

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



Audit, Governance and Review Committee Agenda

14:00	Wednesday, 22 April 2015	Fire HQ,
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Quorum: one third of the Committee's membership (5)

Membership

Councillor John Knapman
Councillor Barry Aspinell
Councillor Alan Bayley
Councillor Graham Butland
Councillor Michael Danvers
Councillor Andrew Erskine
Councillor Carlo Guglielmi
Councillor Ivan Henderson
Councillor Paul Honeywood
Councillor Michael Hoy
Councillor Tom Kelly
Councillor Maggie McEwen
Councillor Colin Seagers
Councillor Peter Wexham
Councillor Andy Wood

Chairman

**For information about the meeting please ask for:
Judith Dignum (Committee Services Manager, Essex County Council)
03330134579 / judith.dignum@essex.gov.uk**

Essex Fire Authority and Committees Information

Meetings of the Authority and its committees are open to the press and public, although they can be excluded if confidential information is likely to be considered.

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Part 1

(During consideration of these items the meeting is likely to be open to the press and public)

Pages

- | | | |
|----------|---|---------------|
| 1 | Apologies for Absence | |
| 2 | Minutes
To approve as a correct record the minutes of the last meeting of the Committee held on 21 January 2015. | 5 - 12 |
| 3 | Declarations of Interest
To note any declarations of interest to be made by Members in accordance with the Members' Code of Conduct | |

Decision Items

- | | | |
|----------|--|-----------------|
| 4 | Audit Recommendations
To consider report EFA/036/15 by the Finance Director and Treasurer. | 13 - 20 |
| 5 | Audit Reports
To consider report EFA/037/15 by the Finance Director and Treasurer. | 21 - 70 |
| 6 | Internal Audit Progress Report April 2015
To consider report EFA/038/15 by the Finance Director and Treasurer. | 71 - 76 |
| 7 | Internal Audit Plan 2015/16
To consider report EFA/039/15 by the Finance Director and Treasurer. | 77 - 98 |
| 8 | External Audit Plan 2014/15
To consider report EFA/040/15 by the Finance Director and Treasurer. | 99 - 120 |

Information Items

- | | | |
|----------|---|------------------|
| 9 | The Audit Commission's Closure - An Overview
To consider report EFA/041/15 by the Acting Chief Fire Officer and the Finance Director and Treasurer. | 121 - 124 |
|----------|---|------------------|

- | | | |
|-----------|---|------------------|
| 10 | Organisational Performance Reporting
To consider report EFA/042/15 by the Director of Human Resources and Organisational Development. | 125 - 126 |
| 11 | Electronic Rota Book
To consider report EFA/043/15 by the Director of Human Resources and Organisational Development. | 127 - 130 |
| 12 | Date of Next Meeting
To note that the next meeting of the Committee will take place on Wednesday 15 July 2015 at 2.00pm. | |
| 13 | Urgent Business
To consider any matter which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency. | |

Exempt Items

(During consideration of these items the meeting is not likely to be open to the press and public)

To consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, Members are asked to decide whether, in all the circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

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| 14 | Urgent Exempt Business
To consider in private any other matter which in the opinion of the Chairman should be considered by reason of special circumstances (to be specified) as a matter of urgency. |
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ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MINUTES OF A MEETING OF THE ESSEX FIRE AUTHORITY AUDIT, GOVERNANCE & REVIEW COMMITTEE HELD ON WEDNESDAY 21 January 2015 AT 2.00PM

Present:

Councillor J Knapman	Chairman
Councillor B Aspinell	
Councillor A Bayley	
Councillor G Butland	
Councillor M Danvers	
Councillor A Erskine	
Councillor C Guglielmi	
Councillor I Henderson	
Councillor P Honeywood	
Councillor M McEwen	
Councillor C Seagers	
Councillor P Wexham	

The following Officers were present in support throughout the meeting:

Adam Eckley	Acting Chief Fire Officer
Julian Ashley	Senior Divisional Officer (attending on behalf of Paul Hill, Assistant Chief Fire Officer, Safer Communities)
Dave Bill	Assistant Chief Fire Officer - Operations
Roy Carter	Service Solicitor
Mike Clayton	Finance Director and Treasurer
Lindsey Stafford-Scott	Director of Human Resources and Organisational Development
Shirley Jarlett	Deputy Clerk and Monitoring Officer
Daniel Harris	Baker Tilly (Internal Auditors)
Martina Lee	Ernst and Young (External Auditors)
Judith Dignum	Secretary to the Committee

Apologies for absence were received from Councillors M Hoy, T Kelly and A Wood.

1. Presentation to George Crowe

The Chairman of the Committee, Councillor Knapman, welcomed Mr George Crowe to the meeting and, on behalf of the Essex Fire Authority, made a presentation to him in grateful recognition of the administrative support he provided over many years to

meetings of EFA (Trading) Ltd. Mr Crowe expressed his thanks and commented on how much he had enjoyed his association with the Authority.

2. Declarations of Interest

The Chairman reminded Members that they should declare any interests at this point or during consideration of the appropriate agenda item.

3. Minutes

The minutes of the meeting held on 8 October 2014 were agreed as a correct record and signed by the Chairman.

Arising from consideration of minute 119 (Preliminary enquiry into the treatment of pension injury payments within the Fire Fighters pension scheme), the Acting Chief Fire Officer advised that a meeting of the eighteen authorities affected had taken place in December 2014 to share understanding of how the situation had occurred, address issues of common concern and identify matters to be raised with the Department for Communities and Local Government (DCLG). The Finance Director and Treasurer had now met the DCLG to discuss proposals for recovery of the outstanding liabilities from Authorities. A thorough system of checks and balances had been put in place and Officers were confident that similar issues could not occur in future.

4. Internal Audit Progress Report

The Committee considered report EFA/005/15 by the Finance Director and Treasurer which provided an update by Baker Tilly on progress against the 2014/15 internal audit plan.

Members were pleased to note that, to date, the Auditors had identified no issues which would have a negative impact on their annual report and no common weaknesses. A report concerning the Audit Plan for 2015/16 would be submitted to the next meeting of the Committee on 22 April.

The report was noted.

5. Audit Recommendation Report on Progress Against Action Plans

The Committee considered report EFA/006/15 by the Finance Director and Treasurer which provided an update on progress against the action plans developed by the Service in response to Audit reports. Items reported as completed in the previous quarter's report had been deleted.

In presenting the report, the Finance Director and Treasurer advised that progress was 'on track' for all actions, except that relating to automation of the process for network user formal agreement of the ICT Acceptable Use Policy. Implementation of the new Control Room project had taken priority, meaning that, although the mechanics of the automated system were now in place, a lack of resources had led to a delay in delivery.

Resolved:

That the progress made against the action plans developed by the Service in response to audit reports be noted.

6. Audit Reports

The Committee considered report EFA/007/15 by the Finance Director and Treasurer which provided internal audit reports on Fleet Management, Performance Management and Fuel Cards for review. Members noted that Fleet Management had received an Audit Conclusion of 'Substantial Assurance', and that the Conclusion for both Performance Management and Fuel Cards had been 'Reasonable Assurance'.

The Committee was particularly pleased to note the Conclusion of 'Substantial Assurance' (with no recommended actions) for the audit of Fleet Management and wished to record their thanks and congratulations to all involved.

With regard to the audit of Performance Management, the Committee was satisfied with the recommended actions proposed by Officers to address the audit recommendations, noting that any recommendations which were not fully completed would be included in the regular report on progress against action plans. In response to a question regarding appliance availability, the Acting Chief Fire Officer commented that the Service was aware of the impact of the numbers of retained fire fighters on performance against this indicator, and was committed to improve their recruitment and retention.

With regard to the audit of Fuel Cards, the Committee sought action on the recommended development of a policy and procedures for users of fuel cards and noted that this would be reported to the next meeting as part of the regular report on progress against action plans. In response to a question concerning the sample size for the audit, Mr Harris advised that it had involved analysing claims relating to 20 fuel cards over a period of 4 months.

Resolved:

That the internal audit reports on Fleet Management, Performance Management and Fuel Cards be noted.

7. Organisational Performance Report

The Committee considered report FP/008/15 by the Director of Human Resources and Organisational Development which provided an overview of the Service's performance for the period November 2013 – October 2014.

In introducing the report, the Director of Human Resources and Organisational Development advised the Committee to disregard the final paragraph of the commentary on the first success measure relating to Objective 2 (We will provide a resilient, timely, safe and effective response when risks become incidents), as this had appeared in error.

Members reviewed the information provided concerning performance against success measures, and received updates on actions taken or proposed in response. The following information was provided in response to issues raised:

- It was important to conduct an Employee Engagement Survey even in times of industrial unrest. Although the outcome would be affected by the climate, experience showed that this was unlikely to cause Essex to be out of line with other Fire and Rescue services, and it was important to obtain a benchmark against which the outcome of future surveys could be measured.
- It was proving difficult to recruit to the post of Environment Officer due to a lack of suitable candidates, and alternative methods of recruitment were being investigated. Environmental projects such as the installation of solar panels were continuing in spite of the vacancy, but monitoring and other ongoing work was adversely affected. The post had the potential to generate significant cost savings (as demonstrated by the achievements of the previous post-holder), and for this reason it had been retained as full-time.
- Performance targets were set using various methods, including benchmarking against the Service's 'family group', recycling former Best Value indicators, local determination and annual agreement by the Authority.
- It was noted that work was ongoing to review the measures associated with Objective 2 (We will provide a resilient, timely, safe and effective response when risks become incidents).
- The impact of industrial action and withdrawal of goodwill on the issue of Wholtime Availability was noted, and Members requested that information be submitted to the next meeting to allow the comparison of current performance with that achieved outside a time of industrial unrest. It was also agreed that future reports would include simple explanatory information to support statements such as that relating to a 'shortage of riders'.
- The issues associated with the non-availability of appliances due to staff training were noted.
- The formula for standard and minimum crewing had previously been removed by the Fire Authority due to its inefficiency.
- SDO Ashley commented on the casualty reduction work undertaken by the Service (in conjunction with partners), which had contributed to a reduction in those killed or seriously injured on the roads. The Committee welcomed the valuable work being carried out and suggested that it be the subject of a report to a future meeting of the Fire Authority.

Resolved:

1. That the report be noted.

2. That information be provided to the next meeting of the Committee to allow the comparison of current performance with that achieved outside a time of industrial unrest.
3. That future reports include simple explanatory information where appropriate.

8. Budget Review November 2014

The Committee considered report FP/009/15 by the Finance Director and Treasurer which reported on the expenditure against budget as at 30 November 2014 and identified major variances to the budget for the year.

In introducing the report, the Finance Director and Treasurer highlighted that numbers of watch-based firefighters were above the critical minimum. He also referred to the causes of the only area of overspend (on Premises and Equipment), which was due to factors largely outside of the Authority's control, such as fuel costs associated with a particular incident and increases in the cost of utilities. Finally, the savings on the cost of fire fighters related to a long term strategy which budgeted for posts in the Strategic Crewing Reserve, with a view to offsetting future reductions in government funding.

Resolved:

1. That the review of income and expenditure against the budget be noted;
2. That the actual position with regard to capital expenditure be noted; and
3. That the Forecast expenditure for 2014/15 be noted, together with the planned submission of a review of the treatment of the underspending to the next meeting of the Policy and Strategy Committee.

9. Draft Budget for 2015 - 16

The Committee considered report FP/010/15 by the Finance Director and Treasurer which provided options for the revenue and capital budgets for the Authority for 2015/16, together with information on the budget and business planning process. Initial information on the formula grant settlement, share of national non-domestic rates, council tax base and collection account for 2015/16 were also provided.

In considering the report, Members reaffirmed that the Committee's role with regard to the report was to satisfy itself that the budget-setting process had been correctly conducted.

The following information was provided in response to points arising from consideration of the report:

The Committee noted that the budget reflected the changing priorities of the Service. The success of the increased emphasis on prevention work had resulted in a change to what was required from the operational response and resources were being rebalanced accordingly. This was in accordance with the medium-term strategy agreed by the Fire Authority.

- The reimbursement of monies associated with the pension injury payments issue had been taken into account, assuming repayment by 31 March.
- It was noted that, although staff were encouraged to work flexibly, including from home, they were not provided with additional equipment to facilitate this, and budgetary provision for this had not been made.
- In response to a question by the Chairman, the Acting Chief Fire Officer undertook to provide to all Members of the Authority in advance of the meeting on 11 February information concerning an apparent increase in the number of senior staff within the Service.

Resolved:

1. That the draft budget for 2015 – 2016 be noted.
2. That the Committee express the view that the budget-setting process has been properly conducted.
3. That further information be provided to all members of the Authority regarding an apparent increase in the number of senior staff within the Service

10. Treasury Management Strategy Mid-Year Report

The Committee considered report EFA/011/15 by the Finance Director and Treasurer which stated that, in accordance with the requirements of the CIPFA Code of Practice on Treasury Management, a set of indicators had been approved by the Authority in February 2014, which were intended to demonstrate that capital investment plans are affordable and that consequential borrowing would be based upon sound treasury management strategy. The Code of Practice required these indicators to be monitored and reviewed on a rolling basis. The report provided an update on the Authority's performance in the first six months of 2014/15 against those indicators.

The following information was provided in response to Members' questions and comments:

- Treasury Management Practice 6 (Money Laundering) related to protection for the Authority against being used for that purpose. It had little impact on Essex, which did not handle a great deal of cash.
- The Authority aimed to repay any capital finance well before the end of the expected life of appliances and property. It was sometimes possible for appliances to last longer than their projected lifespan, but this did not take account of issues such as obsolescence.
- The Committee requested that options for improving the return on the investment of cash balances be investigated, with a further report to be submitted to a future meeting of the Committee, with a view to making recommendations for consideration by the Fire Authority.
- It was noted that adoption of a policy to encourage the early repayment of loans would not be sensible due to the severe penalties associated with it.

Resolved:

1. That the Treasury Management position for 2014/15 be noted.
2. That performance against the treasury management indicators for 2014/15 be noted.
3. That a report setting out options for improving the return on the investment of cash balances be submitted to a future meeting of the Committee, with a view to making recommendations for consideration by the Fire Authority.

11. Business Continuity

The Committee considered report EFA/012/15 by the Finance Director and Treasurer which provided an in-depth review of one of the areas agreed for the 2014/15 work plan. The report covered business continuity activities carried out during 2014.

The Chairman commented that the report had reassured him that the resilience programme requested by the Committee was in place. This view was supported by the resilience clearly demonstrated during recent periods of industrial action.

In response to a question, the Finance Director and Treasurer commented on the causes of the ICT Server Room Power Outage in September 2014, stating that remedial action had been taken, and lessons learned. A speedy resolution had ensured that the impact was less extensive than it could have been for an incident of that nature.

Resolved:

That the Committee agree that the business continuity activity described in report EFA/012/15 provide sufficient reassurance that the activities of the Service will continue after a business continuity interruption.

12. Pension Governance

The Committee considered report EFA/013/15 by the Director of Human Resources and Organisational Development which provided information regarding the governance of pension arrangements within the Authority. The report also provided an update on pending changes to the pension arrangements for Firefighters in April 2015.

In response to questions, the Director of Human Resources and Organisational Development advised that it was not yet clear what would be the impact of the new Pension Board on the role of the Committee as it related to pensions. Members were concerned at the possibility of duplication and it was agreed that further information would be provided as soon as it became available. Although the Authority was required to establish a Board for April 2015, it was unlikely to be functioning by that date (as the Pensions Regulator was aware) as the regulations had yet to be finalised. Although locally established boards were required by the draft regulations, it was hoped that economies of scale could be achieved, for example by working with other Fire Authorities to provide training on a regional basis.

The Committee welcomed the improved communication with Essex Pension Services (currently contracted by the Authority to provide the administering arrangements for the Fire Pension Schemes).

Resolved:

1. That the report be noted, together with the activity in 2014 related to the governance of pension arrangements and the activity pending in 2015 to ensure the effective introduction of the Pension Board and the new Firefighters' Pension Scheme.
2. That a further report be submitted to a future meeting of the Committee providing an update on the arrangements for the Fire Scheme Pension Board and information regarding the proposed terms of reference and membership of the Board.
3. That further information regarding the impact of the proposed Pension Board on the role of the Committee with regard to pensions be provided as soon as the position becomes clearer.

13. Date of Next Meeting

Members noted that the next meeting of the Committee would take place on Wednesday 22 April 2015 at 2.00pm.

The meeting closed at 4.10pm

Signed.....

Chairman
22 April 2015

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

Audit, Governance & Review
Committee

AGENDA ITEM

4

MEETING DATE

22 April 2015

REPORT NUMBER

EFA/036/15

SUBJECT

Audit Recommendation – Report on Progress Against Action Plans

REPORT BY

The Finance Director & Treasurer, Mike Clayton

PRESENTED BY

The Finance Director & Treasurer, Mike Clayton

SUMMARY

This paper reports on the progress against the action plans developed by the Service in response to audit reports. Items reported as completed in the previous quarter's report have been deleted from the table.

RECOMMENDATION

Members of the Audit Sub Committee are asked to review the progress.

BACKGROUND

This report brings forward the progress made by the Service in response to Audit recommendations. It includes those made by the Audit Commission in their annual audit letter, and in internal audit reports. The recommendations in the review of Risk Management are the subject of a separate action plan and a progress report will be made to the next meeting of the Committee.

