

INTERNAL AUDIT MANAGEMENT ACTIONS – THOSE AGREED SINCE JUNE 2012, COMPLETED SINCE JUNE 2012, AND THOSE IN PROGRESS

FINANCIAL CHALLENGE 2011/12					
Action plan 2					
Objectives	Appropriate governance arrangements are in place which provide sufficient management and oversight of Financial challenge.				
Observations	Our testing of the overall management of the Financial Challenge programme found a couple of areas which could be enhanced. We found that there is not a detailed programme timeplan in place outlining the phasing of work and savings for each workstream. The production of such a timeplan would assist monitoring of the overall programme and to highlight any interdependencies between projects.				
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
Programme timeline to be prepared and reviewed as appropriate.	High	Programme and Project Manager	Chief Officer and Financial Challenge Programme Board	19/12/2011 extended to 30/06/2012	
Performance Review Team note: The phasing of target savings within each project are recorded and monitored. A timeline is being developed that incorporates all of the critical dates within the programme.					

INSURANCE 2011/12

Action plan 2

Objectives	A clearly defined and documented procedure is in place to ensure that all insurance claims are recorded and passed to the Authority's insurers within appropriate timescales.
Observation	Following a Road Traffic Collision (RTC), and as part of the reporting procedures included in Service Order SO/10/43 appendix G, an RTC Investigation Report should be completed by a nominated Investigating Officer. A full RTC investigation report may not be needed for accidents where only mirror damage is sustained, depending upon the circumstances. The Service Order is not completely clear when completion of the RTC Investigation report is required. From a review of 21 motor claims randomly picked from claim years 2009/10, 2010/11 and 2011/12, we found six cases requiring an RTC Investigation report as per the Service Order where none was held on the file. We note that one of these cases had only recently occurred when the testing was undertaken. A further five cases were identified where a report had not been completed but may not have been required as per the Service Order due to the nature of the damage. The detailed investigation reports are used to assess the circumstances of the incident, the driving ability of the employee involved, and whether further training is required. These reports are sometimes requested as part of the insurance claims process. There is a risk that if the RTC Investigation Reports are not being completed, all the appropriate action or training may not be undertaken before driving duties re-commence. Although outside the scope of this audit, this risk has an impact upon health and safety and is currently included on the risk register. We note that this area is currently under review.

Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
As discussed during the audit, this is an area that the Road Risk Management Group had picked up before the audit commenced. The Health and Safety manager has updated the guidance on safety event investigation, He is now working on the RTC element of investigation with updated guidance which specifies where an investigation is required, and an investigation process that is proportionate to the incident.	High	Health & Safety Manager	Area Manager Service Delivery Response Support	30/06/2012	Road Risk Management Group 15/08/2012

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Once this is in place, investigators will be trained accordingly. In the meantime, reminders are being sent in respect to outstanding reports where they are required to be undertaken.	High	Health & Safety Manager	Area Manager Service Delivery Response Support	31/03/2013	
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PAYROLL 2011/12

Action plan 1

Objectives	Only employees of the organisation are paid and only for the work performed.
Observations	Through discussions we found that monthly reports showing official established posts are regularly sent to managers by the Head of Financial and Office Services. However actual staffing lists, including post holder names, are not. There is therefore no reconciliation of posts to actual staff. We obtained a copy of the establishment list and a list of actual staff and compared the two for a total of 23 establishments/HQ sections. There were differences between the two and in some sections/stations there were more staff than posts. Through discussions with HR staff we understand that Group Managers are allowed to balance their retained staff across their whole group and other differences were explained. However, there is still a query over staffing within the Urban Search and Rescue (USAR) team and this is currently being reviewed by Human Resources.

Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
Monthly establishment (budgeted posts) reports are prepared by the Head of Finance and Office Services. Monthly establishment meetings examine the actual establishment vs. established posts position and a detailed report explaining the actual establishment vs. established posts is presented to the Human Resources committee every quarter. The USAR team is currently being reviewed by senior Service Delivery manager and	Medium	Human Resources Manager, Workforce Support	Director of Human Resources	01/06/2012 extended to 31/10/2012	

HR. I shall advise when a decision regarding the way forward has been agreed.					
Performance Review Team note: The work in respect to the USAR team has been completed. The remaining part of the action is still being progressed.					

