



ESSEX FIRE AUTHORITY

Annual internal audit report 2016/17

May 2017

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Management Actions 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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RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

1 THE HEAD OF INTERNAL AUDIT OPINION

In accordance with Public Sector Internal Audit Standards, the head of internal audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance statement.

1.1 The opinion

For the 12 months ended 31 March 2017, the head of internal audit opinion for Essex Fire Authority is as follows:

Head of internal audit opinion 2016/2017

The organisation has an adequate and effective framework for risk management, governance and internal control.

However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

1.2 Scope of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the audit, governance and review committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinion does not imply that internal audit has reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led risk register. As such, the risk register is one component that the authority takes into account in making its annual governance statement (AGS).

1.3 Factors and findings which have informed our opinion

We issued two substantial assurance opinions (Procurement and Key Financial Controls), three reasonable assurance opinions (Communications and Engagement, Partnerships, Governance – Delivery and Monitoring of Strategic Plans and Objective), three partial assurance opinions (HR Transactional Processes, Risk Management, Business Continuity) and one no assurance opinion (HR Training and Development).

Our review of risk management identified in a number of areas there was evidence that the Authority was putting processes in place to improve risk management, namely in terms of staff training on understanding and evaluating risk. However, there were a number of areas of improvement from our 2015/16 review which had still not been fully implemented in 2016/17 and some weaknesses remain. Whilst we could evidence that improvements had been made since our last review, until these are fully embedded our opinion remains at partial assurance.

Our review of business continuity (partial assurance) identified that key operational business continuity plans were significantly out of date and were not being subjected to regular, rigorous exercising. Work undertaken by the Risk and Business Continuity Team had highlighted significant process and knowledge gaps regarding business continuity management at the departmental level. We were not sufficiently assured from review of Senior Leadership Team

meeting minutes that business continuity was given adequate attention, although this was a key part of the Team's documented remit. This resulted in an overall (negative) partial assurance opinion.

We also issued a further (negative) partial assurance opinion for our review of HR Transaction Processing and Payroll due to a lack of documentation to support changes made to the HR system. Management have requested a follow up of the actions agreed within this report to be undertaken in early 2017/18.

We also issued a no assurance (negative) opinion for HR Training and Development audit. We were unable to provide assurance that the Service had effective and comprehensive systems to monitor staff or officer compliance in meeting competencies and training objectives. We were also unable to establish if staff had been adequately trained as incomplete records had been retained and core and mandatory training had not been defined. There has been a significant change of staff within the HR team and management have advised the audit, governance and review committee that work in this area is now progressing.

Our follow up of the actions agreed to address previous years' internal audit findings shows that the organisation had made poor progress in implementing the agreed actions.

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

1.4 Topics judged relevant for consideration as part of the annual governance statement

The Authority should consider the inclusion of the weaknesses identified within the partial and no assurance opinion as identified above in the areas of HR Transactional Processes, Risk Management, Business Continuity and HR Training and Development and any progress made in implementing the agreed actions in the Annual Governance Statement.

2 THE BASIS OF OUR INTERNAL AUDIT OPINION

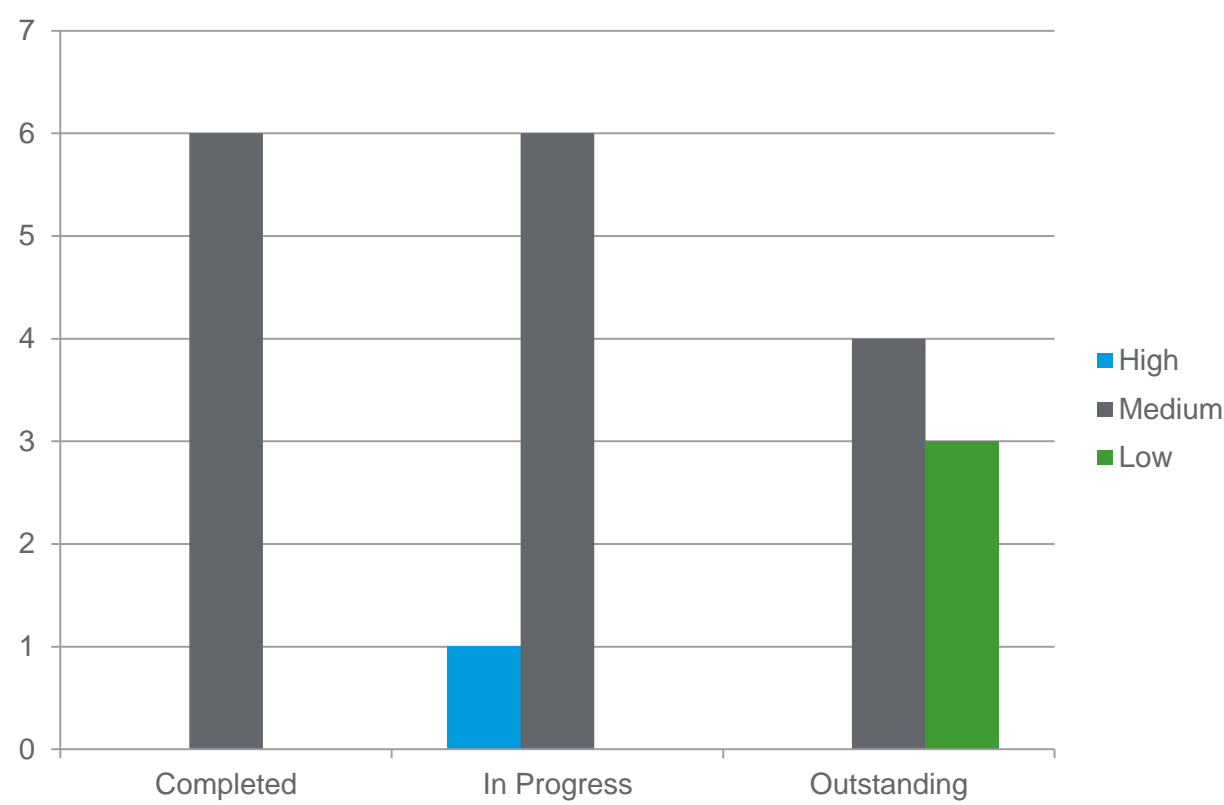
As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