RISK MANAGEMENT, LEGAL, FINANCIAL, ENVIRONMENTAL & EQUALITY IMPLICATIONS

There are no risk management, legal, financial, environmental or equality implications from this report.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of appendices attached to this paper: Table of Recommendations	
Proper Officer:	Mike Clayton
Contact Officer:	The Finance Director and Treasurer Essex County Fire & Rescue Service, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB Tel: 01376 576000 mike.clayton@essex-fire.gov.uk

Source	Recommendation from Audit report	Original (or amended) Service Action Plan	Responsibility and Timescales	Progress
Safer Communities	As part of the Safer Communities Strategy review, the draft should be submitted to the Activ8 Community Volunteers for consultation.	The Activ8 forum was set up as a basis for consultation. This has been replaced by a wider ranging volunteer programme. We will therefore liaise with our volunteers when we review and update the strategy in the Autumn of 2014. This update will be published and made available to the public by 28th February 2015.	SDO Safer Communities Feb 2015	Completed
ICT General Controls	All network users should formally agree that they are aware and will comply with the ICT Acceptable Use Policy.	Agreed in principle to automate. Implementation deferred until resources available after completion of the Control Project.	Head of ICT December 2015	On Track
Follow Up Review	Fleet Management - Local Station Managers should be required to verify that daily checks have been conducted and recorded within vehicle log books.	This is being raised at meetings between the fleet department and local managers and will be detailed in the Service level agreement under review with Operations	Engineering Manager December 2014	Completed

Source	Recommendation from Audit report	Original (or amended) Service Action Plan	Responsibility and Timescales	Progress
Follow Up Review	Property - The Services should review the process to record and monitor if repairs are completed within the required timescales. 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.	Significant investment has been agreed by the Authority for an integrated Property Software Solution that will cover the RAG assessment of works. There is also an interim measure in place on orders. 10% checks of work are now formalised the sample will be increased only to the extent that it is cost effective to do so. A new system will enable job sheet timeframes to be captured and monitored.	Property Services Manager December 2014	Completed
Follow Up Review	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.	Agreed	Purchasing & Supplies Manager December 2014	Completed
HR Transactional Processes	We would recommend that a workshop is run to identify the HR Transactional processes and to identify opportunities for process simplification and automation.	We will be undertaking a complete review of processes to ensure they remain fit for purpose, under the SAP Next Steps Project.	Head of HR March 2016	On Track

Source	Recommendation from Audit report	Original (or amended) Service Action Plan	Responsibility and Timescales	Progress
HR Transactional Processes	In relation to the aspect of Frequently Asked Questions (FAQs) there is a need for an overhaul of the current system.	<p>The review of processes will include reviewing the FAQs as a dependency and will include all relevant links</p> <p>Where appropriate, the team will signpost staff to the FAQs – an additional sentence will be added to the intranet site to guide staff to do this and the team will ask them if they have accessed the FAQs if they call and send a link to the FAQs if they have e-mailed.</p> <p>A process will be introduced to review requests received that cannot be answered via an existing FAQ to introduce new FAQs where appropriate.</p>	Head of HR & OD July 2015	On Track
HR Transactional Processes	<p>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> <p><input type="checkbox"/> Outsourcing specialist SAP training; or</p> <p><input type="checkbox"/> Identifying whether a SAP specialist could be employed by the Authority.</p>	SMB have recently approved a business case re next steps for SAP which will address some of the current issues including reporting, a review of training required and a full training programme for all relevant staff. It is expected that this training will be provided in-house from the current Project Manager who is working on the SAP development programme. The Project Manager is also exploring options for SAP reporting and upskilling.	Head of HR & OD July 2015	On Track

Source	Recommendation from Audit report	Original (or amended) Service Action Plan	Responsibility and Timescales	Progress
HR Transactional Processes	<p>The Authority should develop and adopt a more functional and less manually intensive process for the receipt and management of queries. 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"> <input type="checkbox"/> A Senior Responsible Officer; <input type="checkbox"/> RAG rating; <input type="checkbox"/> Timescales per query. <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>	<p>SAP specialist/helpdesk operative would be involved in workflow/call system, call logs, response rates – if this does sit within IT – will need joint working</p> <p>RAG rating/triage for calls/emails will be introduced as part of process review and improvement – this will include SLAs/timescales for responding.</p>	<p>Head of HR & OD Head of ICT June 2015</p>	On Track

Source	Recommendation from Audit report	Original (or amended) Service Action Plan	Responsibility and Timescales	Progress
HR Transactional Processes	<p>The Authority should undertake a 'Phase Two' of the HR Transaction Project to ensure the original PID is delivered.</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>The next steps project for SAP will address these issues. This is expected to be a 12 – 18 month project, so benefits realisation will be subject to the project milestones which are yet to be scoped and agreed.</p>	<p>Head of HR & OD March 2016</p>	On Track
Fuel Cards	<p>The Authority should establish a policy and procedures for the user of fuel cards this should include:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The issue of Fuel Cards <input type="checkbox"/> Private mileage <input type="checkbox"/> Request and use of pool vehicles <input type="checkbox"/> Recording and reporting of mileage <input type="checkbox"/> Use of premium fuel. <p>The procedures should also cover the use and monitoring of bulk fuel.</p>	<p>Work has commenced on producing a policy for the issue and use of fuel cards</p>	<p>Engineering Manager April 2015</p>	Completed

Source	Recommendation from Audit report	Original (or amended) Service Action Plan	Responsibility and Timescales	Progress
Fuel Cards	The Service must ensure that all Card entries are entered fully onto the Allstar Fuel Card information list, with the cards status, a date of issue recorded and a date of cancellation if applicable.	I believe the system we have in place is adequate. We issue memo's with cards which need to be signed and these confirm the issue date, I will ensure any gaps in information on our spreadsheet are completed	Engineering Manager April 2015	Completed
Performance Management	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.	The structure of the department is being finalised, following that vacancies can be filled and the necessary resources will be in place to achieve the data capture.	Performance Manager April 2015	Completed
Performance Management	Management should produce a Data Quality guidance document for Owners of performance measures and users of the Actuate system.	A performance management framework is planned which will cover the areas described	Performance Manager April 2015	Completed

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING**Audit Governance &
Review Committee****AGENDA ITEM****5**

MEETING DATE

22 April 2015

REPORT NUMBER**EFA/037/15**

SUBJECT**Audit Reports**

REPORT BY

The Finance Director & Treasurer, Mike Clayton

PRESENTED BY

The Finance Director & Treasurer, Mike Clayton

SUMMARY

This paper provides three internal audit reports for review.

RECOMMENDATION

Members of the Committee are asked to note the contents of the reports.

BACKGROUND

This is a covering paper for the following external and internal audit reports being submitted to the meeting of the Audit, Governance & Review Committee. The following reports are to be considered at the meeting;

Audit Area	Audit Conclusion
Communications	Reasonable Assurance
Budgetary Control	Substantial Assurance
Key Financial Controls	Substantial Assurance

RISK MANAGEMENT IMPLICATIONS

Internal audit reports form part of the risk management arrangements for the authority. Progress on the implementation of agreed recommendations is also reported to the Committee.

LEGAL, FINANCIAL, ENVIRONMENTAL AND EQUALITY IMPLICATIONS

There are no relevant implications from this report.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of appendices attached to this paper: Internal Audit Report Fleet Management Internal Audit Report Performance Management Internal Audit Report Fuel Cards	
List of background documents (not attached):	
Proper Officer:	Mike Clayton
Contact Officer:	The Finance Director and Treasurer Essex County Fire & Rescue Service, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB Tel: 01376 576000 mike.clayton@essex-fire.gov.uk

Essex Fire Authority

[Internal Audit Report \(7.14/15\)](#)

FINAL

Budgetary Setting and Control

23 March 2015

Contents

Section	Page
Executive Summary	1
Action Plan	5
Findings and Recommendations	6

Debrief meeting	27 February 2015	Auditors	Dan Harris - Head of Internal Audit
Draft report issued	16 March 2015		Suzanne Lane - Senior Manager
Responses received	20 March 2015		Alan Grisley – Assistant Manager
			Nick Fanning - Senior Auditor
Final report issued	23 March 2014	Client sponsor	Glenn McGuinness - Deputy Director of Finance
		Distribution	Glenn McGuinness - Deputy Director of Finance

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

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. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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

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1 Executive Summary

1.1 Introduction

An audit of Budgetary Setting and Control was undertaken as part of the approved internal audit periodic plan for 2014/15.

The audit was a holistic review of the 2014/15 budget monitoring and reporting arrangements within the Authority. The 2015/16 budget building process was examined to establish that the Authority was up to date with timescales and that budgets will be ready for approval in February 2015. The review also examined the Medium Term Financial Plan to ensure a document had been drafted and that the Authority demonstrated adequate forward thinking and financial projections.

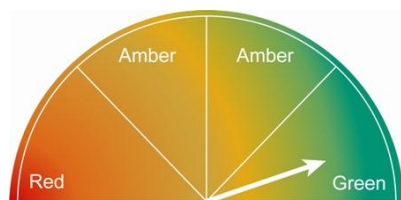
The Fire Authority is required by the Local Government Finance Act 1992, to set a budget requirement for the following year. Following meetings of the Policy and Strategy Committee, the Strategic Management Board and the Strategic Delivery Board during 2014/15, the draft budget was submitted to the Fire Authority meeting of 11 February 2015.

The Fire Authority approved a budget of £73.3m for 2014/15.

The audit was designed to assess the controls in place to manage the following objective and risks.

Objective	To ensure that the financial stability through effective budget management.
Risk	Failure of financial procedures and controls resulting in an ineffective budgetary control process.

1.2 Conclusion



Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Effectiveness

- As of the January 2015 Budget Review report to the Policy and Strategy Committee the Service had a £240k surplus against budget with a forecast year end outturn of £419k surplus.

Design of control framework

We found that the following controls were designed adequately:

- There are up to date, comprehensive Financial and Procurement Regulations available on the system that clearly outlines the requirements in respect of budget processes, key responsibilities and management arrangements.
- A set of guidance notes in respect of the Budget Setting process are available and circulated to all budget holders and business managers. Finance managers work with the budget holders during the process as a method of support.

- Budgets are built starting with the pay budget, based on headcount data provided by the budget holders. The non-pay elements are added in and the individual budgets are discussed and agreed with finance managers following the department production of a department strategy document which forms the basis of the initial budget review meetings. Budget Holders have responsibility for providing the budget figures although they have the full support of the finance managers throughout the process.
- A Business Excellence Planning Toolkit which covers the key areas of the budget setting for each department is used and covers the steps required to complete the budget setting process effectively.
- Budgets are submitted to an informal timescale followed by a timetabled schedule of review meetings. Following submission Senior Management Reviews are held with the budget holders to agree the budgets. The finalised budgets are then sent to the Strategic Management Board for review and following this to the Policy and Strategy Committee and Audit Governance and Review Committee for discussion.
- Budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- An informal Budget Setting Timetable has been established and communicated to budget holders. The timetable for the 2015/16 budget setting started in September 2014 when the initial department strategy documents were due to be submitted.
- Following the internal review process, as per the timetable, the Budget is sent for final review to the Full Fire Authority. This takes place in February each year.
- Budget reports are regularly produced on a monthly basis by the Management Accountants and sent to all Budget Holders / Business Managers. Budget Holders are sent a copy of their budget statement on a monthly basis and they are able to review this statement and discuss with Management Accounts whether they are correct or whether any adjustments are required. An initial report is sent on the 1st working day of the month. Final reports are sent following all month end adjustments including prepayments and accruals being completed.
- All Budget Holders and Business Managers have access to the DREAM finance system data. They are able to access the DREAM in relation to their budgets and drill down to the required level to review their budgets and to check and verify any variances that may arise.
- The Authority has produced a Medium Term Financial Strategy paper at September 2014 for the period for 2015 - 19. This has been presented to the Policy and Strategy Committee and reflects the 2014/15 budget position and the projections for the years 2015/16, through to 2018/19.
- Finance reports are produced on a monthly basis and presented to the Strategic Management Board. The report is for information purposes and covers in detail pay and non-pay expenditure, capital expenditure, forecasts and risk implications.
- Budgets for 2015/16 have been uploaded to DREAM. To support this there is an amendments document which resulted from the review meetings between the budget holders and finance managers.
- Virements are made following board approval and supported by validating documentation.

There were **two low priority** recommendations in relation to the design of the control framework which can be found in section 2 and 3 of this report.

Application of and compliance with control framework

- From the list of budgets for 2015/16 obtained from the Authority, three budgets were selected. For each budget we found, a completed department strategy document in line with the required structure and content as per the guidance and a department budget, including headcount figures for the pay budget, was evidenced. We also confirmed in discussion with 3 budget holders that they have the responsibility of preparing departmental strategies in line with organisational objectives and which form the basis against which budgets are built.

- For the three budgets reviewed in detail we identified that following submission of the Department Strategy Document it was evidenced in each case that there was a management review meeting with the budget holder and the budgets went to the Strategic Management Board, Policy and Strategy Committee, Audit and Governance Committee for review. These stages were completed timely in line with the informal budget setting timetable.
- We confirmed for the review of the same sample budgets that in addition to pay/head count, using the top of each pay scale, political and economic factors and with a worst case expectation for pricing.
- From a walkthrough of the Business Excellence Toolkit we noted that it does not fit with the current processes, as a result a low priority recommendation has been made.
- We confirmed from minutes that the Budget for 2014/15 was approved on 12th February 2014. The Budgets for 2015/16 were presented to the Full Fire Authority on 11th February 2015.
- We obtained the six budget report emails sent by Finance to the budget holders for the last three months (October – December 2014). The initial reports were evidenced as having been sent out on the first working day of the month. The final reports were all evidenced as having been produced and a link sent to all budget holders in a timely manner.
- From the list of budgets, three months budget holder statements for three budgets were selected for 2014/15. We selected a sample of twenty entries from the individual budget statements and checked them back to the General Ledger to establish that the budget reports are accurate. In all cases the budget figure could be verified back to the T/B confirming the accuracy of the figures. For each budget figure we were able to drill down on individual lines to establish that detail can be viewed.
- The Strategic Delivery Board Minutes were examined for month 7 to month 9 and it was confirmed that there is a standing agenda point covering the Organisational Budget Position during the prior month.
- The Policy and Strategy Committee Minutes for September 2014 were reviewed and we confirmed that the Medium Term Financial Strategy had been presented to members and had effectively covered key aspects of the financial plan including Council Tax Rates, Government Grant projections, financial projections and plans to close the identified funding gap.
- From the Finance report for month 9 (Dec 14) presented to Strategic Management Board on 20th January 2015 we selected five figures from the report and established that all were supported by sufficient backup. We confirmed the figures reported in the Finance Report are accurate and are a true reflection of the budget status as per the General Ledger.
- A sample of five actions were selected from the Budget Amendments Document and checked to the General Ledger to ensure the changes have been made timely and accurately. All five amendments had been actioned, annotated on the amendment document as complete and were evidenced to the General Ledger with the journal corrections provided.
- The Dream vs. Pay Model reconciliation was provided as at 5th January 2015. A sample of three variance figures was selected and journals were evidenced correcting these differences.

1.3 Scope of the review

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls for review and limitations were agreed:

Control activities relied upon:

- Regular and accurate budget statements
- Internal reporting arrangements on 2014/15 budgets and 2015/16 proposed budgets.
- Policies and procedures including Financial Regulations and internal documentation

- Utilisation of the 'DREAM' on-line finance system;
- The requirement, usage and authorisation of Virements in 2014/15
- Budget setting and timetables for the 2015/16 Budget.
- Budget upload and reconciliation processes surrounding the 2015/16 budget upload.
- Production of a Medium Term Financial Plan.

Limitations to the scope of the audit:

- The scope of the work was limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out in for this review.
- Any testing undertaken as part of this audit will be compliance based and sample testing only.
- Our work and report does not provide any assurance on the eventual accuracy at the year end of the current projected outturn or any assurance on the validity and accuracy of any assumptions made in producing the projected outturn.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

The approach taken for this audit was a Risk-Based Audit.

1.4 Recommendations Summary

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	0	0	1
Application of control framework	0	0	1
Total	0	0	2

The recommendations address the risks within the scope of the audit as set out below:

Risk	Priority		
	High	Medium	Low
Failure of financial procedures and controls resulting in an ineffective budgetary control process.	0	0	2
Total	0	0	2

2 Action Plan

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.1	The Service should ensure that the Business Excellence Planning Toolkit is updated to reflect current budget setting practice and is reviewed periodically to ensure it remains effective in guiding the process.	Low	Y	The Business Excellence Planning toolkit will be updated for the 2016-2017 budget setting process.	31 st July 2015	Deputy Director of Finance
1.2	The Service should implement a monitoring sheet to ensure all stages of the budget process are recorded and reviewed. This will add a greater element of control to the process.	Low	Y	The existing timetable will be reviewed and more detail of the initial budget build scheduled where appropriate.	31 st July 2015	Deputy Director of Finance

3 Findings and Recommendations

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all audit testing undertaken.

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
Risk 1: Failure of financial procedures and controls and reduction in future funding to be received due to The Service failing to provide an effective budgetary control process					
1.1	<p>A set of guidance notes in respect of the Budget Setting process are available to and circulated all budget holders and business managers.</p> <p>Finance managers work with the budget holders during the process as a method of support.</p> <p>This is backed up by the Business Excellence Planning Toolkit which covers the key areas of the budget setting for the departments and the steps required to complete the budget setting process effectively.</p> <p>The Toolkit was last updated in July 2010 and it is confirmed via discussions with the Deputy Director of</p>	No	<p>We obtained a copy of the Business Planning Process paper reported by the Performance Improvement Manager in the strategic development board meeting held on the 26th August 2014.</p> <p>This document briefly covers the following areas:</p> <ul style="list-style-type: none"> • The business and planning process for the period of 2015/16; • The deadline submission dates for staff forecasts, budgets and business plans; and • The departmental strategies and plans for the period 2014/15 – 2018/19. <p>Note that the information provided in the Business Planning Process is merely a brief outline and states further detailed guidance will follow from the finance department regarding the budgeting setting</p>	The Service should ensure that the Business Excellence Planning Toolkit is updated to reflect current budget setting practice and is reviewed periodically to ensure remains effective in guiding the process.	Low

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	Finance that it does not reflect current practice and requires an update to bring it up to date.		<p>planning process.</p> <p>Following this there was guidance sent by the Finance Director of the types of questions that will need to be answered during the budget review meetings.</p> <p>We obtained the Business Excellence Planning Toolkit and reviewed. The toolkit is available to all staff on the shared W: drive.</p> <p>As confirmed by the Deputy Director of Finance it is not up to date with current processes and therefore no testing of the toolkit was undertaken.</p> <p>The document was walked through with the Deputy Director of Finance and demonstrated that it does not fit to the current processes.</p> <p>The risk of this toolkit not being up to date and reflecting current practice is that it will not effectively guide the budget holders through the budget setting process.</p>		
1.2	<p>There is an informal timetable for the budget build 2015/16 which was produced by Finance.</p> <p>26th September, submissions of the department strategy / business plan by budget holders.</p>	Yes	<p>The process was discussed with the Deputy Director of Finance and was explained that the timescales are in place to ensure that the process can be completed timely.</p> <p>The budget submissions are submitted and saved in the shared drive.</p> <p>The following three budgets were examined</p>	The Service should implement a monitoring sheet to ensure all stages of the budget process are recorded and reviewed. This will add a greater element of control to the process.	Low

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	<p>29th September to 10th October – Senior Management reviews with budget holders and individual budgets agreed</p> <p>21st October and 18th November discussion at SMB.</p> <p>14th January 2015 – Policy and Strategy Committee</p> <p>21st January 2015 – Audit Governance and Review Committee.</p> <p>11th February 2015 to Full Fire Authority for final approval.</p>		<ul style="list-style-type: none"> 9402 – Finance and Pay 9405 – Property Services 9505 - ICT <p>We were unable to verify when the budgets were submitted due to the fact that as changes are made to the original submission it only shows the file as at last modified date.</p> <p>We did confirm that all three budgets from the sample were in the shared drive.</p> <p>We can also clarify that they had been submitted timely as we obtained evidence of the subsequent review meetings in all three cases.</p> <p>The review meetings in one case were within the timescales set with the other two being after the 10th October deadline.</p> <p>The review meetings were however held in advance of the SMB meetings so can be deemed as satisfactorily timely;</p> <ul style="list-style-type: none"> 9505 – 07/10/2014 9402 – 20/10/2014 9405 – 20/10/2014 <p>The minutes from the Policy and Strategy</p>		

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
			<p>Committee and the Audit Governance and Risk Committee on the 14th and 21st of January respectively were obtained and demonstrated the draft budget for 2015/16 had been presented and discussed.</p> <p>The review was undertaken prior to final sign off so we are unable to verify that the Budget for 2015/16 has been approved at the Full Fire Authority Meeting. This is scheduled for 11th February.</p> <p>It was confirmed by the Deputy Director of Finance that there used to be a monitoring sheet in place to check budget builds and approval process stages were in line with timescales.</p> <p>This however has ceased to be in place and this creates a risk of there being inadequate monitoring and control of the process with any issues not being identified timely.</p>		

Essex Fire Authority

Internal Audit Report (6.14/15)

FINAL

Key Financial Controls

24 March 2015

Contents

Section	Page
Executive Summary	1
Action Plan	10
Findings and Recommendations	11

Debrief meeting	25 February 2015	Auditors	Daniel Harris, Head of Internal Audit
Draft report issued	16 March 2015		Suzanne Lane, Senior Manager
Responses received	24 March 2015		Alan Grisley, Assistant Manager Kimberley Hancock, Analyst
Final report issued	24 March 2015	Client sponsor	Glenn McGuinness, Deputy Director of Finance
		Distribution	Glenn McGuinness, Deputy Director of Finance

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1 Executive Summary

1.1 Introduction

An audit of Key Financial was undertaken as part of the approved internal audit periodic plan for 2014/15. For the purpose of this audit the following areas are under review; General Ledger, Cash & Treasury Management, Payroll, Payments & Creditors, Income & Debtors and Asset Management.

