



# ESSEX FIRE AUTHORITY

Follow Up

FINAL

Internal Audit Follow up report: 10.15/16

25 April 2016



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<b>Debrief held</b>	15 April 2016	<b>Internal Audit team</b>	Daniel Harris - Head of Internal Audit Suzanne Lane - Senior Manager Lee Hannaford - Assistant Manager Rachel Feltham - Auditor
<b>Draft report issued</b>	21 April 2016		
<b>Responses receive</b>	25 April 2016		
<b>Final report issued</b>	25 April 2016	<b>Client sponsor</b>	Glenn McGuinness – Deputy Director of Finance
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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made.

Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Therefore, the most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the risk management, governance and control processes reviewed within this assignment. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any party other than the Board which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

# 1 EXECUTIVE SUMMARY

## 1.1 Introduction

As part of the approved internal audit periodic plan for 2015/16 we have undertaken a review to follow up progress made to implement the previously agreed management actions. The audits considered as part of the follow up review were:

- HR – Transactional Process (1.14/15)
- Communications (13.14/15)
- Fuel Cards (4.14/15)
- Performance Management (5.14/15)
- Follow Up (8.14/15);
- Business Planning (10.14/15)
- IT General Controls Healthcheck (1.15/16)
- Purchase of New Appliances (3.15/16)

Three 'High' and 21 'Medium' priority recommendations were considered as part of this review. The focus of this review was, to provide assurance that all actions previously made have been adequately implemented.

## 1.2 Conclusion

Taking account of the issues identified in this report, in our opinion management have demonstrated **reasonable progress** in implementing agreed management actions in the areas of HR – Transactional Process, Fuel Cards, Performance Management, Follow Up, Business Planning, IT General Controls Healthcheck and Purchase of New Appliances. However, **little progress** has been made in implementing the management actions within the areas of Communications

As reported to the Audit, Governance and Review Committee delays have been made in implementing the actions in relation to Communications, as and this work is ongoing with all four medium priority actions remaining outstanding.

## 1.3 Action Tracking

Action tracking enhances an organisation's risk management and governance processes. It provides management with a method to record the implementation status of actions made by assurance providers, whilst allowing the Audit, Governance and Review Committee to monitor actions taken by management.

We noted as a result of our review that management have reported the implementation of four of the actions reviewed which we considered to be ongoing and not yet fully implemented. As a result we have restated these actions. In addition, one action reviewed was not included on the tracker as the audit report was not due to be presented to the Audit, Governance and Review Committee until the 20 April 2016, and therefore would be included in the first recommendations tracking report in June 2016, this related to the Purchase of New Appliances review. We would therefore conclude that the Audit, Governance and Review Committee can only place partial reliance on the reported action tracking and management must ensure that all actions are fully implemented before being removed from the tracker.

Further details of progress made are provided in Section 2 of this report. It is important to note that until a management action is fully implemented, the organisation is still exposed to risk.

## 1.4 Progress on Actions

Implementation status by review	Number of actions agreed	Status of management actions				
		Implemented (1)	Implementation ongoing (2)	Not implemented (3)	Superseded (4)	Confirmation as completed or no longer necessary (1)+(4)
HR – Transactional Process (1.14/15)	3	1	0	0	2	3
Communications (3.14/15)	4	0	4	0	0	0
Fuel Cards (4.14/15)	1	1	0	0	0	1
Performance Management (5.14/15)	2	2	0	0	0	2
Follow Up (8.14/15);	6	3	3	0	0	3
Business Planning (10.14/15)	4	2	2	0	0	2
IT General Controls Healthcheck (1.15/16)	2	2	0	0	0	2
Purchase of New Appliances (3.15/16)	2	2	0	0	0	2
<b>Total</b>	<b>24</b>	<b>13</b>	<b>9</b>	<b>0</b>	<b>2</b>	<b>15</b>

Implementation status by management action priority	Number of actions agreed	Status of management actions				
		Implemented (1)	Implementation ongoing (2)	Not implemented (3)	Superseded (4)	Confirmation as completed or no longer necessary (1)+(4)
High	3	2	0	0	1	3
Medium	21	11	9	0	1	12
Low	0	0	0	0	0	0
<b>Total</b>	<b>24</b>	<b>13</b>	<b>9</b>	<b>0</b>	<b>2</b>	<b>15</b>

## 2 FINDINGS AND MANAGEMENT ACTIONS

This report has been prepared by exception. Therefore, we have included only those actions graded as 2 and 3. Each action followed up has been categorised in line with the following:

Status	Detail
1	The entire action has been fully implemented.
2	The action has been partly though not yet fully implemented.
3	The action has not been implemented.
4	The action has been superseded and is no longer applicable.

