

Annual Internal Audit Report & Opinion

2017 / 18

Hampshire Fire and Rescue Authority



HAMPSHIRE
**FIRE AND
RESCUE**
SERVICE

Southern Internal Audit Partnership

Assurance through excellence
and innovation

Contents

Section	Page
1. Role of Internal Audit	3
2. Internal Audit Approach	4
3. Internal Audit Opinion	5
4. Internal Audit Coverage and Output	6-8
5. Key observations – Hampshire Fire and Rescue Authority	9
6. Anti Fraud and Corruption	10
7. Quality Assurance and Improvement	10-11
8. Disclosure of Non-Conformance	11
9. Quality control	12
10. Internal Audit Performance	12
11. Acknowledgement	13

1. Role of Internal Audit

The requirement for an internal audit function 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 [the Standards], which were updated in 2017.



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

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

Hampshire 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. Internal Audit Approach

To enable effective outcomes internal audit provide a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

A full range of internal audit services is provided in forming the annual opinion.

The approach to each review is determined by the Deputy Head of the Southern Internal Audit Partnership and will depend on the:

- level of assurance required;
- significance of the objectives under review to the organisation’s success;
- risks inherent in the achievement of objectives; and
- level of confidence required that controls are well designed and operating as intended.

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



3. Internal Audit Opinion

The Deputy Head of the Southern Internal Audit Partnership 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 concludes on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

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

Annual Internal Audit Opinion 2017/18

“I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment.

In my opinion I can give “limited assurance” over Hampshire Fire and Rescue Authority’s framework of governance, risk management and management control from audit testing undertaken during the year.

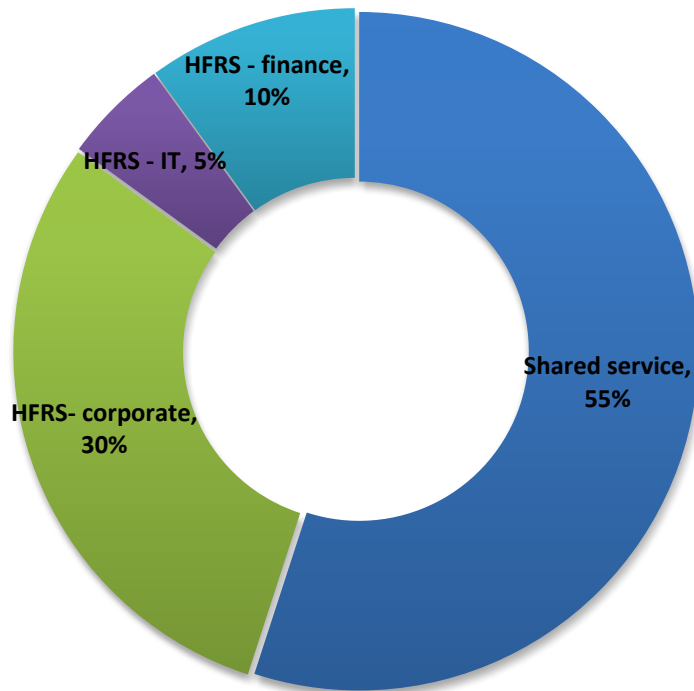
Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.”

The issues arising that have led to this opinion are outlined in sections 4 and 5. We enjoy an open and honest working relationship with Hampshire Fire and Rescue Authority. As a result our planning discussions and risk based approach to internal audit ensure that the internal audit plan includes areas where management have raised concerns to ensure that ongoing organisational improvements can be achieved.

4. Internal Audit Coverage and Output

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

Internal audit reviews %



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

The 2017/18 Internal audit plan, approved by the Standards and Governance Committee in March 2017, was informed by internal audit’s own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation.