2.1 Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2016/17.

2.2 Implementation of internal audit management actions

Our follow up of the actions agreed to address previous years' internal audit findings shows that the organisation had made poor progress in implementing the agreed actions.



2.3 Working with other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

3 OUR PERFORMANCE

3.1 Wider value adding delivery

As part of our client service commitment, during 2016/17 we have issued four briefings relating to the sector and a fire service specific risk register analysis within our progress reports presented to the Audit, Governance and Review Committee. We will continue to share our briefings with you during 2017/18.

We have undertaken a joint review across Bedfordshire, Cambridgeshire and Essex Fire on the Risk Protection Pool to maximise the audit resource available across the organisations.

We have provided benchmarking within our reports where possible on the number and category of recommendations and assurance opinions across organisations similar to yourself.

We have made suggestions throughout our audit reports based on our knowledge and experience in the public sector to provide areas for consideration.

We have met regularly with management to discuss best practice and potential joint reviews across our wider Fire Authority / Service client base.

Throughout the year we have attended joint contract meeting with Bedfordshire, Cambridgeshire and Essex Fire on a quarterly basis to update on progress of the internal audit contract, raise any issues if required and discuss the Internal Audit Strategies. No significant issues have been raised through these meetings or outside of these meetings. In addition, we have had the opportunity to discuss current and upcoming issues such as the implication of the Policing and Crime Act 2017 for each Authority.

3.2 Conflicts of interest

RSM has not undertaken any work or activity during 2016/17 that would lead us to declare any conflict of interest.

3.3 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

Annual opinions

The organisation has an adequate and effective framework for risk management, governance and internal control.

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However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

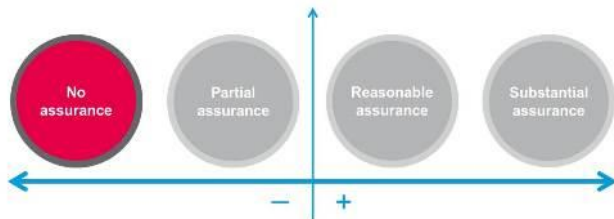
There are weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective.

The organisation does not have an adequate framework of risk management, governance or internal control.

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2016/17

Assignment	Assurance level	Actions agreed		
		H	M	L
HR Training & Development	No Assurance	4	3	3
HR Transaction Processing and Payroll	Partial Assurance	1	2	1
Risk Management	Partial Assurance	0	4	4
Business Continuity including compliance with the Civil Contingencies Act	Partial Assurance	5	2	0
Governance – Delivery and Monitoring of Strategic Plans and Objectives	Reasonable Assurance	0	2	5
Communication and Engagement	Reasonable Assurance	0	3	3
Partnerships	Reasonable Assurance	0	4	5
Key Financial Controls	Substantial Assurance	0	0	1
Procurement	Substantial Assurance	0	1	4
Follow up (DRAFT)	Poor Progress	1	7	6

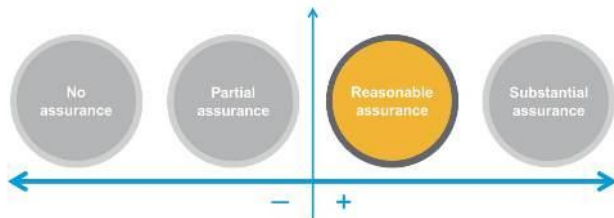
We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the authority can take:



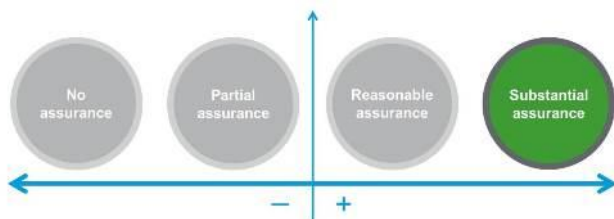
Taking account of the issues identified, the authority cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the authority can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the authority can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).



Taking account of the issues identified, the authority can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.

FOR FURTHER INFORMATION CONTACT

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