. What these opinions do indicate is that there does need to be greater management focus applied to these internal control issues, not just in response to internal audit reviews but as part of business as usual as well.
17. Furthermore, with the current meeting cycle there are limited opportunities for reporting to Standards and Governance Committee. The Committee is asked to consider whether four meetings a year may be more appropriate to allow for more frequent reporting of audits and management actions, together with other business that needs to be undertaken in the year. This would follow a proposed timetable as set out below:

July	Fixed date to allow for the reporting and approval of the final accounts and external audit opinion.
October	Reporting of external auditor's formal letter.
February	Agree audit plan for next financial year.
May	Reporting of internal audit opinion.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

18. 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.

COLLABORATION

19. The Southern Internal Audit Partnership provide internal audit on behalf of all partners within Shared Services and many other public service organisations.

RESOURCE IMPLICATIONS

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

ENVIRONMENTAL AND SUSTAINABILITY IMPACT ASSESSMENT

22. There are no anticipated positive or negative impacts to the environment or sustainability arising from this report.

LEGAL IMPLICATIONS

23. There are no legal implications arising from this report

EQUALITY IMPACT ASSESSMENT

24. The contents of this report are considered compatible with the provisions of equality and human rights legislation.

OPTIONS

25. The options are to note the progress towards completion of the internal audit recommendations or to not note the progress. Noting the progress will ensure that HFRA receive assurance on the Service's performance regarding compliance with control mechanisms to reduce risk and are able to scrutinise the Service on behalf of Hampshire's communities.

RISK ANALYSIS

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

CONCLUSION

27. Given the number of limited assurance opinions received in 2018/19 it is likely that the Service will receive an overall limited assurance opinion. Management actions will be undertaken in respect of the specific audits themselves and more widely in respect of internal control issues and how they are managed across the Service.

RECOMMENDATIONS

28. That the progress made towards the implementation of the internal audit management actions is noted.
29. That the Committee considers the number and timing of future meetings as outlined in paragraph 17.

Contact:

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

Standards and Governance Committee

Purpose: Approval

Date: **11 June 2019**



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Title: **Internal Audit Charter and Internal Audit Plan 2019/20**

Report of the Chief Internal Auditor

SUMMARY

1. The purpose of this paper is to provide the Standards and Governance Committee with a copy of the Internal Audit Charter and the proposed 2019/20 internal audit plan for Hampshire Fire and Rescue Authority. These are attached as appendices.

INTERNAL AUDIT CHARTER

2. 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. The Internal Audit Charter for 2019/20 is attached as **Appendix A** for consideration. There have been no changes since the Standards and Governance Committee last reviewed the Charter in 2018.

INTERNAL AUDIT PLAN

4. The Internal Audit Plan for 2019/20, which has been prepared in accordance with the Internal Audit Charter and discussed at liaison meetings with Hampshire Fire and Rescue Service officer, is attached at **Appendix B** for consideration.
5. 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.
6. The approach to providing assurance over shared services with Hampshire County Council, Hampshire Constabulary and the Police and Crime Commissioner for Hampshire will change with effect from 1 April 2019 and details are outlined in Appendix B. Shared Services International Standard on Assurance Engagements (ISAE 3402) has been developed to provide an international assurance standard for allowing public bodies to issue a report for use by user organisations and their auditors (user auditors) on the controls at a service organisation that are likely to impact or be a part of the user organisation's system of internal control over financial reporting. This Standard will provide assurance over

many of the areas previously included in the internal audit plan. Assurance against the international standard will be provided by Ernst & Young.

7. The Southern Internal Audit Partnership will continue to provide assurance to the Hampshire Fire and Rescue Authority and partner organisations for those systems and process outside of the scope of the ISAE 3402 through the shared internal audit plan. All partner organisations contribute audit days to this plan which is also reported in Appendix B for information. An internal audit protocol for this work has been agreed with partner and shared services management.

EXTERNAL AUDIT LIAISON

8. In the past we have had liaison meetings with the external auditors to discuss national and local audit issues, ensure that duplication is minimised and that reporting to committee is co-ordinated as far as possible and propose that this arrangement continues in 2019/20 and beyond.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

9. The Internal Audit Plan is designed to validate the assurance and control framework which exists in the Authority and across the Service. Secure management processes including risk and performance management are important in ensuring that the Authority's plans are achieved.

RESOURCE IMPLICATIONS

10. The cost of internal audit services is reflected in the Authority's budget.
11. The audit plan will remain fluid to enable us to react to the changing needs of Hampshire Fire and Rescue Authority.

ENVIRONMENTAL AND SUSTAINABILITY IMPACT ASSESSMEN

12. Proposals have no environmental or sustainability impacts.

LEGAL IMPLICATIONS

13. There are no legal implications from this report.

EQUALITY IMPACT ASSESSMENT

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

RISK ANALYSIS

15. 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.

RECOMMENDATION

16. That the Standards and Governance Committee approves the Internal Audit Charter and the 2019/20 internal audit plan for Hampshire Fire and Rescue Authority.

APPENDICES ATTACHED

Appendix A – Internal Audit Charter

Appendix B – Internal Audit Strategy and Plan 2019/20

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

This page is intentionally left blank



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

Authority

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

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

The standards for 'proper practices' in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2013 which were updated in 2017 [the Standards].