REVENUE CONTRACTS 2011/12					
Action plan 2					
Objectives	The organisation has a clear procurement strategy and contracts are let in accordance with procedures and legislation.				
Observations	Testing found instances of the long term use of specific suppliers where there is insufficient information to support whether their on-going use is adequately considered. Testing also identified a long standing relationship where the contract was let using the single tender option however insufficient evidence was available to demonstrate that established Service Orders were followed. Without regular market testing, HFRA may not be obtaining value for money with their long standing arrangements. Unless documented tender processes are followed, there is a risk that HFRA are letting contracts which are inconsistent with established procurement practice.				
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
Contract Standing Orders will be amended and re circulated to all managers and this amendment will expand on the current process to document single tender requests.	Medium	Procurement & Contracts Manager	Head of Facilities Management	01/03/2012 extended to 30/04/2013	
Performance Review Team note: Due to the work being progressed for Shared Services, it has been agreed that there will be a requirement to align Standing Orders for the three organisations. For this reason, the target date for the amendment of Service Orders has been extended.					

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SAFEGUARDING 2011/12					
Action plan 1					
Objectives	The Service has a defined safeguarding process which has been clearly documented and made available to staff.				
Observations	Our review of the Safeguarding Officers (SGO's) Team found that 24 hour/7 days a week cover is being provided by four members of staff on a rota basis. The lead on the safeguarding officers team (The Firesetters Intervention Team Leader) acts as the point of contact for any referrals during the normal working day. Outside of these hours and at the weekend the four Safeguarding Officers provide cover. This means that for one week each month the Firesetters Intervention Team Leader is on call both day and night for safeguarding issues. We understand that each of the Safeguarding Officers also carries out their role on top of their normal day job. We were unable to consider the appropriateness of this as we were informed that records are not kept to detail the amount of time each person spends on safeguarding related tasks. Such records would enable the current resourcing of the service to be reviewed now that it is more embedded and its referrals have increased.				
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
1. All SGO's reminded of the importance of recording all hours worked on their time sheets.	High	Station Manager, Vulnerable Groups	Area Manager Community Safety Support	Complete	08/08/2012
2. All SGOs agreed to complete a time and motion study to keep details of how much time is spent on SGO cases. This will run for 8 weeks starting from 1st May 2012.	Medium			01/07/2012 extended to 30/09/2012	
3. Results to be analysed to assess the suitability of the current workload and its impact on the SGO's normal working day.	Medium			01/09/2012 extended to 31/10/2012	

Action plan 2					
Objectives	The Service has a defined safeguarding process which has been clearly documented and made available to staff.				
Observations	We were advised that safeguarding activity is reported to Authority members through the Chief Officer's quarterly Activity Report, however on testing we found that safeguarding had not been included since the June 2011 report.				
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
1. Safeguarding activity report was re-established as part of the Chief Officer's quarterly activity report in March 2012. This is now to be maintained.	Medium	Safeguarding Officer Lead	Area Manager Community Safety Support	Complete	15/08/2012
2. Reminder from Chief Officer's quarterly report organiser to be sent to Safeguarding Officer (SGO) lead	Medium	Safeguarding Officer Lead		Complete	15/08/2012
3. Copy of the Safeguarding activity report to be sent to Station Manager, Vulnerable groups to monitor.	Medium	Station Manager, Vulnerable Groups		30/09/2012	15/08/2012
Action plan 3					
Objectives	Controls are in place to ensure safe systems of work are used to safeguard both staff and vulnerable members of the public.				
Observations	Testing of 10 Service Orders in the safeguarding area found that four of them were past their review date. One of these was the Safeguarding Policy itself, which was due to be reviewed in October 2010. We understand from the Community Fire Safety, Vulnerable Groups Manager that this delay was due to changes in personnel and that he is now undertaking the task. Other Service Orders which were overdue for review were the Schools Education Programme (due Feb 2012), Lone Working Policy (due Sept 2011), and Criminal disclosure procedure which appears to have been set up in October 2006 but has no date of review. A simple search on the HFRS external facing website also brought up a Child Protection Policy and references to a Child Protection Team, which we understand are no longer active. The Community Fire Safety, Vulnerable Groups Manager has confirmed that these details are no longer relevant and that they will now be removed.				

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Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
1. Safeguarding service order has now been reviewed and updated.	Medium	Station Manager, Vulnerable Groups	Area Manager Community Safety Support	Complete	08/08/2012
2. Schools team have been notified of Service orders requiring review.	Medium	Group Manager, Community Safety		30/06/2012	15/08/2012
3. Child protection policy and references to a child protection team is no longer active and a request has been made for these references to be removed.	Medium	Station Manager, Vulnerable Groups		Complete	15/08/2012

TAXATION – BENEFITS IN KIND 2011/12

Action plan 1

Objectives	Management and operational responsibilities are clearly defined and communicated.
Observations	<p>It was established during the course of the audit that the responsibility for reporting benefits in kind is through a combination of actions split between Hampshire County Council (HCC) and Hampshire Fire and Rescue Service (HFRS).</p> <p>There is currently no one member of staff within HFRS with overall responsibility for communicating the requirements and timescales to HFRS departments in relation to P11D information required by HCC. There is no-one providing a co-ordinating role to ensure that all benefits in kind are picked up and the necessary information provided to HCC within the agreed timescale, or provision for checking the accuracy of the information included on the P11D return for HFRS staff once completed.</p> <p>Due to the lack of communication and co-ordination across departments, there is a risk that additional benefits provided to HFRS staff and the Class 1 National Insurance linked to these benefits are not being picked up and correctly reported to HMRC. This could lead to penalties of up to 30% of the undisclosed amount being imposed on HFRS.</p>

Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
The HFRS Human Resources Manager (Workforce Support) will assume responsibility for future co-ordination of information, etc., relating to P11D declaration and liaison with the HCC tax advisor.	High	Human Resources Manager, Workforce Support to operate	Director of Human Resources to implement	Immediate	28/08/2012
Further work is required to develop the skills and understanding of the team in relation to benefits in kind and P11D treatment. This will be arranged.	High	Human Resources Manager, Workforce Support	Director of Human Resources	March 2013	

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Action plan 2					
Objectives	Management and operational responsibilities are clearly defined and communicated				
Observations	<p>Through discussions with HFRS staff we established that they are not fully aware of what is required with regards to providing information to HCC and what assistance HCC is able to provide in relation to taxable benefits provided to staff.</p> <p>We reviewed the Payments Group Service Level Agreement which included limited reference to the production of 'accurate end of year P11D returns' and 'National Insurance contributions to be made from payments'. However, there was no reference to the role that HFRS needed to fulfil, in providing information on other taxable benefits and the format in which they should be provided to enable inclusion in the year end P11D returns.</p> <p>Due to the lack of clarity in HFRS's role in the provision of information for taxable benefits, there is a risk that additional benefits provided to HFRS staff (for example medical expenses as outlined in action plan four) and the Class 1 National Insurance linked to these benefits are not being picked up and correctly reported to HMRC.</p>				
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
HFRS will organise a small group led by the HFRS Human Resources Manager (Workforce Support) and the Director of Corporate Services, and including those representatives from HCC currently processing P11D information and giving tax advice, to review the existing arrangements and guidance and ensure clear and comprehensive guidance is in place.	Medium	Human Resources Manager (Workforce Support)	Director of Corporate Services	December 2012 (in time for the 2012/13 annual return in April 2013)	
Action plan 3					
Objectives	Processes and procedures are in place to ensure that all benefits in kind are identified, collated and the correct annual returns made on time, to HMRC for all relevant HFRS employees.				
Observations	There are currently no processes or timetable in place to ensure that all benefits provided to staff are reviewed annually by HFRS, to ensure that they are correctly treated in relation to HMRC rules and reported to HCC for				

	inclusion in the P11D process. With no periodic review of benefits provided to staff or assessment to ascertain whether HMRC rules have changed, there is a risk that taxable benefits may not be being picked up and correctly reported to HCC and subsequently HMRC.				
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
The group established under Action Plan 2 will also establish these processes and timetable	Medium	Human Resources Manager (Workforce Support)	Director of Corporate Services	December 2012 (in time for the 2012/13 annual return in April 2013)	
Action plan 4					
Objectives	Processes and procedures are in place to ensure that all benefits in kind are identified, collated and the correct annual returns made on time to HMRC for all relevant HFRS employees.				
Observations	<p>Taxable benefits relating to travel claims and leasing arrangements for HFRS staff processed through SAP, are picked up and automatically entered on to the end of year P11D return. However this was not the case for the other benefits which need to be notified separately to the Leasing Department at HCC on an annual basis.</p> <p>We reviewed a number of areas where benefits could be deemed taxable by HMRC and found that medical expenses paid for by HFRS, which were not associated to treatment due to work related injuries, had not been reported to HCC for the inclusion in the employees P11D return.</p> <p>There is a risk of an outstanding liability for both staff and HFRS in relation to medical benefits not being declared on the end of year P11D returns. If HMRC become aware that these benefits have not been declared, it will be at their discretion whether they will go back to previous years, increasing the liability due. This may in turn have a reputational risk to the HFRS.</p> <p>There is currently insufficient information available to provide confirmed figures of the potential liability. Based on the assumption that the average cost for physiotherapy treatment is thought to be in the region of £150 - £250, this would equate to an individual tax and NI charge of between £47 - £77 for a 20% tax payer and £77 - £127 for a 40% tax payer, with a NI charge to HFRS of £19 - £32.</p> <p>Approximately 100 staff received physiotherapy treatment during the 2010/11 tax year for non work-related injuries,</p>				