Essex County Fire and Rescue Service hereby known as the 'Service' hold all of its finance operations at its main headquarters in Kelvedon Park. The Service covers a population of more than 1.74 million from 50 fire stations, employing a total of 1,552 staff, per December 2014 finance report ranging from control and support staff to fulltime and retained firefighters. Essex fire and rescue is one of the largest fire services in the United Kingdom.

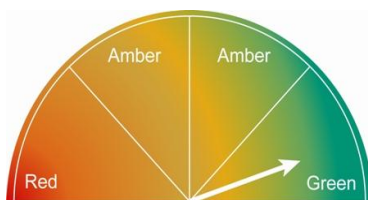
The Service invests funds with; Lloyds TSB, CCLA (Charities, Churches and Local Authorities money market fund) and the Debt Management Account Deposit Facility, on daily, monthly and annual basis's. At the time of Audit (January 2015) the CCLA investment stood at £14,500,000 and the DMADF deposit at £5,000,000. The Lloyds account balance changes on a daily basis depending on the amount the Service receives and pays.

Significant reserves are held by the Service in order to reduce borrowings. The current lender of choice for the Service is the Public Works Loan Board (PWLb), a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments. The total level of the Service's long term debt at 26 January 2015 was £33.5m with a long term loan of £4m repaid on 1st April 2014.

The Services Aged Debt as at January 2015 stood at a total of £126,290 for debt aged over 30 days, with £5,313 being over the 90 day cut off for referral to the Debt Collectors.

Fixed assets within the service hold a financial value of £86,069,000 for Land and Buildings and a further £10,494,000 for Vehicles, Plant and Equipment.

1.2 Conclusion



Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Design of control framework

General Ledger

- Procedures are in place for each of the financial systems, these are stored electronically, together with the authorised signature list and are available to all members of staff. Journal Registers are compiled each week from system-generated reports of the journal entries made during the previous week. Each person must review their own entries and seek approval from a more senior member of the finance team. A Journal Register is prepared as a cover sheet for the journal reports, which lists the journal numbers included; the types of journal included for that week and is initialled and dated by the preparer, with the Deputy Director of Finance's signature appended as the final authorisation.
- Journal entries are entered into CODA Dream and must include details of the accounts debited and credited (or cost centres for virements), amounts and narrative description. Journal entries are accompanied by either hard copy or scanned electronic supporting documentation.
- User access rights to journals and virements present that appropriate access levels have been given to the appropriate individuals and to allow segregation of duties.

Cash and Treasury Management

- The treasury management Strategy is approved by the Authority each year and reported against during the year by the Finance Director and Treasurer through the Audit, Governance and Review Committee.
- Cash and Treasury Management performance indicators are monitored and reviewed at every meeting, in order for remedial actions if required.
- Bank account reconciliations are performed monthly by the Finance Supervisor, with independent review by both the Finance Processing Manager and the Deputy Director of Finance.
- Investment Funds are currently held securely, one with the Authority's bank (Lloyds Bank) and with one AAA rated money market fund (Charities, Churches and Local Authorities money market fund - CCLA). The Authority has a Debt Management Account Deposit Facility where surplus funds are deposited with the Governments Debt Management Office. This is in accordance with the Authority's policy that requires counter parties to have AA or AAA ratings.
- Loans held by the Service are made in accordance with the Authorities Treasury Management policy incorporated into the Treasury Management Reports.
- Treasury management activities are regularly monitored and reported on and bank account access is limited to authorised staff members.

Payroll

- Procedural guidance is in place for each stage of the payroll process including starters, amendments and changes and leavers.
- Starters are added to SAP by the HR department from new starter forms. Once employee details have been entered into SAP, it is the role of the payroll department to conduct a Hiring Payroll Check within SAP, which includes entering bank details, tax data and the National Insurance category. The Hiring Payroll Check 'unlocks' the record, without which SAP cannot process a payroll payment for that record.
- A leavers checklist is completed for those employees departing employment with the Authority. The Human Resources department delimits all recurring payments in SAP, which is then independently checked by another member of the Human Resources department. Payroll is then informed by e-mail with details of any annual leave outstanding to be paid. SAP details must be de-limited in SAP by the 5th of the month to prevent the employee from receiving a payment in the same month.
- Amendments to employees' bank details and changes to employees' contracts are completed on dedicated change of circumstance forms, the forms are authorised by the employee's line manager, submitted to the human resources department and then processed by the payroll department.
- Employees must be part of one of the following pension schemes: Local Government Pension Scheme (LGPS) for support staff. New Firefighters' Pension Scheme (post-March 2006) or Firefighters' Pension Scheme (pre-March 2006). Once the employee has signed their contract agreeing to the terms of their pension, they are entered into the correct pension schemes by the Human Resources Team.
- Staff may claim additional payments for expenses which are filed with the correct receipts required to support claims. Payments are then subject to a sense check by the finance team, to ensure that payments are for realistic amounts and are supported before being processed by payroll.
- Each month a payroll payment batch detail are checked by the payroll manager to ensure entries on the report are correct and any additional deductions (e.g. attachment to earnings orders) are also correct. The payment run is checked against the Gross and Net Pay reports on the system, in order for any anomalies to be identified.
- Any exceptions identified by the SAP payroll system are exported into a master Excel spreadsheet and investigated on a rolling basis by the Payroll Manager
- A comparison of gross pay is undertaken every month and variances are investigated and resolved by the Payroll Manager who retains an electronic copy of 130

- A net pay exception report is compiled every month and any exceptions are printed out and retained as a hard copy. The hard copy is annotated with the reason for the exception and valid differences are signed as approved by the payroll manager.
- All control accounts, including the Payroll Gross Pay Control Account, are reconciled on a monthly basis by the Finance Processes Manager. These are reviewed and signed by the Deputy Director of Finance

Purchases and Creditors

- All orders are raised on the CODA Dream purchase order system. The system is pre-set with authorisation limits for individual authorisers to prevent misuse of the ordering system.
- Invoices are required to show the order number. They are then matched to the order and passed for payment (no further authorisation required if within 10% tolerance of the received amount). Invoices cannot be paid without the goods / services being received on the system, or further authorisation from the department head.
- Invoices are date stamped when received by Finance. The date stamp is either ticked as Paid to Book (i.e. matched) or Registered (i.e. sent for further authorisation if it cannot be matched).
- BACS and Cheque payment runs are made once a week. Segregation of duties is in place so that the run is implemented by one person, the file converted and imported to Lloyds by a second person, and the payment run is approved by the Financial Processes Manager.
- On a monthly basis the Aged Creditor Listing report is agreed to the Trial Balance and this review is signed off by the Financial Processes Manager and the Deputy Director of Finance to agree to the amounts which are still outstanding.
- New Supplier details are input onto the system Dream by Purchasing following receipt of a fully completed official New Supplier form. Finance requires bank details to be provided on the supplier's company letterhead and to be signed. Finance then require confirmation of bank details from a second individual. Suppliers are paid by cheque until bank details can be satisfactorily verified.
- Amendments to supplier details are only made once in receipt of notification containing the supplier letterhead. The Finance department email the supplier contact that they deal with and ensure bank detail amendments are legitimate. The payment will be taken off the payment run until the amendment has been verified.
- Before starting any procurement processes the Procurement Officer shall determine the estimated value of the contracts. Any contract worth over £20k shall be placed through a tendering process, so the Service can gain the best value for money.
- The Service follows the UK and EU legislation for the Compulsory Competitive Tendering rules even if these conflict with internal procedures.

Income and debtors

- New debtors are created upon request from the corresponding departments. The forms are received by either email or post. Once the requisition is received the debtor will be created on the system by finance. Input onto the system is by the finance team.
- Debtor invoices requests within the service are sent via email to the finance department, who then raise the request on the dream system. Once the request has been made an invoice is sent to the debtor. The individual who request the debtors invoice must be separate to those who raise and approve the request. Any correspondence with the debtor is logged onto the system and hard copies of back up details are scanned and attached to the debtors account.
- The Service will issue Credit Notes after an e-mail request is received by Finance from the Manager who raised the original request. These are reviewed monthly by the Financial Processes Manager, whom then produces a report for month end sign off by the Deputy Director of Finance.

- The Service produces an Aged Debtors report to highlight debt at 30, 60 and 90 days. At each of these dates a reminder letter is sent to the debtor to inform them that they need to pay. The final letter is sent after the debt is aged over 90 days, in which time the debtor has 14 days to respond before being sent to the collection agency.

Asset management

- Assets are recorded on the Fixed Asset Register (FAR) from the transactions that are processed by finance at year end. The Finance Monitoring Manager then ensures details are correct by contacting the budget holder and through periodic checks with the department.
- Finance maintains a Fixed Assets Register for vehicles and equipment and for land and buildings.
- Access to the FAR is currently limited to four users; Finance Manager – Monitoring, the Deputy Director of Finance and the System administrator/ supervisor (generic account).
- All users have access to the FAR system software at the highest level of input. The System administrator user password is known by the Finance Manager – Monitoring and the Deputy Director of Finance.
- Additions and Disposals for the year are maintained on a separate spreadsheet which is then added to the FAR on an annual basis at year end.
- Reconciliations between FAR and General Ledger are completed by the Finance Manager – Monitoring. The FAR is reconciled annually at year end and the Fixed Assets under Construction Register is reconciled on a monthly basis, and any relevant assets transferred over the FAR once completed. A monthly capital expenditure report comparing actual spend to budget is included in the monthly finance report (but no testing carried out on this).

Application of and compliance with control framework

General Ledger

- We obtained a system-generated master list of journal entries made during the current financial year and for a sample of 25 we noted that in all cases confirmed that the correct procedure had been followed.
- From a review of all individuals with access to Dream, we confirmed for Finance staff that each had access rights consistent with their roles and responsibilities, we also confirmed that access is by user name and password.
- We were informed that the Authority does not have any suspense accounts.

Cash and Treasury Management

- We confirmed from a review of the minutes and reports to Authority meetings, and meetings of the Audit, Governance and review Committee, that the Treasury Management Strategy was approved in February 2014 by the Authority and set out the how cash flow would be managed and how surplus monies would be invested. We also confirmed that reports on the capital position were issued to the Audit, Governance and Review Committee in July 2014 and January 2015.
- From review of the bank reconciliations for the previous 3 months we confirmed that they balanced with the exception of one which was investigated and resolved. Each was signed as evidence of who prepared them, and who reviewed them. They were also prepared promptly following end of month.
- We obtained and reviewed the Services investment folder for 2014/15 and picked a random sample of 4 transactions, we also reviewed a sample of 25 overnight deposits. We confirmed for each transaction that they corresponded to the requirements of the Financial and Procurement Regulations and were authorised in line with the mandated forms.

- The Authorities borrowing requirement was approved as part of the Treasury Management Strategy, and from review of the current balance we can confirm that it remains within those approved limits.

Payroll

- We confirmed from our review that payroll procedures are fit for purpose with step by step guides, and were available on the intranet.
- We selected a sample of 25 new starters from the New Starter report and of the 25, 17 had a hiring payroll check list completed, 6 were volunteers and therefore did not require a payroll check, for 2 the evidence had been destroyed as they had left the service, although the information was retained electronically.
- From the sample of 23 new starters reviewed above (where records were held), 11 had new starters forms in place, 6 were volunteers and therefore did not require them. The other 6 were could not be sourced by the HR department, as having recently moved buildings the paperwork was not yet sufficiently filed. New starter forms are authorised by the employees line manager, and input onto the system by HR and Payroll.
- From a sample of 25 leavers for the current financial year we confirmed that one of the 25 individuals had a leaver's checklist in place, and 16 of the 25 had leaver's forms on file. There are no distinguishable features between the two types of forms. All forms were completed on the system by the 5th day of the month after the employee had left. All leavers sampled had received a check by payroll of their final Pay and therefore it was not deemed to be a major financial risk of overpayments occurring.
- From a sample of 25 amendments we confirmed that, 13 had completed amendment forms, 14 had dates recorded when the change was made upon SAP; however we also confirmed that only six out of the 14 were changed in a timely manner before the employees next pay date, the 15th of each month. The 8 that were not changed in a timely manner too in the range of 1-4 month to change the records. Not changing the records in a timely manner could prevent staff from being paid correctly, leading to over/underpayments being made, causing a financial implication to the Service
- There is a financial risk to the Service where payroll documentation is not held or retained to ensure appropriate authorisation and transaction date, this could result in 'ghost' employees on the payroll and additional pay to which the employee is not entitled. **(Medium)**
- From the previous sample of 25 new starters we confirmed that: 15 starters were placed onto the correct pension scheme, eight were not entitled to enter onto a pension scheme as they were volunteers and two starters did not have records of a pension in place on the PRF HR system, we were informed that as the HR team had recently moved buildings there filing system was not navigable and therefore the original forms could not be sourced.
- From a sample of 25 expenses claims over the last three months, January, December and November we confirmed that all claims were supported by receipts and were subject to an appropriateness check by the employee's line manager. The system does not record the name of the authoriser, however the authorisation limits were built into the system, and therefore would only be authorised in line with the pre-set approvers limit.
- From a review of the previous 3 months of payroll runs we confirmed that a payment batch detail summary was produced for each of the three payroll runs, they were each signed off as sense checked by the Senior Admin Assistants on the Pay run checklist, which was then signed off by the Payroll Manager.
- We reviewed the payroll exception reports for the previous 3 months and confirmed that each exception to an employee's normal salary is checked by a member of the payroll team and a comment is assigned to each instances to explain the exception. This is then checked by the Payroll manager and once authorised the exceptions are corrected.
- We reviewed the 3 most recent gross pay comparisons and confirmed that variances in pay are investigated and resolved by the Payroll Manager who retains an electronic copy.

- We reviewed the 3 most recent net pay comparisons and confirmed that they are compiled every month and any exceptions are printed out and retained as a hard copy. The hard copy is annotated with the reason for the exception and valid differences are signed as approved by the payroll manager.
- We reviewed the 3 most recent control account reconciliations and confirmed that all control accounts, including the Payroll Gross Pay Control Account, are reconciled on a monthly basis by the Finance Processes Manager. These are reviewed and signed off as agreed by the Deputy Director of Finance.

Purchases and Creditors

- We sampled 25 creditors invoices raised on the system and confirmed that all orders are raised on the CODA Dream purchase order system. The system is pre-set with authorisation limits for individual authorisers to prevent misuse of the ordering system and therefore we confirmed that all invoices were subject to the correct level of approval.
- We sampled 25 creditors' invoices and confirmed that all individual order lines are marked as received on the purchase order system. If the goods/services received do not match the order (e.g. a temp was ordered for 35 hours work but only worked 30), the person receiving must amend the order line.
- We sampled 25 creditors' invoices and confirmed that all invoices raised were within the 10% tolerance limits. We confirmed through the 25 invoices in the sample that all goods are marked as received as they arrive within the Service.
- We sampled 25 creditors' invoices and confirmed that all invoices are date stamped when received by Finance, and signed by the individual who is processing the invoice. The date stamp is either ticked as Paid to Book (i.e. matched) or Registered (i.e. sent for further authorisation if it cannot be matched).
- From a sample of five BACs runs we confirmed that a segregation of duties is in place between the BACS preparation, review and approval.
- From a sample of 25 new suppliers in 2014/15 we confirmed that there were five exceptions which the Service do not require a new supplier form, these are; Volunteers to be paid expenses, Liquidators paid by cheque, Drs paid by cheque. We confirmed that the other 20 invoices in the sample have; a new supplier form, signed letter stating the companies bank details, an email confirmation of bank details, from a individual from the creditor who didn't sign the bank details letter. We can therefore take assurance that the correct process is being followed for the setup of new suppliers.
- We confirmed via discussions with the Finance Administrator for Creditors that there have been no changes to supplier bank details within 14/15. We further confirmed this by reviewing a system report for supplier detail changes.
- From the sample of five new additions in the asset management sample we confirmed that all five vehicles purchased had been capitalised in line with the £7,500 limit.