Ref	Management action	Original date	Original priority	Status reported to Audit Committee	Audit findings	Current status	Updated management actions	Priority issued	Revised date	Owner responsible
3	<b>HR – Transactional Process (1.14/15)</b>  The Authority should undertake a 'Phase Two' of the HR Transaction Project to ensure the original PID is delivered. This should include but not be limited to; <ul style="list-style-type: none"> <li>Identifying the technical skills of staff required to fully utilise SAP;</li> <li>Automated functions required such as reporting; and</li> <li>In-depth training required to</li> </ul>	PID produced – 30 Sep 2014	High	Completed	Following the completion of the PID, a scoping exercise was undertaken in May 2015 which suggested a full SAP review should be undertaken. An options paper on the way forward was taken to SMB in December 2015. SMB supported the option to replace SAP and it was agreed and signed off at the Fire Authority meeting on 16th March 2016.  The Authority are currently collating the business requirements specification and are in communication with the Procurement team. A new PID to commence to the procurement stage will go to SMB either April or May 2016, once it has been agreed what should be in the	4				

Ref	Management action	Original date	Original priority	Status reported to Audit Committee	Audit findings	Current status	Updated management actions	Priority issued	Revised date	Owner responsible
	<p>appropriately manage queries.</p> <p>A separate Project Initiation Document (PID) should be drafted for the Phase Two piece of work and the Benefits identified within the original PID should be substantiated.</p> <p>The measures must also be quantified to ensure the Authority can identify whether all benefits have been realised.</p>				<p>scope.</p> <p>The Authority aim to be in a position to start the procurement process no later than May 2016. An anticipated implementation date of no later than October 2017 has been suggested, however this will not be confirmed until they have secured a supplier and have a detailed project plan. This remains ongoing as reported to the Audit, Governance and Review Committee, but is now considered superseded as it will be included within the requirements of the new system.</p>					
4	<p><b>Communications (3.14/15)</b></p> <p>The Head of Communication should devise three separate strategies and implementation plans, demonstrating outcomes and performance measures for the following:</p> <ul style="list-style-type: none"> <li>• Corporate Public Relations;</li> <li>• Employee</li> </ul>		Medium	Implementation ongoing	<p>We were advised that discussions were ongoing with the Council to implement a communications solution as a result of the departure of the Head of Communications.</p> <p>This remains ongoing as reported to the Audit, Governance and Review Committee, therefore we have not repeated the action.</p>	2			May 2016	Interim Head of Corporate Comms / ACFO

Ref	Management action	Original date	Original priority	Status reported to Audit Committee	Audit findings	Current status	Updated management actions	Priority issued	Revised date	Owner responsible
	<p>Engagement; and</p> <ul style="list-style-type: none"> <li>Community Safety.</li> </ul> <p>These documents should be approved at the Strategic Management Board, and then disseminated to staff via the Service intranet.</p>									
5	<p><b>Communications (3.14/15)</b></p> <p>The Communications governance structure needs to be established for each of the three work streams:</p> <ul style="list-style-type: none"> <li>Corporate Public Relations;</li> <li>Employee Engagement; and</li> <li>Community Safety.</li> </ul> <p>This structured needs to demonstrate the relationship between each individual and group.</p>	April 2015	Medium	Implementation ongoing	<p>We were advised that discussions were ongoing with the Council to implement a communications solution as a result of the departure of the Head of Communications.</p> <p>This remains ongoing as reported to the Audit, Governance and Review Committee, therefore we have not repeated the action..</p>	2			May 2016	Interim Head of Corporate Comms / ACFO