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	giving rise to a potential charge of approximately £6,600 - £10,900 for this specific area. The above assumption is based on physiotherapy treatment only and does not include figures for other private medical expenses such as MRI scans and operation costs.				
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
This element will be reviewed by the group (see action plan 2) and assuming this is a taxable benefit it will be reported under the P11D arrangements	Medium	Human Resources Manager (Workforce Support)	Director of Corporate Services	December 2012	
Objectives	Processes and procedures are in place to ensure that all benefits in kind are identified, collated and the correct annual returns made on time to HMRC for all relevant HFRS employees.				
Observations	<p>We reviewed the new service order SO/10/2 – HM Revenue and Customs (HMRC) tax rules in relation to Benefits in Kind (BIK) for the private use of company cars and vans, which was introduced in March 2011.</p> <p>After discussion with the HCC tax advisor it was established that HMRC rules, especially relating to home to work mileage and on-call working, varied depending on the classification of each vehicle and whether it is classified as a car, a van, an emergency vehicle or a double cab/crew vehicle. This classification affects the taxable benefit applied.</p> <p>It was established that the vehicle list which had been used to verify whether a vehicle had been used privately, did not sufficiently differentiate between the various vehicle classifications, for example where vehicles had been fitted with emergency lights this was not highlighted on the list. Therefore, the correct tax treatment for each vehicle classification may not have been applied to each vehicle listed.</p> <p>There is a risk that if each vehicle is not correctly classified, then the correct tax application may not have been applied, leading to a possible liability to both the employee and HFRS in relation to tax and Class 1 NIC. As with medical treatment, if HMRC become aware that these benefits have not been declared, it will be at their discretion whether they go back to previous years, increasing the liability due, which may have a reputational risk to the Service, if staff receive unexpected tax bills for previous year's use of vehicles.</p>				

Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
The classification of each vehicle owned will be determined.	Medium	Fleet Manager	Head of Facilities Management	Sept 2012	
Action plan 6					
Objectives	Processes and procedures are in place to ensure that all benefits in kind are identified, collated and the correct annual returns made on time to HMRC for all relevant HFRS employees.				
Observations	<p>The Service Order SO/10/2 – HM Revenue and Customs (HMRC) tax rules in relation to Benefits in Kind (BIK) for the private use of ‘company’ cars and vans – included reference to personal/private use of company vehicles which could be approved and signed off by individual managers.</p> <p>This is contrary to HMRC rules unless the individuals involved are taxed for the benefit in kind. It was established that even though individuals would be charged a casual mileage rate this did not negate the annual tax liability but would merely reduce it by the amount paid.</p> <p>There is a risk that if personal/private use is allowable, the correct taxable benefits may not be picked up and declared for individuals who use the vehicles privately and the relevant Class 1 NIC not paid.</p>				
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
Further work is needed generally to clarify policies and ensure compliance with the (complex) rules around travel payments (including Flexible Duty system arrangements and the interpretation of emergency vehicles). This will also link to work in relation to provided cars being undertaken by the Head of Facilities Management.	Medium	Fleet Manager (using the group established under Action plan 2)	Director of Corporate Services	December 2012	
The discretion in the policy which currently exists will be reviewed with the expectation that it will be removed if it is not allowable.	Medium	Fleet Manager	Director of Corporate Services	December 2012	

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Action plan 7					
Objectives	Processes and procedures are in place to ensure that all benefits in kind are identified, collated and the correct annual returns made on time to HMRC for all relevant HFRS employees.				
Observations	<p>To be able to satisfy HMRC that all reasonable steps have been taken to ‘prohibit private use of a vehicle’ and ensure that either ‘no private mileage is undertaken’ or where it is undertaken, that it is correctly declared, each HFRS vehicle has a log book in which each journey is recorded with a description and the number of miles covered. These log books are required to be checked and authorised by a line manager on a regular basis to ensure that the journeys are appropriate, and the vehicles are not used by staff for personal use.</p> <p>During testing we found that only three of the 20 log books reviewed during the audit had been checked and approved on a regular basis, with a further two having been reviewed once between April and August 2011.</p> <p>To provide further evidence to HMRC that allocated vans are not used privately by staff, HFRS have a staff agreement form in place to be completed and signed by individuals who are allocated company vans. This is a declaration which states that they do not use the vehicle for personal use. We found that only 10 of the 41 vehicles recorded as vans and allocated to individuals had a declaration held by HCC.</p> <p>There is a risk that, if it can not be evidenced that all reasonable steps have been taken by HFRS to ensure that private mileage is not undertaken in HFRS vehicles, HMRC may question the accuracy of returns being made.</p>				
Management actions	Priority	Responsible Officer	SMT	Target date	Date signed off as complete
<p>We will seek to introduce arrangements and checking procedures which ensure:</p> <p>Systematic and regular review of log books to ensure compliance with the private mileage requirements.</p> <p>Agreements (declarations) completed for all vehicles recorded as vans and allocated to individuals.</p>	Medium	Fleet Manager	Head of Facilities Management	November 2012	