Income and debtors

- From a sample of 25 debtors invoiced raised in 2014/15 we confirmed that in all instances; The debtors requisition was received in an email or email returned form, The invoices were raised in a timely manner (within a month), Inputs to the system match the amounts requested, There is segregation of duties between requisition and input onto the system
- From a sample of 25 debtors Invoice raised in 2014/15 we confirmed that each invoice can be accurately matched to a request email held as supporting evidence. From the testing we also confirmed that all invoices were raised in a timely manner within a few days of receiving the request. There were four instances where an invoice had not been raised which was demonstrated to be because the orders were cancelled.
- From a sample of 25 full and part credit notes we confirmed that they have been subject to the relevant approval and there is a segregation of duties between input and approval. We confirmed that all have been processed in a timely manner.

- From a sample of 25 aged debt cases we confirmed that 21 had been chased in line with policy, in 4 cases a debtor was sent further letters after the 90 days cut off period to try and recoup the debt owed rather than forward to a debt collection agency in line with the procedures.

Asset management

- From our earlier sample of 25 invoices, two invoices relating to Vehicles purchased in 2013, a Ford Mondeo EX14 NPU and a Ford Focus EX14 NPO, we confirmed that they have been capitalised in accordance to the £7500 limit.
- We confirmed via discussions with the Deputy Director of Finance that assets are recorded on the FAR from the invoices that are processed by finance at year end. The Finance Monitoring Manager then ensures details are correct by contacting the budget holder and through periodic checks with the department.
- From review of the fixed asset register we confirmed that disposals are amalgamated into the same section as retained fixed asset, however we confirmed that individual reports can be obtained if required. Disposal forms are retained within the department making the disposal. Testing in this area was performed as part of the Fleet Management audit.
- We confirmed that a procedural guide to work the Fixed Asset Management System is available to staff.
- Verification requests are made via e-mail and then the Finance Monitoring Manager meets with the departments to discuss the verification and they make notes from the meetings. We confirmed that from these meeting notes the Asset Register is updated, and if a reply is not received from the department they are chased until the Finance Monitoring Manager is satisfied.
- We obtained the Asset Register reconciliations for 2013/14 and confirm that all balances match. We also confirmed that the relevant backing details were on file, these included; System reports for fixed asset's net book value and depreciation for the year, revaluation reserves, fixed asset movement and assets held for sale. From further testing we confirmed that the Asset Register values reconciled to the Trial Balance figures.
- We obtained and reviewed the list of users to the FAR system within Asset Management and confirmed that there are 4 account users allocated to the system. We confirmed that once an individual is recruited for the vacant Finance Manager – Systems role there will be adequate users on the system, and access is in line with individuals Job Titles. We confirmed via discussion with the Finance Manager-Monitoring that there is a segregation of duties in place within the system as themselves (**only**) and the Finance Manager - Monitoring and the Finance Manager - Systems have inputting responsibilities, whereas the Deputy Director of Finance approves the reports

During the course of the audit we identified seven areas of weakness, which resulted in **two low and one medium priority recommendations** being made these are documented in the action log below.

1.3 Scope of the review

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following limitations were agreed:

Limitations to the scope of the audit:

- This review considered the adequacy and application of controls in place over the organisations key financial controls.
- We did not substantially re-perform reconciliations.

- We did not provide assurance that all goods ordered do not provide value for money, nor will we verify the accuracy or completeness of information recorded on the ledger.
- We did not guarantee that the services and items being invoiced and paid for are correct with the events having actually taken place.
- We did not confirm that all staff had read and understood policy and procedures.
- The review was conducted on a sample basis and will not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

The approach taken for this audit was a System-Based Audit.

1.4 Recommendations Summary

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	0	0	0
Application of control framework	0	1	2
Total	0	1	2

The recommendations address the risks within the scope of the audit as set out below:

Area	Priority		
	High	Medium	Low
General Ledger	0	0	1
Cash and Treasury Management	0	0	0
Payroll	0	1	0
Payments and Creditors	0	0	0
Income and Debtors	0	0	1
Asset Management	0	0	0
Total	0	1	2

1.5 Additional Feedback

We have included some comparative data to benchmark the number of recommendations made, as shown in the table below. In the past year, we have undertaken a number of audits of a similar nature in the sector.

Level of Assurance	Percentage of Reviews	Results of this Audit
Green	57%	X
Amber Green	43%	
Amber Red	0%	
Red	0%	

Recommendations	Average number in similar audits	Number in this audit
Recommendations made	5	3

2 Action Plan

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	
Suggestion	These are not formal recommendations that impact our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.3	The Service should ensure that all weekly journal reports are approved and included in the journal register to be approved by the Director of Finance and evidenced as such.	Low	Y	Isolated incident, thus none	Immediate	Deputy Director of Finance
3.1	HR should ensure that all starter, leaver and amendment documents are scanned and placed as an attachment to the employee records on the PRF Human Resources system in a timely manner.	Medium	Y	A new service level agreement (SLA) will incorporate this	September 2015	HR Support Team Manager
5.1	The Service should ensure that all debt (barring the public sector and debts under £50) are referred to the debt collection within the 90 day cut off period.	Low	Y	Where cost effective and appropriate this will be implemented	April 2015	Deputy Director of Finance

3 Findings and Recommendations

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all audit testing undertaken.

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
Area 1: General Ledger					
1.3	<p>Journals may be processed by any member of the finance and financial management teams and due to the large number of entries, all journal entries are printed out to a system-generated report each week and are independently reviewed and approved by two members of the finance department, with final authorisation by the Deputy Director of Finance.</p> <p>Journal Registers are compiled each week from system-generated reports of the journal entries made during the previous week. Each person must review their own entries and seek approval from a more senior member of the finance team (peer approval in the case of the Finance Managers and the Financial Processes Manager).</p>	Yes	<p>From a sample of 25 Journals raised within the current financial year we found that:</p> <p>In one case the weekly reports and journal register for that specific one week of journal transactions was missing.</p> <p>Through discussion with the Financial Processes Manager it could not be located at the time of audit but we could obtain the backing documentation behind the sample journal being raised itself.</p> <p>Also in one case we found that the weekly report had been signed by the preparer but not an approving officer. Furthermore, the journal transaction was not included in the list of journals approved by the Deputy Director of Finance. However it was included on the journal register front sheet for the week and this was signed as approved by the Financial Processes Manager, but not the Deputy Director of Finance.</p> <p>Therefore:</p> <ul style="list-style-type: none"> In 23/25 cases each underlying type of 	The Authority should ensure that all weekly journal reports are approved and included in the journal register to be approved by the Director of Finance and evidenced as such	Low

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	<p>The person responsible for printing system-generated journal reports and preparing them for approval rotates weekly across the three Finance Assistants.</p> <p>A Journal Register is prepared as a cover sheet for the journal reports, which lists the journal numbers included; the types of journal included for that week and is initialled and dated by the preparer, with the Deputy Director of Finance's signature appended as the final authorisation.</p> <p>Once the Journal Register is complete, it is submitted to the Deputy Director of Finance for final approval.</p>		<p>system-generated report was signed by the preparer of the journal entries and countersigned by the by a Financial Manager or the Financial Processes Manager.</p> <ul style="list-style-type: none"> In 23/25 cases the journal Register was signed by the Deputy Director of Finance. In 24/25 cases the journal numbers ran consecutively from week to week. <p>When all journal transactions are not countersigned by another member of the finance team and included in the journal register list for the Deputy Director of Finance to approve and all documentation retained there is a risk that the correct authorisation has not been given and journals have not been reviewed.</p>		
Area 3: Payroll					
3.1	<p>The Authority uses SAP for the combined administration of human resources (HR) and payroll functions. Starters are added to SAP by the HR department from new starter forms.</p> <p>Once employee details have</p>	Yes	<p>From a sample of 25 new starters we confirmed that 5/25 had a checklist in place on the PRF Human Resources system, which confirmed the date which they were added onto SAP.</p> <p>HR should ensure that all employee documentation is on the system in order to improve evidence traceability and improve communication between the HR and Payroll departments and to ensure that starters are processed on the SAP system in a</p>	HR should ensure that all starter, leaver and amendment documents are scanned and placed as an attachment to the employee records on the PRF Human Resources System.	Medium

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	<p>been entered into SAP, it is the role of the payroll department to conduct a Hiring Payroll Check within SAP, which includes entering bank details, tax data and the National Insurance category. The Hiring Payroll Check 'unlocks' the record, without which SAP cannot process a payroll payment for that record.</p> <p>If details are entered into SAP prior to the 5th of the month, the employee will receive pay that month. If details are entered into SAP after the 5th of the month, the employee will receive pay the following month.</p> <p>A total of 89 new starters have been recorded during the current financial year to date.</p>		<p>timely manner.</p> <p>We confirmed via discussion with the Payroll Manager that hiring payroll checks are conducted however there is no physical evidence to prove that this took place, we are assured that this takes place, otherwise the Starter would not be processed in the Pay run as their accounts would be locked.</p>		
3.2	<p>A leaver's checklist is completed for those employees departing employment with the Authority. The Human Resources department delimits all recurring payments in SAP, which is then independently checked by another member of the Human Resources department.</p> <p>Payroll is then informed by e-mail with details of any annual leave</p>	Yes	<p>From a sample of 25 leavers for the current financial year we confirmed that one of the 25 individuals had a leaver's checklist in place, and 16 of the 25 had leaver's forms on file. There are not distinguishable features between the two types of forms. All forms were completed on the system by the 5th day of the month after the employee had left. All leavers sampled had received a check by payroll of their final Pay and therefore it was not deemed to be a major financial risk of overpayments occurring.</p>	Refer to 3.1 above	

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	<p>outstanding to be paid.</p> <p>SAP details must be de-limited in SAP by the 5th of the month to prevent the employee from receiving a payment in the same month.</p> <p>A total of 161 leavers have been recorded during the current financial year to date.</p>		We have made a recommendation in paragraph 3.1 above on the retention of documentation.		
3.3	<p>Amendments to employees' bank details and changes to employees' contracts are completed on dedicated change of circumstance forms, which are submitted to the human resources department and are then processed by the payroll department.</p> <p>Amendments to basic employee data such as names and home address can be made by the individual employee within their account in the Employee Services Pages.</p>	Yes	<p>From a sample of 25 employee amendments we confirmed that 13/25 had completed amendment forms on file. HR should ensure that all employee documentation is on the system in order to improve evidence traceability and improve communication between the HR and Payroll departments.</p> <p>From the sample of 25 amendments we confirmed that 14 had dates recorded when the change was made upon SAP.</p> <p>We confirmed through review of the system that the data on all 14 change forms matched the data given on the system.</p> <p>Where an amendment form is not retained it is not possible to confirm the accuracy of information input to SAP, and the risk of unauthorised changes.</p> <p>Please refer to the recommendation in paragraph 3.1 above</p>	.refer to 3.1 above	

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
Area 5: Income and Debtors					
5.7	<p>The Service produces a monthly Aged Debtors report to highlight debt after 30, 60 and 90 days. At each report date a letter is sent to the debtor reminding them of the amount of which they owe to the Service.</p> <p>The final chasing letter is sent after 90 days by recorded post and/or email to which the debtors are given 14 days to respond or the debt is passed to a collection agency.</p> <p>Late payment charges may be applied if the debt is seriously overdue. If it gets passed to the collection agency the costs incurred by the service are passed to the Debtors.</p> <p>As detailed in the Financial regulations point 312; Debt can only be written off by the Financial Director and Treasurer to the value of £20,000 in one transaction. Any cases over this amount are reported to the Members.</p>	Yes	<p>From a sample of 25 aged debt cases we confirmed that in four cases a debtor was sent further letters after the 90 days cut off period to try and recoup the debt owed, this is not in line with the procedures.</p> <p>We confirmed via discussion with the Finance administrator for Debtors that the Service does not refer debt cases to debt collectors if the amount is less than £50.</p> <p>The debts chased over 90 days, that were not sent to the debt collection agency, had the following values;</p> <ul style="list-style-type: none"> • £120.67 • £238.80 • £774.29 <p>Not following the procedures could result in the increasing debt and the risk of future write off's.</p> <p>We confirmed via discussions with the Finance Administrator for Debtors that there have been no write offs in the current financial year.</p>	The Service should ensure that all debt (barring the public sector and debts under £50) are referred to the debt collection within the 90 day cut off period.	Low

Essex Fire Authority

[Internal Audit Report \(3.14/15\)](#)

FINAL

Communications

16 January 2015

Contents

Section	Page
Executive Summary	1
Action Plan	5
Findings and Recommendations	9

Debrief meeting	13 November 2014	Auditors	Daniel Harris - Head of Internal Audit Suzanne Lane - Senior Manager Alan Grisley - Assistant Manager Barry Ward - Assistant Manager Sean Little- Consultant
Draft report issued	10 December 2014		
Responses received	16 January 2015		
Final report issued	16 January 2015	Client sponsor	Glenn McGuinness- Deputy Finance Director and Treasurer Christine Conner - Head of Corporate Communications
		Distribution	Glenn McGuinness- Deputy Finance Director Christine Conner - Head of Corporate Communications

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1 Executive Summary

1.1 Introduction

An audit of Communications was undertaken as part of the approved internal audit periodic plan for 2014/15.

The scope of this review was agreed by Senior Management to give the Fire Authority assurance on the control framework in place for Communications, and that risks in relation to both internal and external communications are appropriately managed.

The Head of Communications had prepared a document illustrating three strategic options for the direction of the Fire Service in relation to Corporate Communications. These options were: additional resource and restructure, a co-sourced communications function or a continued reactive function. Supporting these documents were a list of current services provided by the Communications Department and a proposed governance structure for the Corporate Communications function following the recruitment of additional management personnel. The proposal document also identified three work streams for the Communications Department: Corporate Public Relations, Community Safety and Employee Engagement. Each section had proposed outcomes for 2014/15 and/or 2014/16.

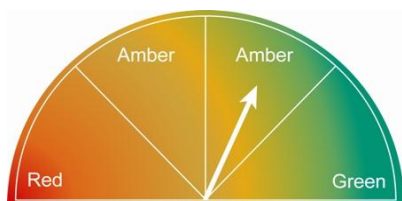
Whilst the document had no formal approval, a confirmation email from the Director of Human Resources and Organisational Development demonstrated approval of a workforce planning business case for additional staffing resources. This included the recruiting of an additional two management positions for Corporate Communications. This approval aligns further development to the first option within the proposal document drafted by the Head of Corporate Communications.

Stakeholders have been mapped, using levels of influences and interest, for four different scenarios; Day-to-day, Major Incident, Reduction of Services and Industrial Action. The internal and external communication channels have been identified within the 'Corporate Communications, Media and Marketing' training material produced by the Communications Department. Additionally, feedback channels have been established to ensure the Service receive opinions from both staff and the public on varying issues. Training materials have been developed for Corporate Communications, Media and Marketing and Social Media. These provide key information to staff to ensure channels of communication are managed appropriately.

The audit was designed to assess the controls in place to manage the following objectives:

Objective	To ensure the positive image of the service
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1.2 Conclusion



Taking account of the issues identified, the Authority can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

Controls designed and operating effectively

- Essex Fire Authority has a Corporate Communications work plan. This document set out the role of the Service and Corporate Communications Department, the purpose and alignment of the work plan. This included the vision and mission for the Service, and the 2014/15 objectives and an action plan.
- Project Communication guidance is available to Service personnel via the Service intranet. The guidance states that internal and external stakeholder communications should be recorded and a communications schedule should be put in place. When each project is initiated within the Service, a communications plan is prepared to ensure key information is communicated to stakeholders throughout the lifecycle of the project.
- Stakeholder Mapping has been implemented by the Fire Service for four different states, as follows:
 - Day to Day;
 - During a Major Incident;
 - During Industrial Action; and
 - Reduction of Service.

The stakeholder maps identify the key stakeholders in each of the four scenarios. The exercise has followed established procedures, identifying stakeholders by level of interest and influence.

- The Fire Service has identified their mechanisms for internal communication. The primary internal routes are identified as follows:

- Intranet, including access to the Strategic Management Board meeting minutes, current news and a Corporate Communications section for documented procedures. This section had the process for developing a project communications plan, acceptable uses for twitter and a complaints/ compliments process;
- Parade News containing key messages were provided to staff, including the current financial situation, recent incidents, fundraising and service events;
- People Management and Development Bulletin, the bi-monthly training and development bulletin detailing issues around working hours, dress code, starters, leavers, annual leave and policy updates;
- Posters provided information on key Fire Service topics;
- Direct communications to staff, such as Postcards to Firefighters regarding additional remit in community focussed services;
- Special publications, such as the document produced by Communications that quoted facts and fiction from Acting Chief Fire Officer regarding the messages staff were receiving from the Fire Brigades' Union.
- There are various channels identified within the Fire Service for receiving feedback from Service Personnel and the public, including:
 - Informal station visits, implemented by the Fire Authority Chair, Acting Deputy Fire Officer and Assistant Chief Fire Officers;
 - Managers' Meetings, where senior management invite attendance from Service Personnel to discuss issues captured within a meeting agenda sent in advance;
 - Consultations, where the Service are in direct consultation with the public, and the development of an additional feature that will allow Service Personnel to comment on consultations published on the Service intranet;
 - Provision of a feedback channel within the Service Integrated Risk Management document;
 - A documented process for compliments and complaints; and
 - Surveys for both Staff and Public to identify significant trends in opinion.

Issues identified with the design of control framework

We identified four weaknesses with the design of control framework, as follows:

- There was no formally documented Communications Strategy within the organisation. Whilst the strategic direction for Corporate Communications has been proposed by the Head of Communications, formal implementation plans have not been established. There is a risk that the expected outcomes will not be achieved, as the actions required to achieving them have not been devised. **Medium**
- Similarly, the governance arrangements for the three work streams of the Corporate Communications department have not been formalised. Therefore the accountability, reporting and monitoring formats, meeting frequency or committee structures have not been identified. Without governance arrangements in place to actively govern the implementation of actions and monitor ongoing performance, there is a risk that the expected outcomes will not be appropriately managed and/or governed and therefore not achieved. **Medium**
- From our review of a sample of 3 projects we found that Project Communications Plans are not formally approved prior to the commencement of the project, or reviewed throughout the lifecycle of the project, and there was no process for reporting progress and exceptions. Without evidence to demonstrate that a communications plan is prepared, approved and monitored for each project, there is a potential significant reputational risk to the fire service. **Medium.**
- Through testing, we found the Fire and Rescue Service did not have comprehensive policies and procedures for all the channels of external communication utilised. Without acceptable uses being prescribed within a procedure or protocol for each form of external communication, the implication is a member of Service personnel may communicate sensitive information externally, or communicate externally in an inappropriate manner, resulting in a reputational risk for the Fire Service and/or Fire Authority. **Medium**

We also identified two low priority issues, and have provided recommendations within the Action Plan in Section 2.

