

Essex Fire Authority

Internal Audit Report (10.14/15)

FINAL

Business Planning

17 June 2015

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Debrief meeting	23 March 2015	Auditors	Dan Harris, Head of Internal Audit
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1 Executive Summary

1.1 Introduction

An audit of Business Planning was undertaken as part of the approved internal audit periodic plan for 2014/15 at the Essex Fire Authority.

The review focused on the production of the departmental business strategies, the alignment of these with both the Medium Term Financial Plan and the overall objectives of the Service set out within the Service Strategy.

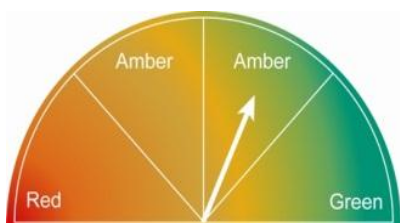
This review has identified and evaluated the production of the department business strategies for 2015/16 and the governance framework surrounding the process. It has also examined the monitoring and reporting of the departmental action plans for the 2014/15 financial year and sought to identify any internal assessment activity of the business planning process.

Timetables and associated guidance documentation are in place to guide the process.

The audit was designed to assess the controls in place to manage the following objective and risk:

Objective	Business Planning is effectively undertaken resulting in a greater likelihood of the achievement of objectives.
Risk	Loss of Reputation and legal challenge (through poor business planning) that impact adversely on the delivery of service.

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.

However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.

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

- The Service has in place a Service Strategy approved by the Authority that sets out the objectives for the Service and how these will be measured.
- Business Plans are drawn up at departmental level on an annual basis. These are referred to, by the Service, as Departmental Strategies and they link back to the Service objectives and budgets, and are designed to support the achievement of the objectives within the Service Strategy.
- The approval process is focused on the Strategic Management Board (SMB). This year the service have run some development workshops with the intention of getting a more collaborative working arrangement in place including joint ownership of plans and understanding of departmental interdependences in support of the Strategic Objectives.
- There is a timetable in place for 2015/16 that identifies when the departmental business planning process should be completed. This timetable is communicated to all departmental heads so they are aware of the requirements.
- There is a 'Guide to Business Planning' document that outlines the business plans, timescales, procedure, templates, strategy guidance and peer review detail.

- The Department Strategies and the Service Strategy go through a series of internal reviews prior to being approved by Essex Fire Authority. A series of Strategic Delivery Board (SDB) workshops are undertaken and following on from these the plans are signed off and approved by the SMB
- The Authority agrees the outcomes to be measured, and once approved quarterly reports on performance are issued to the Audit, Governance and Review Committee.
- The Director of Finance and Treasurer has produced a Financial Strategy plan for 2015/16 and a budget 2015/16. This has been presented to the Policy and Strategy Committee and reflects the 2014/15 budget and projections.
- Having approved Departmental Strategies managers review risks to meeting their objectives and within the Strategy and update their risk registers.

We identified two weaknesses in the design of the control framework that have resulted in **two medium priority** recommendations:

- There was no process to monitor the completion of action plans within the 2014/15 department strategies. The risk of not monitoring these action plans on a regular basis is that the department objectives may not be met, management may not be aware of this in a timely manner and ultimately it will be detrimental to the Services' effectiveness in meeting strategic objectives. **(Medium)**
- There is no annual self-assessment carried out by the Service in relation to its Business Planning Process from which the Service can evaluate the success of the prior year's business planning arrangements. The risk of not performing any self-assessment activity is failing to identify areas where the process can be improved. This could ultimately impact on the continued effectiveness of the current business planning processes and affect the achievement of overall objectives. **(Medium)**