Ref	Management action	Original date	Original priority	Status reported to Audit Committee	Audit findings	Current status	Updated management actions	Priority issued	Revised date	Owner responsible
6	<b>Communications (3.14/15)</b>  The Fire Service should ensure there is an appropriate process for managing the Communications Plans for each project implemented. This should include: <ul style="list-style-type: none"> <li>An approval process, during project initiation, from the Head of Corporate Communications for each Project; and</li> <li>Monitoring of the Communications Plan of the project.</li> </ul>	Dec 2015	Medium	Implementation ongoing	<p>We were advised that discussions were ongoing with the Council to implement a communications solution as a result of the departure of the Head of Communications.</p> <p>This remains ongoing as reported to the Audit, Governance and Review Committee, therefore we have not repeated the action.</p>	2			May 2016	Interim Head of Corporate Comms / ACFO
7	<b>Communications (3.14/15)</b>  The Fire Service need to ensure that it has appropriate policies, procedures and/or protocols in place governing the key channels of external communications, such as the media, press releases, 'images as incidents' and acceptable uses for all social media platforms.	Jan – May 2015	Medium	Implementation ongoing	<p>We were advised that discussions were ongoing with the Council to implement a communications solution as a result of the departure of the Head of Communications.</p> <p>This remains ongoing as reported to the Audit, Governance and Review Committee, therefore we have not repeated the action.</p>	2			June 2016	Interim Head of Corporate Comms / ACFO



Ref	Management action	Original date	Original priority	Status reported to Audit Committee	Audit findings	Current status	Updated management actions	Priority issued	Revised date	Owner responsible
	<p>These should be approved, dated and assigned an annual review date to ensure they remain fit for purpose.</p> <p>Following this, the documents should be made available to all staff via the Service intranet.</p>									
11	<b>Follow Up (8.14/15) – Business Continuity (2.13/14)</b>  All Business Continuity Plans should be submitted to the Risk and Business Continuity Team in a timely manner to enable a regular review.	April 2014	Medium	Completed	<p>It was discussed at the Audit, Governance &amp; Review Committee on 21<sup>st</sup> January 2015 that with recent periods of industrial action causing disruption to business, the submission of plans has been impacted.</p> <p>The normal practice for business continuity plan reviews was to initiate the review process at the beginning of April each year. In early 2015, and as part of the Workforce Transformation Program, the Risk and Business Continuity Manager was asked to postpone this until the business planning process commenced in late summer/early autumn 2015. However, various events happened which prevented this occurring.</p> <p>With change taking place, the Risk and Business Continuity</p>	2	All Business Continuity Plans should be submitted to the Risk and Business Continuity Team in a timely manner to enable a regular review.	Medium	May 2016	Risk & Business Continuity Manager.

Ref	Management action	Original date	Original priority	Status reported to Audit Committee	Audit findings	Current status	Updated management actions	Priority issued	Revised date	Owner responsible
					<p>Manager recently initiated a formal review process for business continuity plans to conclude by the end of April 2016. It is, likely that some plans will require further amendment as the organisation changes shape over the next few months.</p> <p><b><u>Management action restated</u></b></p>					
14	<p><b>Follow up (8.14/15) – Property Maintenance (7.12/13)</b></p> <p>The Services should review the process to record and monitor if repairs are completed within the required timescales.</p> <p>This could then be utilised to determine whether job sheets have been provided and use this as a basis to approve payments for repairs conducted by contractors.</p>	31 Dec 2014	Medium	Completed	<p>The new Concerto Software will record the repair job progress detail, however it has only been live since August 2015 and so the Property Services department are still aiming to have contractors sign up to the new regime.</p> <p>While some data can be achieved through the automated process, there are still significant complications in assessing every work item. In order to help the evaluation, the 5% random quality check that takes place also highlights response requirements and performance.</p> <p>Reporting from Concerto is still in its infancy at this time.</p> <p><b><u>Management action restated</u></b></p>	2	<p>The Services should review the process to record and monitor if repairs are completed within the required timescales.</p> <p>This could then be utilised to determine whether job sheets have been provided and use this as a basis to approve payments for repairs conducted by contractors.</p>	Medium	December 2016	Property Services Manager