Issues identified with the application of and compliance with control framework

We did not identify any significant weaknesses with the application of and compliance with control framework.

1.3 Scope of the review

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following limitations were agreed:

Limitations to the scope of the audit:

- We did not give an opinion that all potential stakeholders have been identified, only that an exercise has been conducted to map stakeholders to methods of communication.
- Testing was conducted on a sample basis only.
- In addition, our work did not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist. It should not, therefore, be considered as a comprehensive review of all aspects of non-compliance that may exist now or in the future.

The approach taken for this audit was a Systems-Based Audit.

1.4 Recommendations Summary

The following tables highlight the number and categories of recommendations made. The Action Plan in Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	0	4	2
Application of control framework	0	0	0
Total	0	4	2

1.5 Additional Feedback

We have made five suggestions that Essex Fire Authority may wish to consider:

Suggestions Made During the Audit
<p>We did not identify formal approval of the proposed strategic direction for Corporate Communications. However, we did receive an email demonstrating approval of the workforce planning business case.</p> <p>To protect the future strategic planning for Communications, and ensure best practice is achieved, the following suggestion has been provided:</p> <p>At the next Strategic Management Board Meeting, the forum could formally confirm their approval of option 1 of the Head of Corporate Communications strategic proposal, demonstrating commitment to the restructure of Corporate Communications.</p>
<p>We reviewed the project communications plans, and noted that compliance against the agreed plan is not in place. Alongside a recommendation for approval and monitoring, we have provided the following suggestion:</p> <p>Effective monitoring could be implemented by the Head of Corporate Communications ensuring variations against the Communications Plan are identified and actions agreed. This could be recorded in an issues or action log.</p>
<p>Through discussion, we noted that station visits are implemented by the Fire Authority Chair, Acting Chief Fire Officer and Assistant Chief Fire Officers on an informal basis. We identified some good practice at another Fire and Rescue Service which Essex Fire could adopt:</p> <p>The Head of Communications could devise a standard template for Station Visits to ensure consistent areas are reviewed.</p>

Suggestions Made During the Audit

Through review, we noted that the Fire and Rescue Service were disseminated a Staff Survey in November 2014, but had not completed a Public Opinion survey since 2010/11. We have provided the following suggestion:

The Service should consider a Public Opinion Survey in 2014/15 or 2015/16 to identify any changes from 2010/11 in public views of the Fire Service.

We noted that due to the embryonic stage of the Communications long term strategy, there were no performance measures agreed to monitor effectiveness. We have provided a recommendation in control 1 of the Findings and Recommendations in Section 3, but have also provided a supplementary suggestion to ensure a mechanism for measuring the effectiveness of Corporate Communications is identified, as follows:

Following the development of the three implementation plans for work streams: Corporate Communication, Employee Engagement and Community Safety, the Head of Communications could develop key performance indicators to allow effectiveness to be reviewed.

Benchmarking

We are undertaking this audit at other Fire Authorities and once completed we will provide some comparison and benchmarking data/information, including where appropriate examples of good practice.

2 Action Plan

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.1a	<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"> • Corporate Public Relations; • Employee Engagement; and • Community Safety. <p>These documents should be approved at the Strategic Management Board, and then disseminated to staff via the Service intranet.</p>	Medium	Y	A restructure to give the Head of Corporate Communications strategic lead on these activities and professionalise the department with resources to deliver these three key strands of activity have been agreed and recruitment process is under way with funding from April 2014/15. Work to develop these strategies to support strategic ambitions of the Service is already under way.	April 2015	Head of Corporate Communications/
1.1b	<p>The Communications governance structure needs to be established for each of the three work streams:</p> <ul style="list-style-type: none"> • Corporate Public Relations; • Employee Engagement; and • Community Safety. <p>This structured needs to demonstrate the relationship between each individual and group.</p>	Medium	Y	<p>This proposal was put forward by the Head of Corporate Communications to introduce wider governance from within the SMB team with the benefit of ensuring more cohesive communications activities with consistent messages delivered to all stakeholders and all three strategies working together.</p> <p>Expanding reporting lines will also assist SMB in presenting a collective narrative. CFO to</p>	April 2015	Head of Corporate Communications/

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
				maintain line management for Corporate PR, Director HR & OD for Employee Engagement and Director Safer and Resilient Communities for Community Safety marketing		
1.2	<p>The Fire Service should ensure there is an appropriate process for managing the Communications Plans for each project implemented. This should include:</p> <ul style="list-style-type: none"> • An approval process, during project initiation, from the Head of Corporate Communications for each Project; and • Monitoring of the Communications Plan of the project. 	Medium	Y	This process is in place for major programme boards but a number of projects undertake communications activities beyond the oversight of the professional Corporate Communications team. This approach will ensure corporate scrutiny and provide more corporate context and alignment, maximising opportunities to share corporate lines. Will require buy in, particularly from operational side of the organisation. First step to consider communication implications in meeting papers and as part of all project planning. Additional resources will allow introduction of greater governance around communications activity.	Dec 2015	Head of Corporate Communications
1.3	<p>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. These should be approved, dated and assigned an annual review date to ensure they remain fit for purpose.</p>	Medium	Y	<p>These policies, procedures and protocols exist in practice but need to be formalised. Additional resources will allow introduction of greater governance around communications activity. In January, the Service procured a social media management system and is currently training</p>	Jan 2015-May 2015	Head of Corporate Communications

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
	Following this, the documents should be made available to all staff via the Service intranet.			official service users to operate via a single, formal channel. This allows oversight of activity and encourages sharing of current messages and campaigns through a single portal. A programme of training supports new users and will allow expansion of official social media participants without some of the significant associated risk.		
1.5	The Head of Corporate Communications should implement a training needs analysis, identifying which service personnel require communications training, and a training log, to effectively monitor training completion. Additionally, the Service could incorporate a training incentive scheme with the new social media software purchased by the Head of Corporate Communications.	Low	Y	Corporate Communications offers in house Media, Social Media and internal communications skills training, primarily to uniformed staff to give them the skills they need to present the Service in a professional way, limiting risks to ECFRS image. Currently delivered on request, there is some urgency now to train more station managers to be able to deliver information to the media, particularly at incidents. This recommendation supports the delivery of a more formal programme of training and development that is recorded and recognised. Rather than incentive, it is proposed to implement a proficiency standard before individuals can represent the Service to the media.	July 2015	Head of Corporate Communications

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.6	The Fire Service should ensure a guidance document or procedure is developed for processing Freedom of Information requests, to ensure the process is implemented consistently.	Low	Y	This will be reviewed when management of the Fol process moves in to Corporate Communications. This work will be completed once additional resources are in place.	September 2015	Head of Corporate Communications

3 Findings and Recommendations

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all audit testing undertaken.

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
1.1	<p>It was recognised by management that there is currently no formally documented Communications Strategy within the organisation.</p> <p>To address this, the Head of Corporate Communications implemented a review of Communications. Following this, a document was drafted to identify three possible options for future development of communications within the Fire and Rescue Service.</p> <p>The document expands on and provides detail and information around the three key communication work streams:</p> <ul style="list-style-type: none"> • Corporate Public Relations; • Community Safety; and • Employee Engagement. <p>These three work streams have been identified as the way forward for the service. Additionally, the strategy identified three options that required a decision from the Strategic Management Board.</p>	No	<p>We reviewed the draft document detailing the three options proposal in relation to future developments in Communications, prepared by the Head of Communication.</p> <p>We noted that the document recognised outcomes that need to be achieved for the Fire Service. We noted that the document identified three options that required a decision from the Strategic Management Board.</p> <p>At the time of the review we were unable to verify that the options had been formally considered and a decision reached. However through discussion with the Head of Corporate Communications and the Acting Chief Fire Officer it has become apparent that option one is the desired way forward and indeed we have obtained e-mail confirmation from the Head of Human Resources that the additional resource within option one has been approved.</p> <p>Given this information we do not consider that a formal recommendation around the approval of option one is warranted, however for completeness we would suggest that at the next meeting of Strategic Management Board this matter is documented.</p> <p>The document details the three key communications strands the service wishes to develop and in discussion with the Acting Chief Fire Officer we were advised that the Strategic Management Board have confirmed this approach. The document</p>	<p>At the next Strategic Management Board Meeting, the forum could formally confirm their approval of option 1 of the Head of Corporate Communications strategic proposal, demonstrating commitment to the restructure of Corporate Communications.</p>	Suggestion
				<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"> • Corporate Public Relations; • Employee Engagement; and • Community Safety. <p>These documents should</p>	Medium

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	<p>This document had not been formally approved and associated implementation plans developed.</p> <p>The Head of Corporate Communications has drafted a Workforce Planning business case for two additional management roles within the Communications department, and a restructure to allow the effective delivery of the outcomes identified for 2014/15 and onward.</p> <p>Additional governance documents were prepared demonstrating:</p> <ul style="list-style-type: none"> • The services provided by the Communications team; • The revised Communications team structure; and • The Essex Fire and Rescue Service management structure. 		<p>includes possible details, outcomes and actions for each of the three key strands however these have not been formally translated into separate strategies.</p> <p>We confirmed through discussion with the Head of Corporate Communications that the governance arrangement for the three communications work streams have not been identified. Additional document was provided as follows:</p> <ul style="list-style-type: none"> • List of updated services of the Communications Departments; • Workforce Planning Communications Restructure business case; • Proposed Communications Structure and Service Management Structure; and • Email approval of the new communications structure and staff from the Director of Human Resources and Organisational Development. <p>However, from review of this documentation we could not identify a prescribed governance structure for the Communications function, in line with the three work streams identified within the strategy proposal document.</p> <p>Without an implementation plan and governance structure in place to manage this, there is a risk to the Fire Authority that the objectives and outcomes of the Communications proposal document will not be achieved.</p>	<p>be approved at the Strategic Management Board, and then disseminated to staff via the Service intranet.</p> <p>The Communications governance structure needs to be established for each of the three work streams:</p> <ul style="list-style-type: none"> • Corporate Public Relations; • Employee Engagement; and • Community Safety. <p>This structured needs to demonstrate the relationship between each individual and group.</p>	Medium
1.2	Project Communication guidance is available to Service personnel via the Service intranet. The guidance indicates that stakeholders and forms of internal and external communications	No	We reviewed the Project Communications guidance provided on the Service intranet. We noted that stakeholders and forms of internal and external communications were detailed. This also detailed the requirement for a communications schedule. We selected three projects from the April 2014 minutes	The Fire Service should ensure there is an appropriate process for managing the Communications Plans for each Project	Medium

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	<p>should be recorded and a communications schedule should be put in place.</p> <p>When each project is initiated within the Service, a communications plan is prepared to ensure key information is communicated to stakeholders throughout the lifecycle of the project.</p> <p>The Service has not identified a process for:</p> <ul style="list-style-type: none"> • Formal approval of a project from a Communications perspective; or • A monitoring process of the communications plan. 		<p>of the Fleet and Equipment Services Transformation Board, as follows:</p> <ul style="list-style-type: none"> • Delivering Fleet & Equipment Efficiency Recommendations; • Resolving the Property Challenge; and • Managing and Meeting the expectations of our Staff. <p>At the time of the review, we were not provided the project communications plans for each of the selected projects. We identified that the project working group meetings are not formally minuted, therefore we could not identify that the communications plan was discussed. Additionally, we could not identify commentary within the Programme Board minutes from April to August 2014 that demonstrated the communication plan had been appropriately monitored for each project.</p> <p>We discussed the monitoring process for Project Communications Plans with the Head of Corporate Communications, who informed us that the Project Communications Plans are not formally approved prior to the commencement of the project, or reviewed throughout the lifecycle of the project, and there is not a process for reporting progress and exceptions.</p> <p>Without evidence to demonstrate that there are communications plans in place for each project that have approved by the Head of Communications and routinely monitored and progress reported, there is a reputational risk to the organisation, that internal and external communication is not appropriately managed for each of the Services projects.</p>	<p>implemented.</p> <p>This should include:</p> <ul style="list-style-type: none"> • An approval process, during project initiation, from the Head of Corporate Communications for each Project; and • Monitoring of the Communications Plan of the Project. 	
				<p>Effective monitoring could be implemented by the Head of Corporate Communications ensuring variations against the Communications Plan are identified and actions agreed. This could be recorded in an issues or action log.</p>	Suggestion
1.3	The Fire Service has identified their mechanisms of External Communication, detailed within the Corporate Communications,	Yes	We noted through discussion with the Head of Corporate Communications that the Fire and Rescue Service had policies in place for managing consultations, images as incidents, media and	The Fire Service need to ensure that it has in place appropriate policies, procedures and/or	Medium

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	<p>Media and Marketing presentation.</p> <p>The external routes are identified as follows:</p> <ul style="list-style-type: none"> Incident Log recording all incidents within the Essex Fire and Rescue Service geographical area; 24 Hour press line; Website to providing easily accessible, updated information to the general public; Seasonal media campaigns; Press releases to give formal statements on incidents or issues; Service publications to provide information on a range of issues; Managing social networks to provide real time updates on incidents and issues within the Service; Consultations; and Posters and leaflets aligned to the national agenda on public awareness. 		<p>social media. We were provided with a Consultation Policy. We were not provided with the remaining documents.</p> <p>There is a reputational risk to the Fire Authority, that the acceptable procedure for managing external communication is not implemented as expected.</p> <p>Managing Social Media Platforms</p> <p>We confirmed through discussion with the Communications Department, that the Service currently uses both Facebook and Twitter to communicate externally. We confirmed an operating procedure has been identified for using Twitter, but we were not provided a procedure for Facebook.</p> <p>The implication is that where the acceptable uses for social media have not been identified, inappropriate comments or images may be uploaded, resulting in a reputational risk.</p> <p>Additionally, the website demonstrated that the both Instagram and Vine may be used to communicate externally.</p> <p>Consultations</p> <p>We confirmed that consultations are held for key issues, a record of consultations was available via the intranet.</p> <p>Posters and Leaflets</p> <p>We confirmed the Service provide leaflets to the public in line with the national fire service advertisement schedule.</p>	<p>protocols governing the key channels of External Communications, such as the Media, Press Releases, Images are Incidents and Acceptable uses for all Social Media platforms.</p> <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>	
1.4	To engage appropriately with stakeholders, the Service has devised multiple forms of	Yes	<p>Internal Feedback- Service Blog</p> <p>Through discussion with the Head of Corporate Communications and the Acting Chief Fire Officer,</p>	The Head of Corporate Communications could devise a standard template for Station	Suggestion

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	<p>feedback.</p> <p>There are various channels identified within the Fire Service for receiving feedback from Service Personnel and the public, as follows:</p> <p>Internal Feedback</p> <ul style="list-style-type: none"> • Informal Station Visits; • Managers' Meetings; • Comments on Consultations; and • Staff Surveys. <p>External Feedback</p> <ul style="list-style-type: none"> • Integrated Risk Management Feedback; • Complaints and Compliments Process; • Press Office Survey; and • Public Opinion Survey. 		<p>we noted that the Service Blog was not currently facilitated by the Communications department, as the objectives of the Blog were not being achieved. However this may be reintroduced moving forward to allow service personnel to provide feedback.</p> <p>Internal Feedback- Station Visits</p> <p>We were provided with a 2011/12 Station Visit Schedule that showed the previous process for managing station visits. For 2014/15, station visits from Senior Management were not formally planned or documented. Through discussion with the Fire Authority Chairman, we noted that all stations are visited on an annual basis by the Chair.</p> <p>We were provided with an informal schedule for the Acting Chief Fire Officer, showing station visits for the remainder of 2014. We noted that Assistant Chief Fire Officers attend individual stations on request of the station management or personnel. We noted within the draft document prepared by the Head of Corporate Communications, that formalising this process was an aspiration for 2014/15 and onwards.</p> <p>Internal Feedback- Managers' Meetings</p> <p>From review of the previous three agendas provided, we noted that meetings are held at stations to discuss key issues within the Service. Personnel are invited to attend these meetings to discuss issues with Senior Management.</p> <p>Internal Feedback- Comments on Consultations</p> <p>When a consultation is held by the Service, the details are posted to the Service intranet. The Communications team were currently implementing a process of allowing Service Personnel to comment on consultations when they are live, thus allowing them to provide feedback on each consultation.</p>	<p>Visits.</p> <p>The Service could implement a Public Opinion Survey for 2014/15 to identify any changes from 2010/11 in public opinion of the Fire Service.</p>	<p>Suggestion</p>

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
			<p>Internal Feedback- Staff Surveys</p> <p>In November 2014, an internal survey has been piloted by the Communications Department. This survey is aimed at receiving feedback from staff on a reward and praise, management effectiveness and the culture within the service.</p> <p>External Feedback- Integrated Risk Management</p> <p>We noted that the final page of the 'Building A Safer Essex: Integrate Risk Management' provides a feedback option for the reader, in which they can provide their opinion on the risk identification and management process.</p> <p>External Feedback- Complaints and Compliments Process</p> <p>The Communications Team have devised a process for logging both public compliments and complaints. These are escalated and held within Communications.</p> <p>External Feedback- Press Office Survey</p> <p>In April 2011, Essex County Fire and Rescue Service conducted a survey into their Press Office from industry professionals. A report was provided that summarised the findings.</p> <p>External Feedback- Public Opinion Survey</p> <p>The results of a Public Opinion survey were collated in 2010 to identify public responses to a range of questions. This had not been implemented for the current year.</p>		
1.5	The draft Communications proposal document recognises that due to the variables of each individual crisis that may occur, there is not a standard procedure that outlines the protocol for crisis management.	No	We confirmed through discussion with the Head of Communication that there are no documented processes for crisis management, and the Communications team will devise a strategy for each crisis. We noted that a brief report was prepared showing the process for Communications in relation to the recent accounting error by the Fire	The Head of Corporate Communications should implement a training needs analysis, identifying which Service Personnel require communications training,	Low