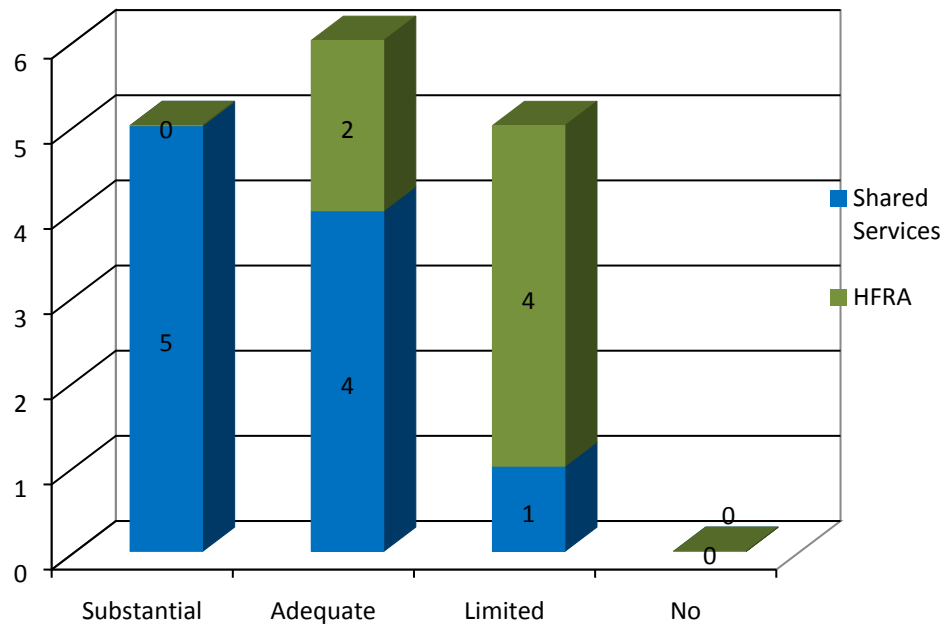
The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the Internal Audit opinion the Southern Internal Audit Partnership have undertaken 19 reviews in the year ending 31 March 2018.

The 2017-18 internal audit plan has been delivered with the following exception:

- Work is complete and an opinion has been formed for 3 reviews, however, a final report has not yet been agreed with management (Shared Services – recruitment, Shared Services – debt collection, information management and security). The outcomes of these reviews are reflected in the internal audit opinion for 2017/18.
- Work remains in progress for one review which will be carried forward to be included in the 2018/19 annual internal audit opinion (Shared Services – statutory checks).

I do not consider this exception to have an adverse impact on the delivery of my overall opinion for the period. The opinion assigned to each internal audit review on issue of the final report is defined and summarised below:



Substantial - A sound framework of internal control is in place and is 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; or

No - Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

*Due to the nature of the work, 3 reviews did not result in an audit opinion.

Shared Services *Shared Services*

The results of work completed as part of the Shared Services plan are included above, however the Head of Southern Audit Partnership has also produced a statement of assurance specifically for the Integrated Business Centre as outlined below. This includes the IT environment in which these systems operate and I have also taken this into account in forming my overall internal audit opinion.

Statement of Assurance 2017/18 – Integrated Business Centre

“I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment within the Integrated Business Centre.

In my opinion, the framework of governance, risk management and management control is ‘Adequate’ and audit testing has demonstrated controls to be working in practice.

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

The main issues arising from this work and highlighted in the assurance reports are as follow:

“Recruitment – Pre employment checks

Our review of pre-employment checks resulted in a limited assurance opinion. Whilst testing confirmed that the pre-employment checks requested by recruiting managers (in conjunction with HR advice) are being undertaken on prospective employees, a number of weaknesses were identified in the identification of the pre-employment checks to be undertaken, recording of DBS details and the setting-up of tasks for DBS re-checks in SAP. Linked SAP records for employees with multiple employments were not always updated with DBS check details. There are also opportunities to improve and expand documented guidance to ensure consistency of advice and that expectations for all pre-employment checks are clear.”

5. Key observations – Hampshire Fire and Rescue Authority

Internal audit provided limited assurance in 4 areas specific to Hampshire Fire and Rescue Authority during 2017/18 as outlined below.

Information management and security – a number of issues were identified at the time of our review which affected the Authority’s ability to comply with the General Data Protection Regulation from May 2018. This included the absence of a comprehensive information asset register; gaps in data protection training (although staff dealing with sensitive data receive annual data protection training); insufficient evidence retained to demonstrate compliance with data breach procedures; and there was no evidence that a data protection privacy impact assessments had been completed for a recent project.

Safeguarding – we found that a safeguarding policy, procedures and training are in place to ensure that any issues are dealt with effectively. However our review of the arrangements to ensure that Disclosure and Barring (DBS) checks are in place as required, highlighted that it is not currently possible to efficiently and effectively monitor and review the requirements for each post compared to the checks actually carried out. Although there are central controls in place to monitor certain roles, line managers are responsible for ensuring that staff have up to date checks in place, however we found that managers are not generally aware of this responsibility. This issue is linked to the findings in the Shared Services review of pre-employment checks outlined on page 8.