Ref	Management action	Original date	Original priority	Status reported to Audit Committee	Audit findings	Current status	Updated management actions	Priority issued	Revised date	Owner responsible
16	<b>Follow up (Employee Taxes 2.12/13)</b>  In addition to the work already undertaken, Essex Fire Authority should continue to recover the excess Class 1A NIC from HMRC. As there is likely to be tax and NIC due to HMRC on the payments discussed in 3.7 any overpayment can be set off against these sums.	30 September 2014	Medium	Completed	Through discussions with the Deputy Director of Finance we were advised that discussions were still ongoing with HMRC with regard to Class 1A NIC and HMRC. A plan will be put in place once a response has been received.  <u>Management action restated</u>	2	The action will be closed by management once the formal response to the recover the excess Class 1A NIC is received from HMRC.	Medium	December 2016	Deputy Director of Finance
18	<b>Business Planning (10.14/15)</b>  The Service should ensure that the action plans within the Department Strategies are formally monitored.	31 March 2016	Medium	Implementation ongoing	There is currently a self-review system which it is felt is no longer appropriate to meet the department's goals. A new peer review via a buddy system is due to be implemented. This will involve staff who have no connections to the area in question working with RSDB colleagues. The aim of this is to avoid the possibility of staff reviewing and monitoring their own business plan and also to make the system more rigorous by asking more challenging questions. It is planned that the new system will be brought in in	2	The Service should ensure that the new peer review system is implemented by April 2016 so that action plans within the Department Strategies can be formally monitored.	Medium	February 2017	Performance Improvement Manager

Ref	Management action	Original date	Original priority	Status reported to Audit Committee	Audit findings	Current status	Updated management actions	Priority issued	Revised date	Owner responsible
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April 2016.

19	<b>Business Planning (10.14/15)</b>  The Service should ensure that there is an annual self-assessment of the business planning process to identify areas where the process was effective and areas that could be improved upon, taking the process forward.	31 March 2016	Medium	Implementation ongoing	Currently, self-assessment is completed in October/November along with financial planning. It is planned that this will change soon through a new peer review system which will be brought in in April 2016. This remains ongoing as reported to the Audit, Governance and Review Committee, therefore we have not repeated the action.	2			February 2017	Performance Improvement Manager
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# APPENDIX A: SCOPE

## Scope of the review

The internal audit assignment has been scoped to provide assurance on how Essex Fire Authority manages the following area:

### Objective of the area under review

All previous management actions falling due have been implemented.

## Areas for consideration:

**As part of the approved internal audit plan for 2015/16 we undertook a review to validate the status of recommendations within the Authority's recommendation tracking system that have been reported to the Audit Committee.**

The 'Medium' and 'High' recommendations considered as part of the follow up review are from the following reports:

- HR – Transactional Process (1.14/15)
- Fuel Cards (4.14/15)
- Performance Management (5.14/15)
- Follow Up (8.14/15);
- Business Planning (10.14/15)
- IT General Controls Healthcheck (1.15/16)
- Purchase of New Appliances (3.15/16)

Three 'High' and 21 'Medium' priority recommendations were considered as part of this review.

Staff members responsible for the implementation of recommendations were interviewed to determine the status of agreed actions. Where appropriate, audit testing was completed to assess the level of compliance with this status and the controls in place.

## Limitations to the scope of the audit assignment :

- This review covered audit recommendations previously made and did not review the whole control framework of the areas listed above. Therefore, we are not providing assurance on the entire risk and control framework of those areas;
- Where testing was undertaken, our samples were selected over the period since actions were due to be implemented or controls enhanced; and
- Our work did not provide any guarantee or absolute assurance against material errors, loss or fraud.

## APPENDIX B: ACTIONS COMPLETED

From the testing conducted during this review we have found the following actions to have been fully implemented and are now closed:

Assignment title	Management action
<b>HR – Transactional Process (1.14/15)</b>	<p>1 - The training delivered to the HR Team should be formalised to ensure the HR team are fully aware of how to fully utilise the SAP System. The Training should be enhanced to include further technical SAP training. This could be delivered by;</p> <ul style="list-style-type: none"> <li>• Outsourcing specialist SAP training; or</li> <li>• Identifying whether a SAP specialist could be employed by the Authority.</li> </ul> <hr/> <p>2 - The Authority should, with the assistance of IT, develop and adopt a more functional and less manually intensive process for the receipt and management of queries. Ideally this being in conjunction with the Cherwell system. There will be a need to ensure that a structured and automated workflow/ call system is established to manage the process and include as a minimum;</p> <ul style="list-style-type: none"> <li>• A Senior Responsible Officer;</li> <li>• RAG rating;</li> <li>• Timescales per query.</li> </ul> <p>The reporting functionality should also be reviewed to determine whether automated reports can be run, to ensure accuracy and use of information to inform decision making.</p> <hr/>
<b>Fuel Cards (4.14/15)</b>	<p>8 - The Authority should establish a policy and procedures for the user of fuel cards this should include:</p> <ul style="list-style-type: none"> <li>• The issue of Fuel Cards</li> <li>• Private mileage</li> <li>• Request and use of pool vehicles</li> <li>• Recording and reporting of mileage</li> <li>• Use of premium fuel.</li> </ul> <p>The procedures should also cover the use and monitoring of bulk fuel.</p> <hr/>
<b>Performance Management (5.14/15)</b>	<p>9 - The Service should ensure that in order to be able to measure performance against the Service Objectives sufficient resources are directed to the processes to capture the data necessary.</p> <hr/> <p>10 - Management should produce a Data Quality guidance document for Owners of performance measures and users of the Actuate system. This should state responsibilities including:</p> <ul style="list-style-type: none"> <li>• Requirement for Owners to provide a monthly commentary, and on which measures (e.g. all, or only blue and red).</li> <li>• Requirement for actions to be updated monthly and monitored for progress. A process should be put in place to enable to progress of actions to be monitored.</li> <li>• Deadline for commentaries and actions to be added in time to meet reporting deadlines for SDB and SMB.</li> </ul> <p>The guidance document could also include guidance on other matters such as:</p> <hr/>

	<ul style="list-style-type: none"> <li>Deadlines for submission of any data not gathered centrally.</li> <li>Responsibilities for data validation where manual data gathering or calculation is required.</li> </ul>
<b>Follow Up (8.14/15)</b>	<p>12 - A planned schedule of Business Continuity testing should be established to ensure that the Business Continuity Plans are fit for purpose and teams are knowledgeable of their roles.</p> <p>13 - A signed agreement between all parties should be held by the Service for each partnership to provide assurance to the Service that all parties have agreed to their respective responsibilities.</p> <p>15 - Reporting should be undertaken using the system Dream to monitor ordering patterns that may be indicative of disaggregated ordering practice. It is recommended these be run twice a year, unless major issues are uncovered.</p>
<b>Business Planning (10.14/15)</b>	<p>17 - The Service should monitor the submission of departmental plans against planned completion dates.</p> <p>Each Department Strategy document should be annotated with details of submission date, document author, reviewer and approver.</p> <p>20 - As part of the Business Planning process, the Service should evidence and retain the initial assessment of resources required to meet objectives within the Departmental Strategies and future iterations including the final version which matches the approved budget.</p>
<b>IT General Controls Healthcheck (1.15/16)</b>	<p>21 - We will review the access levels to the server rooms and will consider removing access to staff that do not have the required expertise and the business requirement.</p> <p>22 - We will communicate with the HR department the importance of receiving regular leaver updates. For agency staff, we will introduce an expiry date onto all such accounts. If a leaving date is not known in the first instance we will use an appropriate time period of 1-3 months.</p>
<b>Purchase of New Appliances (3.15/16)</b>	<p>23 - The Service will implement a payment spreadsheet setting out what has been paid and demonstrate reconciliation to the original purchase order figures.</p> <p>All records must be maintained to demonstrate up to date figures and any variances from the original purchase order must be explained.</p> <p>24 - The Service will review its current contract management processes and ensure that at a minimum three contract and operational meetings are held with Angloco each year during the contract period. These meetings will focus on remedying any current issues with delivery to schedule and formally hold the contractor to account for failures in delivery. Actions agreed will be formally recorded, monitored and closed off.</p> <p>The Service will retrospectively draw up a schedule of what has been delivered against schedule to show the delivery profile of the contract to date and use this as a key monitoring tool to take forward and report into a management group that will be assigned responsibility for overseeing the contract.</p>

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