Purpose

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, Assistant Chief Fire Officer and Head of Performance 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 Strategy and Plan 2019/20

Hampshire Fire and Rescue Authority:
Standards and Governance Committee



HAMPSHIRE
**FIRE AND
RESCUE**
SERVICE

Page 55

Southern Internal Audit Partnership

Assurance through excellence
and innovation

Contents

Introduction	.....	3
Your Internal Audit Team	.....	4
Conformance with Internal Audit Standards	.....	4
Conflicts of Interest	.....	4
Organisation Risk	.....	5
Developing the internal audit plan 2019-20	.....	5-6
Internal Audit Plan 2019-20	.....	7-10

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 Beverly Davies, 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 2019/20

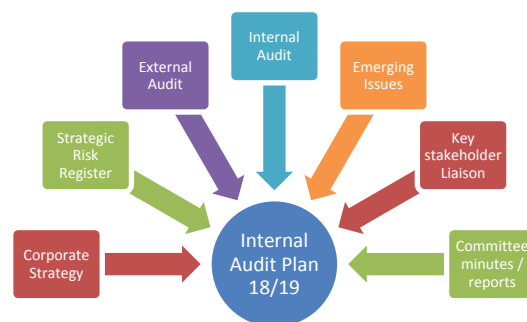
We have used various sources of information and discussed priorities for internal audit with the following people:

- Rob Carr, Head of Finance
- Shantha Dickinson, Director of Performance and Assurance
- Head of Performance

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.



Shared Services

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

Shared Services - International Standard on Assurance Engagements No. 3402

ISAE 3402 has been developed to provide an international assurance standard for allowing public bodies to issue a report for use by user organisations and their auditors (user auditors) on the controls at a service organisation that are likely to impact or be a part of the user organisation's system of internal control over financial reporting.

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

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

Historically the Southern Internal Audit Partnership have provided assurance to partnering organisations through their audit coverage and subsequent year end assurance on the framework of governance, risk and control. Assurance against the international standard will be provided by Ernst & Young moving forward.

The SIAP will continue to provide assurance to the Hampshire Fire and Rescue Authority and partner organisations for those systems and process outside of the scope of the ISAE 3402 through the shared internal audit plan outlined below and subsequent annual report and opinion.

Internal Audit Plan 2019-20

Audit	Audit sponsor	Scope	Link to Strategic Risk Register	Proposed Timing
HFRS audit plan				
Local management of shared service processes	Director of People and Organisational Development	To review the local management of resources and pay claims following the 2018/19 reviews of these areas and introduction of new processes.	STR03	Q4
Risk management	Director of Policy and Planning	Following organisational change to review the robustness of risk management processes, including the identification, recording, management and monitoring of risks.	STR01 STR03 STR05	Q4
Disaster recovery and business continuity	Director of Policy and Planning	To review the arrangements in place for non-IT related disaster recovery and business continuity.	STR01	Q2
Health and Safety	Director of Policy and Planning	To review the governance and management arrangements to ensure that roles and responsibilities are clearly defined, staff are trained and that processes are clearly documented and complied with to meet requirements.	STR05	Q1
Procurement processes	Head of Finance	To review the procurement processes managed directly by HFRS rather than the Shared Services Procurement Team.	STR03	Q2
Proactive fraud work	Director of Performance and Assurance	Annual - 2019/20 scope to be determined		Q3

Audit	Audit sponsor	Scope	Link to Strategic Risk Register	Proposed Timing
NFI	Director of Performance and Assurance	Statutory requirement for data matching		Q3
IT Disaster recovery and business continuity	Chief of Staff	Following the 2018/19 audit, to review the arrangements in place for IT disaster recovery and business continuity.	STR01	Q4
IT follow up (including cyber security, IT strategy, information management etc)	Chief of Staff	To assess progress in implementing management actions for IT reviews carried out during 2018/19.		Q4
Follow up	Various	To assess progress in implementing management actions for reviews carried out during 2018/19.		Q4
Other audit activities		This includes preparation of the audit plan, annual internal audit report, advice and attending management and committee meetings.		Q1-4
TOTAL DAYS			185	
	Note – this includes a contribution of 20 days to the Shared Services plan below and some contingency for issues arising during the course of the year.			

Shared Services Internal Audit Plan 2019-20	Risk	Scope
Governance arrangements	Insufficient management oversight, control and reporting leading to poor decision making.	Governance arrangements continue to evolve and will do so further with the introduction of new partners. Scope to be agreed.
IR35	Non-compliance with legislative changes.	To review compliance with IR35 legislation.
Disclose & Barring Service	Suitability of staff to undertake roles is not confirmed.	DBS checks are correctly identified, carried out and recorded.
Success Factors	Recruitment processes are not sufficiently robust and timely to meet needs of the recruiting organisation.	Review of the recruitment processes following the implementation of Success Factors.
Treasury management	Borrowing and investment decisions are inadequate leading to increased risk of higher costs or loss of funds.	To review controls, including the implementation of the changes to the Prudential Code.
Master Data Team	Ineffective change control	Robustness of controls and compliance for changes made by the employee master data team.
Payroll - Pension admin	Starters and leavers are not accurately identified and notified to the relevant pension service.	To review robustness of controls and compliance for pension administration.

Shared Services Internal Audit Plan 2019-20	Risk	Scope
Procurement	Non compliance with EU Regulations and Contract Procedure Rules.	To review procurement processes and compliance with EU Regulations and agreed policies. (£100k+).
Contract Management	Poor contract management leads to poor value for money.	Review of Building Term contract management arrangements.
Contingency		As needed following the change of approach in 2019/20.