

**Hampshire Fire and Rescue Authority**

**Standards and Governance Committee**

**Item 10**

**28 June 2012**

**Annual Internal Audit Opinion 2011/12**

**Report of the Treasurer**

Contact: Tina Thorne, tel 01962 846072 or email [tina.thorne@hants.gov.uk](mailto:tina.thorne@hants.gov.uk)

**1. Executive Summary**

1.1 In my opinion, Hampshire Fire and Rescue Authority's 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.

1.2 The following paragraphs explain how we arrived at this opinion.

**2. Recommendations**

2.1 That the audit work completed during the year be noted and the Internal Audit Assurance for 2011/12 detailed in paragraph 4.2 be accepted.

**3. Background**

**Internal Control and the role of internal**

3.1 Under the Accounts and Audit (England) Regulations 2011, the County Council is required to 'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'. The standards for 'proper practices' for internal audit are laid down in the Chartered Institute of Public Finance and Accountancy's *Code of practice for internal audit in Local Government in the United Kingdom (2006)* ["CIPFA Code"].

3.2 Internal audit is an assurance function that provides an independent and objective opinion to the County Council on the control environment, comprising risk management, internal control and governance, by evaluating its effectiveness in achieving the County Council's objectives.

3.3 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risk is appropriately managed and outcomes achieved.

**4. Internal Audit opinion**

4.1 The main purpose of this report is to give my opinion as Chief Internal Auditor for Hampshire Fire and Rescue Authority on the adequacy and

effectiveness of the Authority's framework of risk management, internal control and governance for the year ending 31<sup>st</sup> March 2012.

4.2 In giving this opinion, it should be noted that 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;
- 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 CIPFA Code;
- any limitations which may have been placed on the scope or operation of internal audit; and
- the proportion of the Authority's audit need that has been covered within the period.

#### **Opinion**

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 Hampshire Fire and Rescue Authority's internal control environment.

In my opinion, Hampshire Fire and Rescue Authority's 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.

### **5. Internal Audit coverage and output**

5.1 The strategic and annual internal audit plans were prepared to take account of the characteristics and relative risks of the Authority's activities and to support the preparation of the Annual Governance Statement. 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.

5.2 The strategic internal plan 2011/12 to 2013/14 was based on the Internal Audit Strategy approved by the Governance Committee in 2011 (updated in 2012) and was informed by the Authority's own risk and performance framework, supplemented with internal audit's own assessment of risk and materiality.

- 5.3 Internal audit delivered 185 audit days across 14 review areas over the course of the year ending 31<sup>st</sup> March 2012.
- 5.4 The revised 2011/12 internal audit plan has been delivered. There is one audit where work is substantially complete and an opinion has been formed although a formal draft report has not yet been issued to and agreed with management. I do not consider this exception to have an impact on the delivery of my overall opinion for the period.
- 5.5 We have published an opinion in final or draft reports (where we are concluding discussions with management in the agreement of action plans) in respect of 11 reviews completed during the year. The opinion assigned to each internal audit review on issue of the report is defined as follows:

<b>Opinion</b>	<b>Framework of governance, risk management and management control</b>	<b>Number of published opinions in this category (2011-12)</b>
Substantial	A sound framework in place that is operating effectively.	1
Adequate	Basically a sound framework in place with possible opportunities to improve controls or some immaterial evidence of inconsistent application.	9
Limited	Critical weakness (es) identified within the framework and / or significant evidence of inconsistent application.	1
No	Fundamental weaknesses have been identified or the framework is ineffective or absent.	0

3 reviews did not culminate in an audit opinion as they relate to work conducted in respect of consultancy, advice or investigations

## **6. Significant issues arising**

- 6.1 There were no significant issues arising from the internal audit work carried out as part of the 2011/12 audit plan.
- 6.2 Where our work identified risks that we considered fell outside the parameters acceptable to the Authority, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers. We follow up progress against the agreed action plans, using a risk based approach. In addition, the Authority has a robust and commendable process for monitoring the implementation of all agreed actions and

progress is regularly reported to the Standards and Governance Committee and discussed with internal audit during the year.

## 7. Anti fraud and corruption

- 7.1 No specific investigations were carried out during the year, although we provided support to management with an internal review of expenses claimed.
- 7.2 During the year we have conformed to the National Fraud Initiative (NFI) timetable to submit datasets relevant for the period and received 1,400 'high priority' matches which are currently under review. No issues have been identified to date.

## 8. Internal audit performance

<i>Annual performance indicators 2011/12</i>		
<b>Aspect of service</b>	<b>2011/12 Target (%)</b>	<b>2011/12 Actual (%)</b>
% revised plan delivered (inc 2010/11 carry fwd)	95	100
% productivity	65	68
% of positive customer responses to quality appraisal questionnaire	90	93

## 9. Internal Audit Resources

- 9.1 On 1 February 2012 Hampshire County Council entered into a collaborative partnership with Southampton City Council for the provision of internal audit services.
- 9.2 The development of the Internal Audit Partnership brings together the professional discipline of internal audit across partnering organisations.
- 9.3 The Partnership blends the individual requirements of participating organisations through unique Audit Strategies and governance reporting with the continuity of a modern risk based internal audit approach and reporting protocols enabling efficient and effective service delivery.
- 9.4 The Partnership has ambition to optimise realised benefits (pooled expertise, business resilience and the economies of scale partnership working offers) across a wider public sector base.

## 10. Quality control

- 10.1 Our aim is to provide a service that remains responsive to the needs of the Authority and maintains consistently high standards. This was achieved in 2011/12 through the following internal processes:
- compliance with CIPFA Code of practice for internal audit in local government (2006);

- ongoing liaison and communication with the management to ascertain the risk management, control and governance arrangements, key to corporate success;
- ongoing development of a constructive working relationship with the External Auditors to ensure development of a cooperative assurance approach;
- a tailored audit approach using a defined methodology and assignment control documentation;
- a review of the 'Effectiveness of the System of Internal Audit' in accordance with the Accounts and Audit (England) Regulations 2011;
- registration under British Standard BS EN ISO 9001:2008, the international quality management standard complimented by a comprehensive set of audit and management procedures to underpin this; and
- the review and quality control of all internal audit work by professional qualified senior staff members.

## **11. Environment and sustainability impact assessment**

11.1 Proposals have no environmental or sustainability impacts.

## **12. People impact assessment**

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

## **13. Resource implications**

13.1 The cost of preparing the Annual Internal Audit Opinion is reflected in the agreed annual internal audit plan and provided for in the Authority's budget. The cost of internal audit in 2011/12 was £63,085.

## **14. Acknowledgement**

14.1 I would like to take this opportunity to thank all those staff throughout Hampshire Fire and Rescue Authority with whom we have made contact in the year. Our relationship has been positive and management were responsive to the comments we made both informally and through our formal reporting.

Tina Thorne  
 Chief Internal Auditor  
 30 May 2012

## **Section 100 D - Local Government Act 1972 - background documents**

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

NB the list excludes:

Published works.

Documents which disclose exempt or confidential information as defined in the Act.

None