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	<p>Training courses have been devised by the Communications team, and a training pack has been developed for:</p> <ul style="list-style-type: none"> • Corporate Communications; • Corporate Communications, Media and Marketing; and • Social Media Boot camp. <p>These provide key information and scenarios to senior management in relation to managing communication.</p> <p>At the time of the review, there was no training needs analysis completed to identify:</p> <ul style="list-style-type: none"> • Who required training? and • What training content was required? <p>Additionally, there was not a log retained detailing who had completed training courses.</p>		<p>and Rescue Service.</p> <p>A Service Level Agreement is in place that defines the responsibilities of the Communications and Operations department. This document provide a brief overview of the process for:</p> <ul style="list-style-type: none"> • Incidents of Media Interest; • Images Taken at an Incident or Training Scenario; • Press Protocol at Incidents; • Media Staff attending an Incident; and • Training and Development. <p>We requested the training needs analysis and log for communications training, but were informed by the Head of Corporate Communications that these were not in place.</p> <p>We reviewed the training packages for Corporate Communications, Media and Marketing and Social Media Boot camp and confirmed the key training requirements were detailed.</p>	<p>and a training log, to effectively monitor training completion.</p> <p>Additionally, the Service could incorporate a training incentive scheme with the new social media software purchased by the Head of Corporate Communications.</p>	
1.6	<p>Whilst there is not a documented process for processing Freedom of Information requests, the Service has a process in place, implemented by the Personal Assistant to the Service Solicitor.</p> <p>Both the Freedom of Information Act and ICO procedures are used as guidance. Freedom of Information requests are received via email or a written letter.</p>	No	<p>Through discussion with Personal Assistant to the Service Solicitor, that the Service does not have a procedure in place at present, but this is a going to be drafted moving forward.</p> <p>When we raised the concern that there was only one person completing this process, the Personal Assistant to the Service Solicitor informed us that there was more than one of the Personal Assistants that can log and process Freedom of Information Requests.</p>	<p>The Fire Service should ensure a guidance document or procedure in developed for processing Freedom of Information requests, to ensure the process is implemented consistently.</p>	Low

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	<p>Requests are allocated a unique reference number and are logged within a Freedom of Information spreadsheet, and the request scanned and saved to a drive within the Service server.</p> <p>These are processed within the required 20 days. Once these have been responded to, the results are sent to the Communications Team to upload onto the Service website, to prevent any duplication with future requests.</p>		<p>However, without a protocol in place, there is a risk that Freedom of Information requests are not processed consistently or as expected, which could result in a reputational risk.</p> <p>We requested the Freedom of Information spreadsheet, and found that requests had been logged and allocated a unique reference number.</p> <p>For a sample of ten requests, we confirmed nine of these had been processed within twenty working days. The exception was request reference 0895, and was a minor delay of three days.</p> <p>We have not provided a recommendation as this was an isolated incident. We noted the Service have identified a process for publishing Freedom of Information requests and responses on the Service website.</p>		
1.7	<p>Performance of Communications is currently reported on an ad hoc basis by the Head of Corporate Communications to the Acting Chief Fire Officer.</p> <p>As the formal implementation plans for the three work streams have not been identified, the mechanisms for monitoring and reporting performance, including reporting to the Strategic Management Board, had not been established.</p>	No	<p>Due to the embryonic stage of the Communications long term aspirations, there was not a documented process for the reporting and monitoring of 2014/15 outputs for Communications.</p> <p>We requested the performance reports for July, August, and September 2014 from the Head of Corporate Communications. At the time of the review, these were not provided.</p> <p>The risk to the organisation is that Communications is not appropriately monitored, and effectiveness managed.</p> <p>We have not provided an additional recommendation in this control, as a recommendation has been provided within control 2 for the establishment of implementation plans and governance arrangements for Communications.</p>	<p>Following the development of the three implementation plans for work streams: Corporate Communication, Employee Engagement and Community Safety, the Head of Communications could develop key performance indicators to allow effectiveness to be reviewed.</p>	Suggestion

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Audit, Governance & Review
Committee**

AGENDA ITEM

6

MEETING DATE

21 January 2015

REPORT NUMBER

EFA/038/15

SUBJECT

Internal Audit Progress Report April 2015

REPORT BY

The Finance Director and Treasurer, Mike Clayton

PRESENTED BY

The Finance Director and Treasurer, Mike Clayton

SUMMARY

To consider the update provided by Baker Tilly on progress against the internal audit action plan, attached as an appendix.

Essex Fire Authority

Internal Audit Progress Report

Audit, Governance & Review Committee meeting: 22 April 2015



Introduction

The internal audit plan for 2014/15 was approved by the Audit, Governance and Review Committee on the 23 April 2014. This report provides an update on progress against that plan.

We have issued three final reports since the last Committee meeting.

We also have three reviews in progress.

Summary of Progress against the 2014/15 Internal Audit Plan

Assignment Reports considered today are shown in bold	Original Timing	Status	Opinion	Actions Agreed (by priority)		
				High	Medium	Low
Human Resources – Transactional Process (1.14/15)	Q1	Final Report	Amber / Red	2	1	3
Fleet Management (2.14/15)	Q2	Final Report	Green	0	0	0
Communications (3.14/15)	Q2	Final Report	Amber / Green	0	4	2
Risk Management Workshop	Q3/4	October 2014	Delivered			
Fuel Cards (4.14/15)	Q2	Final Report	Amber / Green	1	0	1
Performance Management (5.14/15)	Q2	Final Report	Amber / Green	0	2	2
Risk Maturity	Q3	In progress				
Budgetary Setting & Control (7.14.15)	Q2	Final Report	Green	0	0	2
Business Planning	Q4	In progress				
Key Financial Controls (6.14/15)	Q4	Final Report	Green	0	1	2
Follow up	Q4	In progress				

Other Matters

Key Findings:

The Audit, Governance and Review Committee should note that the assurances given in our audit assignments are included within our Annual Assurance report. In particular the Committee should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified or negative annual opinion. We have not identified any issues as a result of our work to date that will impact our annual report.

No common weaknesses have been identified within our reports so far for 2014/15.

Planning and Liaison:

Internal Audit were requested by management to amend the original proposed timing of a number of audits due to the industrial action which resulted in delays in the completion of several audits against the originally agreed timescales. However, all reviews are either underway or completed.

We have also met with management to discuss the 2015/15 draft Internal Audit plan and this is a separate agenda item.

Information and Briefings:

We have issued one update electronically since the last meeting.

Emergency Services News Briefing February 2015

- Firefighter fitness standards and assessment Consultation response.
- Fire statistics: Great Britain April 2013 to March 2014.

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

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. 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 Baker Tilly Risk Advisory 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, Baker Tilly Risk Advisory 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.

This report is released to our Client on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

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

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ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Audit, Governance & Review
Committee**

AGENDA ITEM

7

MEETING DATE

21 January 2015

REPORT NUMBER

EFA/039/15

SUBJECT

Internal Audit Plan 2015/16

REPORT BY

The Finance Director and Treasurer, Mike Clayton

PRESENTED BY

The Finance Director and Treasurer, Mike Clayton

SUMMARY

To consider the Internal Audit Plan for 2015/16, attached as an appendix.

Essex Fire Authority

Internal audit strategy 2015/16

Presented at the Audit, Governance and Review
Committee meeting of: 22nd April 2015

Contents

1	Introduction.....	2
2	Developing the internal audit strategy.....	3
3	Internal audit resources.....	4
4	Audit, Governance and Review Committee requirements.....	5
	Appendix A: Internal audit plan 2015/16	6
	Appendix B: Internal audit strategy	9
	Appendix C: Internal audit charter.....	12
	Appendix D: Our approach to an internal audit assignment	17
	Appendix E: Overview of internal audit assignment opinions	18
	For further information contact	19

1 Introduction

Our approach to developing your internal audit plan is based on analysing your corporate objectives and risk profile as well as other factors affecting Essex Fire Authority in the year ahead including changes within the sector.

1.1 Background

As with all public services, the amount of money that the Authority has available to spend has been reduced. The Authority's plans aim to balance the delivery of high quality services with the need to do this with significantly less money and an additional need to identify further efficiency savings in the future.

1.2 Vision

To save and protect lives, property and the environment.

1.3 Objectives

- We will identify the risks to our communities and work in partnership with them to manage the risk, to reduce its likelihood or its impact on our communities.
- We will provide a resilient, timely, safe and effective response when risks become incidents.
- We will use our resources flexibly, efficiently and effectively, reducing the cost of the Service to match the funding available.
- We will ensure our people are involved, engaged and empowered to deliver excellence.
- We will use our assets to support sustainable communities and promote wellbeing.
- Our leaders will demonstrate trust and honesty, listening to others to support an open and inclusive culture.

2 Developing the internal audit strategy

We use your objectives as the starting point in the development of your internal audit plan.

2.1 Risk management processes

In preparing the Strategy and the annual Internal Audit Plan, we met with Finance Director and Treasurer and Deputy Director of Finance.

At this meeting on the 17th February 2015 we discussed proposals from the Finance Director and Treasurer which were accompanied by suggested further areas for consideration from our review of the Risk Register, Service Strategy and of known issues or areas we have provided assurance at other similar organisations.

Based on our understanding of the organisation, and the information provided to us by the stakeholders above, we have developed an annual internal plan for the coming year, and a high level strategic plan (**see Appendix A and B for full details**).

2.2 Working with other assurance providers

The Audit, Governance and Review Committee is 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, such as external audit to ensure that duplication is minimised and a suitable breadth of assurance obtained.

3 Internal audit resources

Your internal audit service is provided by Baker Tilly Risk Advisory Services LLP. The team will be led by Daniel Harris supported by Suzanne Lane as your client manager.

3.1 Fees

This plan has been costed in line with the tender and subsequent contract and is based on 93 days input which equates to a fee of £34,670 for 2015/16. (2014/15 = 93 days).

3.2 Conformance with internal auditing standards

Baker Tilly affirms that our internal audit services are designed to conform to the International Standards for the Professional Practice of Internal Auditing and the International Professional Practices Framework (IPPF) as published by the Institute of Internal Auditors (IIA). Further details of our responsibilities are set out in our internal audit charter within Appendix C.

Under the Standards, internal audit services are required to have an external quality assessment every five years. Our Risk Advisory service line commissioned an external independent review of our internal audit services in 2011 to provide assurance whether our approach meets the requirements of the IPPF.

The external review concluded that “the design and implementation of systems for the delivery of internal audit provides substantial assurance that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner”.

3.3 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.

4 Audit, Governance and Review Committee requirements

In approving the internal audit strategy, the committee is asked to consider the following:

- Is the Audit, Governance and Review Committee satisfied that sufficient assurances are being received within our annual plan (as set out at Appendix A) to monitor the organisation's risk profile effectively?
- Does the strategy for internal audit (as set out at Appendix B) cover the organisation's key risks as they are recognised by the Audit, Governance and Review Committee?
- Are the areas selected for coverage this coming year appropriate?
- Is the Audit, Governance and Review Committee content that the standards within the charter in Appendix C are appropriate to monitor the performance of internal audit?

It may be necessary to update our plan in year, should your risk profile change and different risks emerge that could benefit from internal audit input. We will ensure that management and the Audit, Governance and Review Committee approve such any amendments to this plan.

Appendix A: Internal audit plan 2015/16

Audit area	Scope for 2015/16	Audit days	Proposed timing
Risk based assurance			
ICT (Healthcheck, DPA, Security etc.)	<p>Scope to be agreed with management, this could include:</p> <ul style="list-style-type: none"> - Governance of IT - Physical and environmental - Network access - Backup and recovery - IT Disaster Recovery - Use and control of the Internet and Email, 	8	Q1
Property Maintenance	<p>This review will consider compliance against the Services:</p> <ul style="list-style-type: none"> - Asset Management Plan; - Stock Condition Survey; - Capital Plan; and - Repairs and Maintenance plans. 	7	Q3
Workforce Planning / Utilisation	A review to determine whether a suitable Workforce plan has been established to consider succession planning, utilisation and the delivery and monitoring of this plan to proposed timescales.	7	Q2
Core assurance			
Risk Management	This year we will include a deep dive review of a sample of risks to challenge the controls, assessments, assurances and actions that are recorded within the risk register to establish if these are sensible, realistic and remain relevant and up to date.	8	Q4
Governance	<p>Scope to be discussed by the Governance, Audit and Review Committee to determine specific assurance requirements.</p> <p>Coverage required to inform Baker Tilly year end opinion.</p>	7	Q4

Audit area	Scope for 2015/16	Audit days	Proposed timing
Key Financial Controls	<p>This will include key controls testing and any management concerns including previous recommendations. Areas potentially included:</p> <ul style="list-style-type: none"> • General Ledger; • Cash, Banking and Treasury Management; • Payroll; • Payments and Creditors; • Income and Debtors; • Asset Management. 	15	Q3
Other internal audit input			
Project / Contract Management	A review covering the £8m project to delivery 40 new appliances. We will incorporate input from our specialist contract risk advisory team to deliver this review.	10	Q1
PAYE / VAT Health check	An overview of how the service is dealing with its VAT or PAYE to include sample testing, policy review and questionnaires.	10	Q2
Data Retention	A review of the new policy and compliance testing at a selection of departments/sites to ensure the new policy has been communicated, is understood and is being applied across the service.	7	Q2
Follow up	To meet internal auditing standards and to provide management with on-going assurance regarding implementation of recommendations. We will agree a sample of recommendations from 2014/15 audits to be followed up.	5	Q4
Audit Strategy / Annual Report	<p>This will include:</p> <ul style="list-style-type: none"> • Internal Audit Needs Assessment / Strategic and Annual Internal Audit Plans • Preparation of the annual internal audit opinion 	2	On-going

Audit area	Scope for 2015/16	Audit days	Proposed timing
Audit management	This will include: <ul style="list-style-type: none"> • Planning • Ongoing liaison and progress reporting • Preparation for and attendance at Audit, Governance and Review Committee; 	7	On-going
TOTAL		93	

Appendix B: Internal audit strategy

Proposed area for coverage	Scope and Associated risk Area	2015/16	2016/17	2017/18
Risk based assurance				
Business Continuity including compliance with the Civil Contingencies Act	If we have a significant failure, loss or reduction of our physical infrastructure or resources (including our people) there is a risk that we will not deliver the same level of prevention, protection and response services to our communities.		✓	✓
ICT (Healthcheck, DPA, Security etc.)	Inability to deliver normal / BAU Service	✓		
Human Resources - This could cover a range of areas including: <ul style="list-style-type: none"> • Recruitment, • Training and Development, • Appraisals • Absence Management • Transactional Services • Succession Planning 	Loss of Reputation		✓	✓
Property Maintenance	Inability to deliver normal / BAU Service	✓		
Workforce Planning / Utilisation	If the Service does not have motivated and engaged people with the right skills and competencies there is a risk that the Service will be unable to innovate and deliver safe and effective services to our communities.	✓		✓
Business Planning	If we have a large or unexpected loss in our income or cash there is a risk that we will have to reduce the level of prevention, protection and response services we provide to our communities.			✓
Budgetary Control and Financial Planning	If we have a large or unexpected loss in our income or cash there is a risk that we will have to reduce the level of prevention, protection and response services we provide to our communities.		✓	
Communication and Engagement	If there is a loss of public or stakeholder confidence in the Service there is a risk that we will not be able to engage effectively with our communities, which will impact on our ability to deliver services.			✓

Proposed area for coverage	Scope and Associated risk Area	2015/16	2016/17	2017/18
Core assurance				
Risk Management	Annual Review required of the Authority's / Service's Risk Management process.	✓	✓	✓
Governance	Review required of the Authority's / Service's Governance process. The scope of this review is still to be considered.	✓	✓	✓
Key Financial Controls	To meet External Audit requirements and core controls for internal audit assurance.	✓	✓	✓
IT Coverage	Potential areas for consideration: Effectiveness of IT Systems, IT Strategy, Freedom of Information.	See risk based		✓
Other Internal Audit input				
Procurement	To review the procurement/tendering process used by the Authority to ensure integrity and compliance with legislation.		✓	✓
Project / Contract Management	To ensure that contract service delivery is effectively measured and managed through appropriate contract management and to ensure that adequate project management arrangements are in place and utilised.	✓		✓
Capital Projects	To ensure that an adequate capital programme is in place including, submission of business cases, identification of benefits, approval process, reporting and monitoring of capital projects and the benefits achieved.		✓	
Partnerships	A review of the Authority's partnership arrangements to ensure that the Authority has adequately implemented its action plan and adequately identifies and manages the partnerships they are engaged in.		✓	
PAYE / VAT Health check	A health check review of the organisations PAYE / VAT arrangements in line with HMRC guidance.	✓		✓
Insurance Pool	A review of the insurance arrangements established.		✓	

Proposed area for coverage	Scope and Associated risk Area	2015/16	2016/17	2017/18
Follow up	To meet internal auditing standards and to provide management with on-going assurance regarding implementation of recommendations.	✓	✓	✓
Audit Strategy / Annual Report	This will include: <ul style="list-style-type: none"> • Internal Audit Needs Assessment / Strategic and Annual Internal Audit Plans • Preparation of the annual internal audit opinion 	✓	✓	✓
Audit Management	This will include: <ul style="list-style-type: none"> • Planning; • Ongoing liaison and progress reporting; and • Preparation for and attendance at Audit & Standards Committee. 	✓	✓	✓

Appendix C: Internal audit charter

1.0 Need for the charter

1.1 This charter establishes the purpose, authority and responsibilities for the internal audit service for Essex Fire Authority. The establishment of a charter is a requirement of the International Standards for the Professional Practice of Internal Auditing as published by the global Institute of Internal Auditors (the IIA) and approval of the charter is the responsibility of the Audit, Governance and Review Committee.

1.2 The internal audit service is provided by Baker Tilly Risk Advisory Services LLP ("Baker Tilly"). Your key internal audit contacts are as follows:

	Partner	Client manager
Name	Daniel Harris	Suzanne Lane
Telephone	07792 948767	07720 508148
Email address	daniel.harris@bakertilly.co.uk	suzanne.lane@bakertilly.co.uk

1.3 We plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help you to achieve its objectives.

1.4 An overview of the individual internal audit assignment approach and our client care standards are included at Appendix D and E of the audit plan issued for 2015/16.

2.0 Role and definition of internal auditing

"Internal Audit is 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 introducing a systematic, disciplined approach in order to evaluate and improve the effectiveness of risk management, control, and governance processes".

Definition of Internal Auditing, Institute of Internal Auditors

- 2.1 Internal audit is a key part of the assurance cycle for your organisation and, if used appropriately, can assist in informing and updating the risk profile of the organisation.