IT applications and systems governance – weaknesses were identified in the governance of new systems, change control, release management and in the decommissioning of systems and applications. These often related to a lack of documented procedures and gaps in the record kept over the life cycle of a system or application.

Budgetary control – although management have historically considered budgetary risks to be low, the need for sound budgetary control is nevertheless increasingly important given the pace of change and current economic pressures. We found that although budget managers were generally aware of their responsibilities, there were no documented procedures outlining expectations for either projects or business as usual, and budgets were not risk assessed to determine the level of scrutiny required. As a result practices vary considerably and need to be standardised across the service to ensure consistent and effective budgetary control.

Where our work identified risks that we considered fell outside the parameters acceptable to Hampshire Fire and Rescue Authority, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers. Implementation of the agreed actions is monitored by the Performance Review team and reported to the Standards and Governance Committee.

6. Anti Fraud and Corruption

Hampshire Fire and Rescue Authority is committed to the highest possible standards of openness, probity and accountability and recognises that the public need to have confidence in those responsible for the delivery of services. A fraudulent or corrupt act can impact on public confidence and damage reputation and image. Policies and strategies are in place setting out the Authority's approach and commitment to the prevention and detection of fraud or corruption. Arrangements are also in place to enable staff to report any concerns.

Hampshire Fire and rescue Authority also continue to conform to the requirements of the National Fraud Initiative. The NFI matches data from 1,300 public sector and 77 private sector organisations, including audit bodies in Scotland, Wales and Northern Ireland, government departments and other agencies. It flags up inconsistencies in the information analysed that indicate a fraud, an error or an overpayment may have taken place, signalling the need for review and potential investigation.

Hampshire Fire and Rescue Authority submitted required data sets in October 2016 and received feedback on potential matches in January 2017. Work was carried out during 2017/18 to review identified 'recommended matches'. No significant issues have been identified as a result of this work.

No significant issues relating to fraud or corruption have been brought to my attention during 2017/18 that would impact on the system of governance, risk management or control.

7. Quality Assurance and Improvement

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

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

The QAIP must include both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years.

In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

In September 2015 the Institute of Internal Auditors were commissioned to complete an external assessment of the Southern Internal Audit Partnership.

The assessment included review of a wide range of documentary evidence and interviews and surveys with representative stakeholders (including Chief Executives, Audit Chairs and S151 Officers) across existing partnering organisations in addition to members of the Southern Internal Audit Partnership staff.

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 the principles contained within the International Professional Practice Framework (IPPF), the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN).

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.”

In accordance with PSIAS, annual self assessments have been completed since the external inspection concluding that SIAP continues to comply with all aspects of the IPPF, PSIAS and LGAN.

8. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments] which requires ‘an external quality assessment to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation’ I can confirm endorsement from the Institute of Internal Auditors that:

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

There are no disclosures of Non-Conformance to report.

9. Quality control

Our aim is to provide a service that remains responsive to the needs of Hampshire Fire and Rescue Authority and maintains consistently high standards. In addition to the QAIP this was achieved in 2017/18 through the following internal processes:

- On-going regular liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success;
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach;
- A tailored audit approach using a defined methodology and assignment control documentation;
- Review and quality control of all internal audit work by professional qualified senior staff members; and
- A self assessment against the Public Sector Internal Audit Standards.

10. Internal Audit Performance

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

Annual performance indicators		
Aspect of service	2016-17 Actual (%)	2017-18 Actual (%)
Revised plan delivered	100	95
Compliant with the Public Sector Internal Audit Standards	Yes	Yes
Customer satisfaction *	96%	96%

*this is based on the feedback from a customer survey and as such reflects the perceptions across the Partnership, rather than those expressed specifically by Hampshire Fire and Rescue Authority. 17/18 actuals are based on the February 2017 questionnaire.

11. Acknowledgement

I would like to take this opportunity to thank all those staff throughout Hampshire Fire and Rescue Service with whom we have made contact in the year. Management have been responsive to the comments we made both informally and through our formal reporting.

Karen Shaw
Deputy Head of Southern Internal Audit Partnership
June 2018