3.0 Independence and ethics

3.1 To provide for the independence of Internal Audit, its personnel report directly to the Partner Daniel Harries (acting as your head of internal audit). The independence of Baker Tilly is assured by the internal audit service reporting to the Finance Director and Treasurer and the Deputy Director of Finance and the Chair of the Audit, Governance and Review Committee

3.2 The head of internal audit has unrestricted access to the Chair of Audit, Governance and Review Committee to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

3.3 Conflicts of interest may arise where Baker Tilly provides services other than internal audit to the Authority. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal audit service. If a potential conflict arises through the provision of other services, disclosure will be reported to the Audit, Governance and Review Committee. The nature of the disclosure will depend upon the potential impairment and it is important that our role does not appear to be compromised in reporting the matter to the Audit, Governance and Review Committee. Equally we do not want the organisation to be deprived of wider Baker Tilly expertise and will therefore raise awareness without compromising our independence.

4.0 Responsibilities

4.1 In providing your outsourced internal audit service, Baker Tilly has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans which align to the corporate objectives. The plan will be submitted to the Audit, Governance and Review Committee for review and approval each year before work commences on delivery of that plan.
- Implement the audit plan as approved, including any additional reviews requested by management and the Audit, Governance and Review Committee.
- Ensure the internal audit team consists of professional internal audit staff with sufficient knowledge, skills, and experience.
- Establish a quality assurance and improvement program to ensure the quality and effective operation of internal audit activities.

- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements and agree corrective action with management based on an acceptable and practicable timeframe.
- Undertake action tracking reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Provide a list of significant performance indicators and results to the Audit, Governance and Review Committee to demonstrate the performance of the internal audit service.
- Liaise with the external auditor and other relevant assurance providers for the purpose of providing optimal assurance to the organisation.

5.0 Authority

5.1 The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the Audit, Governance and Review Committee.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.
- Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.

5.2 The head of internal audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the organisation.
- Initiate or approve accounting transactions on behalf of the organisation.
- Direct the activities of any employee not employed by Baker Tilly unless specifically seconded to internal audit.

6.0 Reporting

- 6.1 An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with the executive summary being provided to the Audit, Governance and Review Committee. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit. Audit, Governance and Review Committee
- 6.2 The Head of Internal Audit will issue progress reports to the and management summarising outcomes of audit activities, including follow up reviews.
- 6.3 As your internal audit provider, the assignment opinions that Baker Tilly provides the organisation during the year are part of the framework of assurances that assist the board in taking decisions and managing its risks.
- 6.4 As the provider of the internal audit service we are required to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the board is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the organisation by Baker Tilly Risk Advisory Services LLP at the financial year end. The results of internal audit reviews, and the annual opinion, should be used by management and the Board to inform the organisation's annual governance statement.

7.0 Data Protection

- Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's Terms of Business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.
- Personal data is not shared outside of Baker Tilly. The only exception would be where there is information on an internal audit file that external auditors have access to as part of their review of internal audit work or where the firm has a legal or ethical obligation to do so (such as providing information to support a fraud investigation based on internal audit findings).
- Baker Tilly has a Data Protection Policy in place that requires compliance by all of our employees. Non-compliance will be treated as gross misconduct.

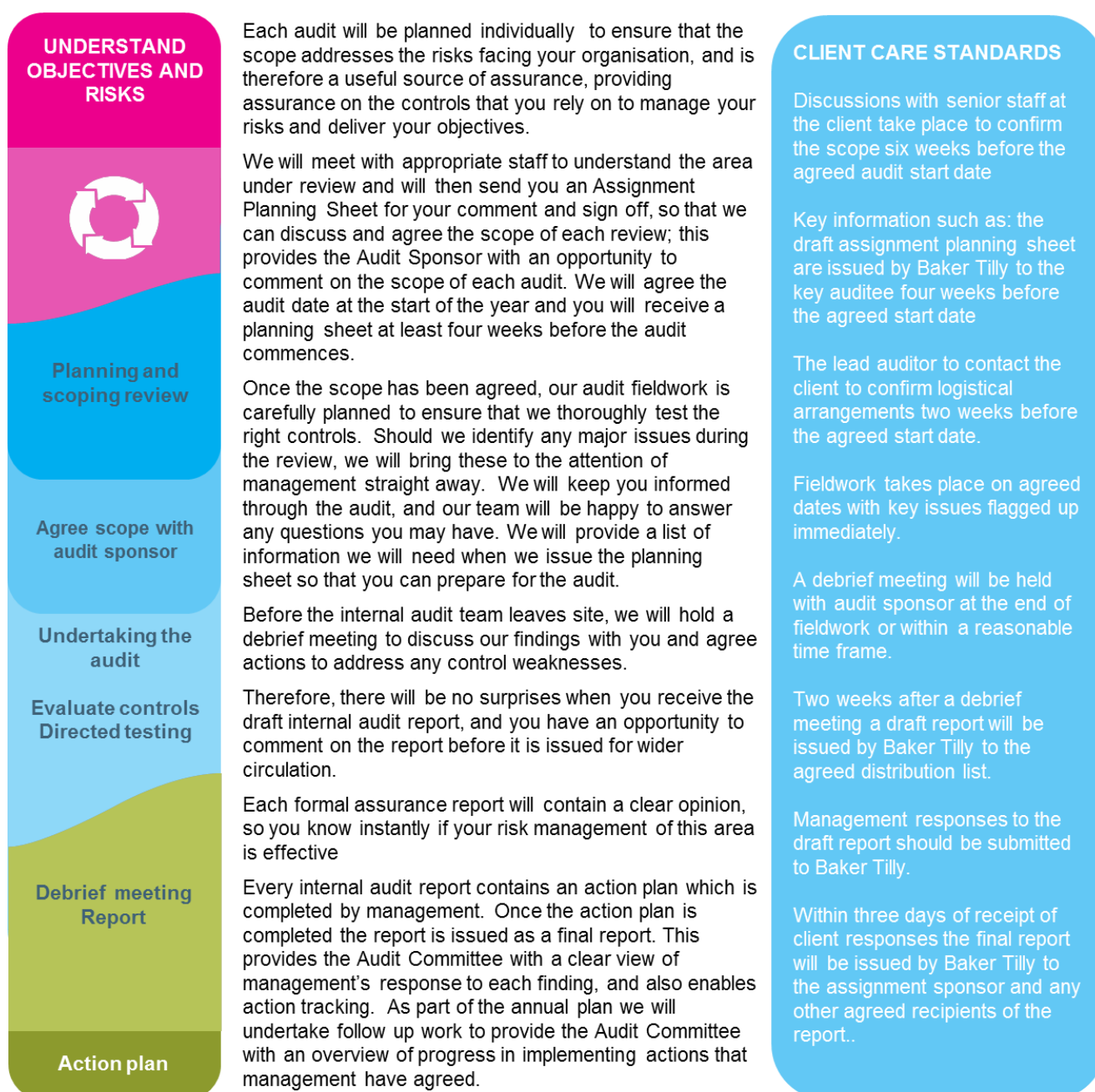
8.0 Fraud

- 8.1 The Audit, Governance and Review Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Audit, Governance and Review Committee recognises that internal audit is not responsible for identifying fraud; however internal audit will assess the risk of fraud and be aware of the risk of fraud when planning and undertaking any internal audit work.

9.0 Approval of the internal audit charter

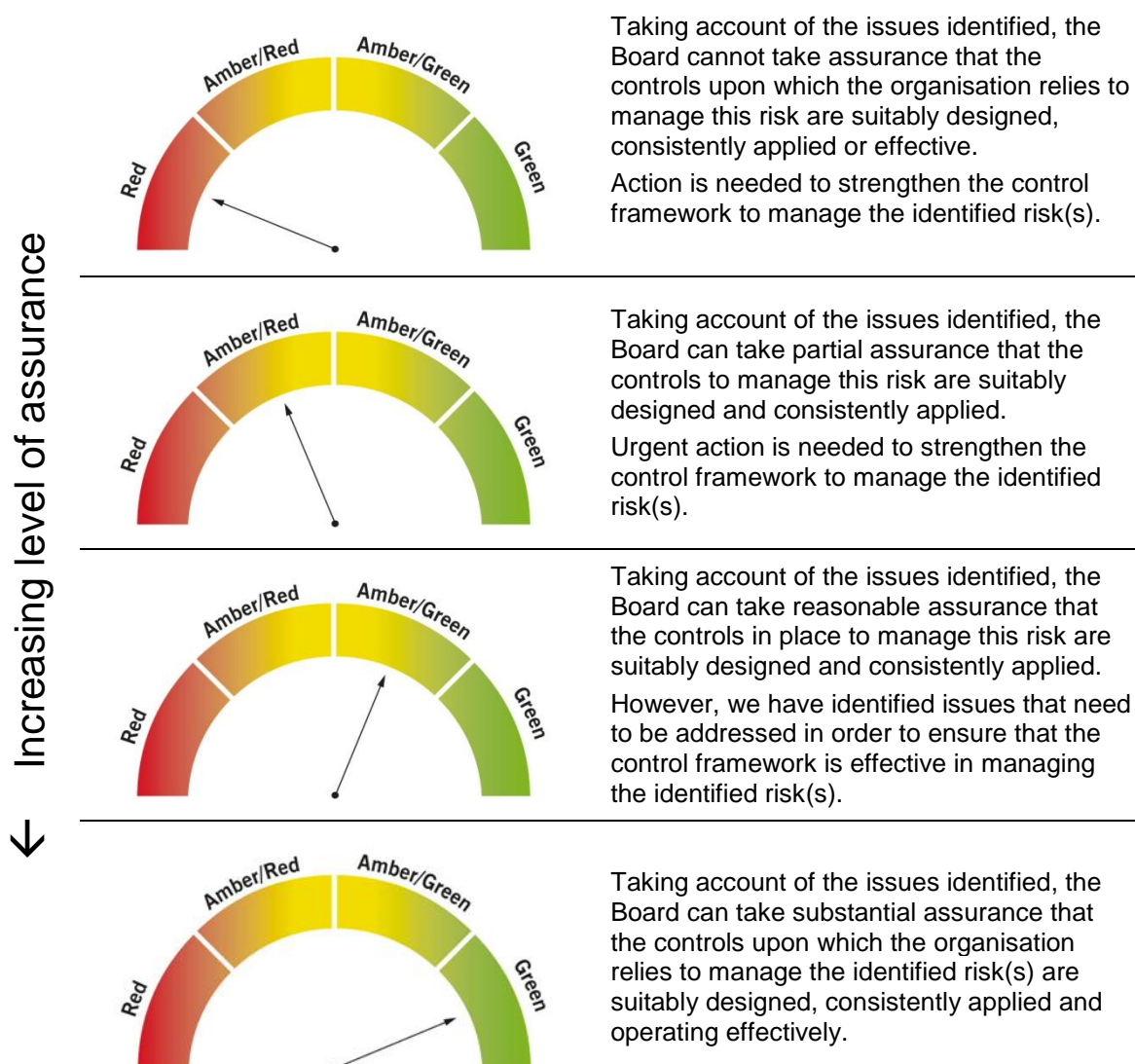
- 9.1 By approving this document, the annual plan, the Audit, Governance and Review Committee is also approving the internal audit charter.

Appendix D: Our approach to an internal audit assignment



Appendix E: Overview of internal audit assignment opinions

For internal audits classed as “risk based assurance” reviews (compared with advisory input), we use four opinion levels as shown below. Each assignment report will explain the scope of the review, and therefore the context and scope of the opinion.



For further information contact

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01908 689965 or 07792 948767

Suzanne Lane, Senior Manager

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Contact Telephone number:
01908 689965 or 07720 508148

Address:
Baker Tilly Risk Advisory Services LLP
The Pinnacle, 170 Midsummer Boulevard

This report, together with any attachments, is provided pursuant to the terms of our engagement. The use of the report is solely for internal purposes by the management and Board of our client and, pursuant to the terms of our engagement, should not be copied or disclosed to any third party without our written consent. No responsibility is accepted as the plan has not been prepared, and is not intended for, any other purpose.

Baker Tilly Corporate Finance LLP, Baker Tilly Restructuring and Recovery LLP, Baker Tilly Risk Advisory Services LLP, Baker Tilly Tax and Advisory Services LLP, Baker Tilly UK Audit LLP, and Baker Tilly Tax and Accounting Limited are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are members of the Institute of Chartered Accountants in England and Wales. We do not provide these investment services if they are an incidental part of the professional services we have been engaged to provide. Baker Tilly & Co Limited is authorised and regulated by the Financial Conduct Authority to conduct a range of investment business activities. Baker Tilly Creditor Services LLP is authorised and regulated by the Financial Conduct Authority for credit-related regulated activities. Before accepting an engagement, contact with the existing accountant will be made to request information on any matters of which, in the existing accountant's opinion, the firm needs to be aware before deciding whether to accept the engagement. © 2014 Baker Tilly UK Group LLP, all rights reserved.

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Audit, Governance & Review
Committee**

AGENDA ITEM

8

MEETING DATE

21 January 2015

REPORT NUMBER

EFA/040/15

SUBJECT

Essex Fire Authority External Audit Plan 2014/15

REPORT BY

The Finance Director and Treasurer, Mike Clayton

PRESENTED BY

The Finance Director and Treasurer, Mike Clayton

SUMMARY

To consider the Essex Fire Authority External Audit Plan for 2014/15, attached as an appendix.

Essex Fire Authority

Year ending 31 March 2015

Audit Plan

18 March 2015

Ernst & Young LLP



Building a better
working world

Audit, Governance and Review Committee
Headquarters, Kelvedon Park
Rivenhall, Witham
Essex
CM8 3HB

18 March 2015

Ref: DH/15EFA/Plan

Direct line: 07974 006715

Email: dhanson@uk.ey.com

Dear Committee Members

Audit Plan 2014-15

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit, Governance and Review Committee with a basis to review our proposed audit approach and scope for the 2014-15 audit in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, Standing Guidance, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Authority, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this plan with you on 22 April 2015 and to understand whether there are other matters which you consider may influence our audit.

Yours sincerely

Debbie Hanson
For and behalf of Ernst & Young LLP
Enc

Contents

1. Overview	1
2. The Local Audit and Accountability Act 2014	3
3. Financial statement risks	4
4. Economy, efficiency and effectiveness	6
5. Our audit process and strategy.....	7
6. Independence.....	11
Appendix A Fees.....	14
Appendix B UK required communications with those charged with governance	15

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

Context for the audit

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Essex Fire Authority give a true and fair view of the financial position as at 31 March 2015 and of the income and expenditure for the year then ended; and
- ▶ A statutory conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Authority's Whole of Government Accounts return.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Authority. Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

In parts three and four of this plan we provide more detail on the above areas and we outline our plans to address them. Our proposed audit process and strategy are summarised below and set out in more detail in section five.

We will provide an update to the Audit, Governance and Review Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2015.

Our process and strategy

Financial statement audit

We consider materiality in terms of the possible impact of an error or omission on the financial statements and set an overall planning materiality level. We then set a tolerable error to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality to an appropriately low level. We also assess each disclosure and consider qualitative issues affecting materiality as well as quantitative issues.

Our audit approach is to assess the Authority's level of internal controls and to place reliance upon those controls where our assessment allows.

To the fullest extent permissible by auditing standards, we will seek to rely on the work of internal audit wherever possible. We have discussed our requirements with Internal Audit, establishing which financial systems they are reviewing this year and have built this in to our work plan.

Our initial assessment of the processes across the entity has identified the following area, where we plan to rely on key controls:

- ▶ Payroll and pensions.

We are making a change to our audit team this year as a result of staffing movements. Kal Rai will be taking over from May Boon as the lead executive on the audit from June 2015.

Arrangements for securing economy, efficiency and effectiveness

Our approach to the value for money (VFM) conclusion for Essex Fire Authority for 2014-15 is based on criteria specified by the Audit Commission relating to whether there are proper arrangements in place within the Authority for:

- ▶ Securing financial resilience; and
- ▶ Challenging how the Authority secures economy, efficiency and effectiveness.

We adopt an integrated audit approach, so our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.

Further detail is included in section four of this Audit Plan.

2. The Local Audit and Accountability Act 2014

The Local Audit and Accountability Act 2014 (the 2014 Act) closes the Audit Commission and repeals the Audit Commission Act 1998.

The 2014 Act requires the Comptroller and Auditor General to prepare a Code of Audit Practice. This must be laid before Parliament and approved before 1 April 2015.

Although this new Code will apply from 1 April 2015, transitional provisions within the 2014 Act provide for the Audit Commission's 2010 Code to continue to apply to audit work in respect of the 2014/15 financial year. This plan is therefore prepared on the basis of the continued application of the 2010 Code of Audit Practice throughout the 2014-15 audit.

3. Financial statement risks

We outline below our assessment of the financial statement risks facing the Authority, identified through our knowledge of the Authority's operations and discussion with those charged with governance and officers.

Significant risks (including fraud risks)

Our audit approach

Valuation of fixed assets

The Authority has appointed an external valuer to carry out a full valuation of all its land and building assets as at 31 March 2015.

This work requires a revaluation of the assets to the relevant basis and adjustments to be made to the asset register and financial statements to reflect the new values. The resulting entries in the Authority's accounts are likely to be material.

Our approach will focus on:

- ▶ Assessing the work of the valuers, including reviewing the figures produced for the revaluation of the assets and ensuring that an appropriate basis for valuation has been used.
- ▶ Agreeing the figures produced by the valuer for the revaluation of the assets to the asset register.
- ▶ Testing the accounting transactions for the adjustments made in the financial statements to ensure the Authority's accounts are materially accurate and compliant with the CIPFA Code of practice.

Risk of management override

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

For fire authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.

Our approach will focus on:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- ▶ Reviewing accounting estimates for evidence of management bias.
- ▶ Evaluating the business rationale for significant unusual transactions.
- ▶ Reviewing capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

Other financial statement risks

Fire fighters' pension injury payments

In 2013-14, the Authority identified that payments in respect of fire fighters' pension injury benefits had been incorrectly paid from the fire fighters' pension fund instead of the general fund.

The Authority corrected this error in the 2013-14 financial statements. However, there remains a risk regarding the correct classification of current year payments.

Our approach will focus on:

- ▶ Reviewing management's response to the issues identified in 2013-14 and the associated controls.
- ▶ Testing a sample of payments made in 2014-15 from the fire fighters' pension fund to ensure they are correctly classified.
- ▶ Reviewing the accounting treatment of fire fighters' pension injury benefits to ensure the Authority's accounts are materially accurate and compliant with the CIPFA Code of practice.

Respective responsibilities in relation to fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud; and
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks.

We will consider the results of the National Fraud Initiative and may refer to it in our reporting to you.

4. Economy, efficiency and effectiveness

Our approach to the value for money (VFM) conclusion for Essex Fire Authority for 2014-15 is based on criteria specified by the Audit Commission relating to whether there are proper arrangements in place at the Authority for securing:

1. Financial resilience; and
2. Economy, efficiency and effectiveness in the use of resources.

The Audit Commission VFM guidance for 2014-15 requires that auditors consider and assess the significant risks of giving a wrong conclusion and carry out as much work as is appropriate to enable them to give a safe conclusion on arrangements to secure VFM.

Our assessment of what is a significant risk is a matter of professional judgement, and is based on consideration of both quantitative and qualitative aspects of the subject matter in question.

The table below provides a high-level summary of our risk assessment and our proposed response to those risks. At this stage of our audit we have not identified any significant risks. We have identified the following areas that we will focus on as part of our assessment.

Areas of focus	Impacts arrangements for securing	Our audit approach
Pressures from economic downturn		
To date the Authority has responded well to the financial pressure resulting from the continuing economic downturn. However, the Comprehensive Spending Review will continue to impact on the Authority's budget and MTFS during current and forthcoming financial years.	Financial resilience Economy, efficiency and effectiveness	Our approach will continue to focus on: <ul style="list-style-type: none"> ▶ The adequacy of the Authority's budget setting process. ▶ The robustness of any assumptions. ▶ The effective use of scenario planning to assist the budget setting process. ▶ The effectiveness of in year monitoring against the budget. ▶ The Authority's approach to prioritising resources.

We will keep our risk assessment under review throughout our audit and communicate to the Audit, Governance and Review Committee any revisions to the specific risks identified here and any additional local risk-based work we may need to undertake as a result.

5. Our audit process and strategy

5.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice (the 'Code') our principal objectives are to review and report on, the Authority's:

- ▶ Financial statements
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue a two-part audit report covering both of these objectives.

i Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We will also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

ii Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Authority has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, we will rely as far as possible on the reported results of the work of other statutory inspectorates on corporate or service performance.

In examining the Authority's corporate performance management and financial management arrangements, we consider the following criteria and areas of focus specified by the Audit Commission:

- ▶ Arrangements for securing financial resilience – whether the Authority has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- ▶ Arrangements for securing economy, efficiency and effectiveness – whether the Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

5.2 Audit process overview

Our audit approach is to assess the Authority's level of internal controls and to place reliance upon those controls where our assessment allows.

In doing so, we will look to rely upon the work of Internal Audit as much as possible whilst complying with the requirements of auditing standards. We have discussed our requirements with Internal Audit, establishing which financial systems they are reviewing this year and have built this in to our work plan.

Processes

Our initial assessment of the key processes across the Authority has identified the following area where we plan to rely on key controls:

- ▶ Payroll and pensions

Analytics

We will aim to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular in respect of journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

Internal audit

As in prior years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements

Use of experts

We will use specialist EY resource as necessary to help us to form a view on judgments made in the financial statements. Our plan currently includes involving specialists in pensions and treasury management valuations.

Mandatory procedures required by auditing standards

As well as the financial statement risks outlined in section three, we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;
- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.
- ▶ Reviewing and examining, where appropriate, evidence relevant to the Authority's corporate performance management and financial management arrangements, and its reporting on these arrangements.

5.3 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition. We have determined that overall

materiality for the financial statements of the Authority is £1.523m based on 1.5% of gross operating expenditure.

We will communicate uncorrected audit misstatements greater than £0.076m to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

5.4 Fees

The Audit Commission has published a scale fee for all authorities. This is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of Essex Fire Authority's accounts is £47,500.

5.5 Your audit team

The engagement team is led by Debbie Hanson, who has significant experience on Essex Fire Authority. Debbie is supported by Martina Lee, who is responsible for the day-to-day direction of audit work and is the key point of contact for the Deputy Director of Finance.

5.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the VFM work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Authority through the Audit, Governance and Review Committee's cycle in 2014-15. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit, Governance and Review Committee and we will discuss them with the Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Authority and external stakeholders, including members of the public.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning	April 2014	July 2014	Audit Fee letter
Risk assessment and setting of scopes	February to March 2015	April 2015	Audit Plan
Testing routine processes and controls	February to April 2015		
Year-end audit	August to September 2015		
Completion of audit	September 2015	September 2015	Report to those charged with governance via the Audit Results Report

Audit report (including our opinion on the financial statements and overall value for money conclusion).
 Audit completion certificate
 Reporting to the NAO on the Whole of Government Accounts return.

Conclusion of reporting	October 2015	November 2015	Annual Audit Letter
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In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

6. Independence

6.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission's Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

6.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Authority.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Authority has approved and that are in compliance with the Audit Commission's Standing Guidance.

At the time of writing, we have not undertaken any non-audit services. Therefore, no additional safeguards are required.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Authority. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Debbie Hanson, the audit engagement Director and the audit engagement team have not been compromised.

6.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended 27 June 2014 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2014>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2014-15 £	Actual Fee 2013-14 £	Published Fee 2013-14 £	Explanation
Opinion Audit and VFM Conclusion	47,500	52,393	47,500	The increase in 2013-14 of £4,893 from the published fee was incurred due to additional audit procedures required as a result of adjustments to the financial statements to correct the errors in accounting for pension injury payments.
Total Audit Fee – Code work	47,500	52,393	47,500	

All fees exclude VAT.

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ The operating effectiveness of the internal controls for the key processes outlined in section 5.2 above;
- ▶ We can rely on the work of internal audit as planned;
- ▶ The Audit Commission making no significant changes to the use of resources criteria on which our conclusion will be based;
- ▶ Our accounts opinion and use of resources conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Authority; and
- ▶ The Authority has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Authority in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit, Governance and Review Committee. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	► Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> ► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process 	► Report to those charged with governance
Misstatements <ul style="list-style-type: none"> ► Uncorrected misstatements and their effect on our audit opinion ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► In writing, corrected misstatements that are significant 	► Report to those charged with governance
Fraud <ul style="list-style-type: none"> ► Enquiries of the Audit, Governance and Review Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ► Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ► A discussion of any other matters related to fraud 	► Report to those charged with governance
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity 	► Report to those charged with governance
External confirmations <ul style="list-style-type: none"> ► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures 	► Report to those charged with governance
Consideration of laws and regulations <ul style="list-style-type: none"> ► Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ► Enquiry of the Audit, Governance and Review Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit, Governance and Review Committee may be aware of 	► Report to those charged with governance

Required communication	Reference
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance ▶ Annual Audit Letter if considered necessary

EY | Assurance | Tax | Transactions | Advisory

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ESSEX FIRE AUTHORITY



MEETING	Audit Governance & Review Committee	AGENDA ITEM	9
MEETING DATE	22 April 2015	REPORT NUMBER	EFA/041/15
SUBJECT	The Audit Commission's Closure – An Overview		
REPORT BY	The Chief Fire Officer and The Finance Director & Treasurer		
PRESENTED BY	The Deputy Finance Director, Glenn McGuinness		

SUMMARY

The closure of the Audit Commission on 31 March 2015 marks the point at which other organisations become responsible for delivering several of the Commission's functions. This paper sets out, for Members' information, the arrangements that have been put in place following from 1 April 2015.

Audit contracts

An independent company created by the Local Government Association, called Public Sector Audit Appointments Limited (PSAA), will be responsible for overseeing the Commission's current external audit contracts with audit firms from 1 April 2015 until December 2017 or up to 2020. It will manage the contracts that Ernst & Young LLP have to audit the Authority's accounts and exercise statutory powers to appoint auditors, set and determine fees, and to make arrangements for housing benefit subsidy certification.

Professional conduct of auditors

The professional conduct of auditors will continue to be regulated by the professional accountancy bodies. From 2017 or up to 2020, a Recognised Supervisory Body (RSB) will determine the eligibility of local public auditors and register them. The RSB will be recognised and supervised by the Financial Reporting Council. The Financial Reporting Council's Audit Quality Review team will review the major local public audits carried out by auditors through new regulatory arrangements.

Code of Audit Practice

The National Audit Office will produce and maintain the Code of Audit Practice and provide supporting guidance to auditors from 1 April 2015.

Whistleblowing

The Comptroller and Auditor General will be a prescribed person to whom whistleblowing disclosures can be made in respect of local public bodies under the Public Interest Disclosure Act 1998 from 1 April 2015. Appointed auditors retain their status as a prescribed person under the Act.

National Fraud Initiative

The Audit Commission powers to conduct the National Fraud Initiative will pass to Cabinet Office on 1 April 2015, and the NFI will run under Cabinet Office powers from that date onwards. The NFI matches data provided by some 1,300 participating organisations from across the public and private sectors against data provided by other participants, and key data sets provided by government departments and other national agencies, to prevent and detect fraud.

Provision of information about audit.

The National Audit Office will publish information previously provided by the Audit Commission. The NAO will become the owner of Council Accounts: A Guide to Your Rights, often referred to as the guide to the electorate's rights with regard to the audit of their local authority. Public Sector Audit Appointments Limited will continue to publish Auditing the Accounts and quarterly and annual reports on auditor compliance and audit quality.

Analytical tools.

Three of the Audit Commission's analytical tools that are primarily maintained to support audit contracts will transfer to Public Sector Audit Appointments Limited and will continue until the end of the current audit contracts: the two Value for Money Profiles Tools (for councils and for fire authorities), and the Audit Fees Comparator Tool.

National value for money studies.

Building on its existing work, including in the Health sector, the National Audit Office now also carries out studies which consider the value for money of services delivered by the local government sector.

Best value inspections

The power to carry out Best Value inspections (not exercised by the Audit Commission since 2010) transferred to the Secretary of State for Communities and Local Government on 4 April 2014.

Audit Commission historic reports and information

The National Archives preserves copies of the Audit Commission's website and these are available at http://webarchive.nationalarchives.gov.uk*/http://audit-commission.gov.uk/pages/default.aspx. Copies of the Commission's past reports are available on the National Archives website.

LEGAL, FINANCIAL, EQUALITIES AND RISK MANAGEMENT IMPLICATIONS

This is an information report with no other implications.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of background documents: ---	
List of background documents (not attached): ---	
Proper Officer:	Director of Finance & Treasurer
Contact Officer:	Director of Finance & Treasurer, Mike Clayton Essex County Fire & Rescue Service Kelvedon Park, Witham, Essex CM8 3HB Tel 01376 576000 E-mail: mike.clayton@essex-fire.gov.uk

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING	AGENDA ITEM
Audit, Governance & Review Committee	10
MEETING DATE	REPORT NUMBER
22 April 2015	EFA/042/15
SUBJECT	
Organisational Performance Reporting	
REPORT BY	
Director of Human Resources and Organisational Development Lindsey Stafford-Scott	
PRESENTED BY	
Director of Human Resources and Organisational Development Lindsey Stafford-Scott	

SUMMARY

To provide Members of the Audit, Governance and Review Committee with an update on the Service's Performance Reporting

Recommendations

Members of the Audit, Governance and Review Committee are asked to note that performance reporting is currently paused for one month while work is undertaken to resolve data issues within the mobilising system, electronic rota book (staff availability system) and the incident recording system.

Background

The implementation of the new mobilising system in January 2015 has resulted in the Service experiencing data issues that are having a serious impact on the performance reporting procedure and the ability to report complete performance data. Due to the level of data issues the organisation is experiencing Officers have decided that performance reporting should pause as it is not possible to report accurately on incomplete information.

There have been multiple occasions where the interface to the incident recording system (IRS) from the mobilising system has been unavailable and pre-population of IRS records has not occurred. As a result there are delays in the completion of some IRS records and at the time of writing data from 232 incidents is outstanding.

In addition, from 28 March the Service moved back to the previous mobilising system for a temporary period, requiring some data to be re-keyed between systems. The Control Project Team is carrying out a scoping exercise to calculate the resource required to manually populate the IRS with all required incident data during this period.

A separate report on appliance availability will be presented at the meeting for the period January 2014 to December 2014. There is a risk that some of the detailed information used for 2014 will not be available for the first quarter of 2015 because of the data issues, although it is expected that some of the data issues will be addressed in the next release of the mobilising software being installed during April 2015.

Although some call handling data is available there is currently no way of defining which call data relates to emergency calls and which relates to other calls handled by the Control room. The Performance and Data Team will investigate whether a 'work around' can be put in place but it is likely that this will involve extracting and joining data from the incident recording system and the mobilising system to enable reporting. This would not be sustainable month on month and a permanent solution to providing the necessary data is being sought.

Essex County Council had ceased entering 2015 data on those killed or seriously injured on the County's roads to deal with a backlog of 2014 data. The Performance and Data Team expect to be able to recommence reporting for this measure for the year-end report.

RISK MANAGEMENT IMPLICATIONS

The risk of not setting and reviewing its strategy and supporting performance measures is that resources might not be aligned to areas of priority, and that risks, both current and emerging are not responded to.

FINANCIAL, LEGAL, EQUALITY & ENVIRONMENTAL IMPLICATIONS

There are no other direct implications related to this report.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of appendices attached to this paper:	
List of background documents (not attached):	
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ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MEETING

**Audit, Governance & Review
Committee**

AGENDA ITEM

11

MEETING DATE

22 April 2015

REPORT NUMBER

EFA/043/15

SUBJECT

Electronic Rota Book

REPORT BY

Lindsey Stafford-Scott, Director of HR & Organisational Development

PRESENTED BY

Lindsey Stafford-Scott, Director of HR & Organisational Development

SUMMARY

The purpose of this paper is to provide an update on the implementation and development of the Electronic Rota Book (ERB) System along with the next steps required.

RECOMMENDATIONS

Members of the Audit, Governance and Review Committee are asked to note the contents of the report.

BACKGROUND

The implementation of ERB, delivered the Service with an integrated system to manage all operational personnel within one application. The software allows for the pre-population of future availability allowing deficiencies to be highlighted and managed. Fire Stations that are over resourced on given shifts are re-located to provide greater availability of appliances County wide.

Members will be aware that the Service implemented ERB in November 2013 (EFA/005/14 refers).

All attendance management along with leave and training schedules are captured within the ERB application providing a central view for all operational personnel.

The identified benefits of the ERB application are:

- Improved accuracy, availability and use of availability and shift information, leading to more efficient crewing and scheduling of training;
- Provides a link between clocking systems, shift information and payroll reducing the need for manual analysis and input to pay systems;
- Removes the requirement for personnel information to be recorded in multiple systems;
- Will improve accuracy in sickness recording;
- Reduces the administrative burden resulting from the double keying of information in HR and Training departments;
- Will improve reporting capability; and
- Enables the Service to more efficiently utilise its Station based firefighters to maximise efficiency.

At this point in time, although not completely refined and work is ongoing, all of the above benefits, accept for the transition of Flexi-Duty Officers, have been achieved or planned to be achieved within the ERB project. Flexi-Duty Officers are not yet in a position to move onto the ERB system with further development and testing required.

Continual Service improvement activities include responding to user feedback from all operational workgroups along with development by IT and our 3rd party supplier.

Availability Forecasting

Both Whole-Time (WT) and Retained Duty System (RDS) personnel are required to populate pre planned shifts within ERB. An added benefit for RDS is that instant updates to their live availability can be sent via text messaging, effectively texting 'available' or 'unavailable' throughout the day and night. This system is not without its challenges and continues to be developed. A key development step for installation at all RDS sites will be Electronic Tally Boards, which will provide further flexibility for RDS staff in populating their availability due to the dynamic nature in being an on call firefighter. The tally board is a touch screen which will provide a much faster way in which information can be up-loaded to ERB in comparison to the current system whereby staff have to log on to a terminal at the Station.

The texting facility was introduced as a backup to providing availability but has become the main method in which RDS personnel notify the Service of their availability. Recent data has shown that the ability to text availability is being heavily relied on with over 30,000 texts received in one month. Further work is still required to improve accuracy of texts being sent by personnel to the system as time required investigating and rectifying issues is proving demanding on resources.

The Electronic Tally Board solution will be the opportunity to simplify options available for texting along with the ability to book shift patterns without the need for logging onto a terminal at the Station, which can be an onerous task for this work group.

The ERB system was integrated with the new Control System on 14th January 2015. However since 29th January 2015, the integration software was switched off due to operating problems with a number of issues affecting the main 4i mobilising system. ERB has not as yet been returned to live updating but continues to be maintained by personnel across the Service with appliance availability communicated by telephone to Service Control. When initially switched on, ERB was successfully providing live data however accuracy of information was an issue for both Whole Time and RDS Fire Stations.

Of particular concern in relation to Whole Time resources, is the accuracy of information being populated on ERB and the number of changes that occur due to short notice leave being taken by personnel. In addition, issues have been identified where the use of pre-arranged out duties has not been exhausted and the Service has incurred a greater financial burden by using the dynamic out duty process. To further compound this issue, appliances requiring firefighters from these out duties have had extended unavailability times. When switched back to live, this is a key area that will require attention in order for the systems to run effectively and deliver all associated benefits.

Direct influences to the above are:

- The need for changes to the Service's Leave Policy;
- Delays in the adoption of Additional Shift Working;
- Barriers to the introduction of Mixed Crewing; and
- Managers appetite for managing robustly.

To address some of these barriers, the Service is considering the creation of an interim central resourcing team to ensure that personnel attached to Whole Time Fire Stations are in the right place at the right time and that the systems are being updated appropriately. If approved, a pilot will be delivered with the central team managing all personnel movements within one watch across all Whole Time Fire Stations.

The aim of the pilot will be to deliver clear measurable outcomes that will ensure the Service is able to fully exploit the benefits of the ERB System. If successful, a short-term option will be to permanently manage all operational personnel movements through a central team with the long-term view of Service Control taking responsibility for this function in future.

RISK MANAGEMENT IMPLICATIONS

Failing to implement and fully utilise the ERB system will prevent the Service realising the identified benefits and result in a less efficient means of utilising our workforce.

Failing to implement the ERB system effectively could impact on appliance availability and our ability to accurately mobilise resources.

FINANCIAL IMPLICATIONS

There are no additional financial implications associated with this paper.

LEGAL IMPLICATIONS

There are no significant legal implications from this paper.

EQUALITY IMPLICATIONS

There are no significant equality implications from this paper.

ENVIRONMENTAL IMPLICATIONS

There are no significant environmental implications from this paper.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of appendices attached to this paper:	
List of background documents (not attached):	
Proper Officer:	Lindsey Stafford-Scott, Director of HR & OD
Contact Officer:	Danny Partridge Essex County Fire & Rescue Service, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB Tel: 01376 576000 E-mail: danny.partridge@essex-fire.gov.uk