Compliance and application of control framework

- From a review of the minutes of the Authority from April 2014, we confirmed that they approved the Service Strategy for 2014/15-2018/19. At that meeting they also approved the targets and indicators against which the Strategy would be measured.
- The SDB minutes were obtained for 26th August 2014 and demonstrated that a deadline for submissions for business plans was the 26th September 2014 and that this was circulated to department heads.
- The Guide to Business Planning was obtained and reviewed. The document covers the business planning process for 2014-19 and clearly sets out the requirements of the business planning process. Additional supporting documentation including the department strategy template and guidance from the SDB was also obtained to demonstrate the guidance is in place and circulated to the departments.
- The 2015/16 Medium Term Financial Strategy was presented to the Policy and Strategy Committee in September 2014 and approved. This document ties in with the Service Strategy objectives demonstrating alignment across the Service. The Service Strategy document presented to the Fire Authority in December 2013 was obtained and demonstrated the Services' objective of efficient and effective use of resource.
- We reviewed 15 department strategies and confirmed that they were all in the standard template and:
 - Were referenced to the objectives within the Service Strategy;
 - Gave some text on what they had achieved, what they want to achieve and how;
 - Included an action plan linking departmental objective to Service objectives.
- From a review of action plans we confirmed that each action included; an owner, timescale, outcome, measure, and budget/resources required.
- We confirmed that the assessment of required resources within the departmental strategies is used at the initial stage of the budget setting process within budget review meetings.
- From a review of minutes we confirmed that the SDB receives monthly performance reports based on the measures agreed by the Authority at the start of the year. Quarterly reports are also issued to the SMB as do the Audit, Governance and Review Committee, and an annual report is presented to the Fire Authority at the year end.

We identified one weakness in the compliance and of the control framework that have resulted in **two medium priority** recommendation:

- Each department within the Service is required to produce a Department Strategy document annually. We confirmed that there are 18 departments that require a strategy to be completed. We found that three departments had not submitted a strategy document at the time of the review. Of the 15 submitted only seven demonstrated a submission date in line with the timescales set. Departments not submitting a strategy document demonstrates a weakness in the business planning process and ineffective support to the Service in achieving its Strategic Objectives. Four documents did not indicate an author and in addition only three of the documents demonstrated a reviewer and approver. There is a risk that if all departments do not submit their plans and within a reasonable time this may undermine the Service's ability to meet its objectives. **Medium.**
- Due to the absence of evidence we could not confirm that the assessment of resources within Departmental Strategies had been used as part of the budget setting and business planning process, nor if the final approved budgets for 2015/16 agreed with those Strategies which would therefore require updating to avoid the risk that elements of operational plans and individual objectives are not achievable. **Medium.**

There has been in addition **one low** recommendation made. This is covered within section 2 and 3 of the report.

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.

When planning the audit, the following controls for review and limitations were agreed:

Limitations to the scope of the audit:

- This review did not duplicate areas within the Budgetary Control and Financial Planning and the Performance Management Reviews.
- We did not give an opinion on whether corporate objectives or individual key performance indicators will be met.
- We did not give an opinion of the accuracy and completeness of data used to measure performance.
- Our work does not provide an absolute assurance that material errors, loss or fraud do 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	2	0
Application of control framework	0	2	1
Total	0	4	1

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

	Priority		
Risk	High	Medium	Low
Loss of Reputation and legal challenge (through poor business planning) that impact adversely on the delivery of service.	0	4	1
Total	0	4	1

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 monitor the submission of departmental plans against planned completion dates. Each Department Strategy document should be annotated with details of submission date, document author, reviewer and approver.	Medium	Y	Agreed – this will be incorporated into the process running during 2015/16.	31/03/2016	Performance Improvement Manager
1.3	The Service should ensure that the Guide to Business Planning is reviewed annually to ensure it mirrors current practice and effectively guides the business planning process for the year ahead.	Low	Y	Agreed – the process is likely to change during 2015/16 as it will need to fit with changes being riven by Programme 2020.	31/03/2016	Performance Improvement Manager
1.4	The Service should ensure that the action plans within the Department Strategies are formally monitored.	Medium	Y	Agreed – this will monitored by SDB.	31/03/2016	Performance Improvement Manager

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.5	The Service should ensure that there is an annual self-assessment of the business planning process to identify areas where the process was effective and areas that could be improved upon, taking the process forward.	Medium	Y	Agreed – this will be built into the business planning cycle from this point onward.	31/03/2016	Performance Improvement Manager
1.6	As part of the Business Planning process, the Service should evidence and retain the initial assessment of resources required to meet objectives within the Departmental Strategies and future iterations including the final version which matches the approved budget.	Medium	Y	Agreed – this will be built into the business planning process from this point onward.	31/03/2016	Performance Improvement Manager

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: Loss of Reputation and legal challenge that impacts adversely on the delivery of service					
1.1	<p>Business Plans are drawn up at departmental level on an annual basis. These are referred to, by the Service, as Departmental Strategies</p> <p>These documents are based upon the six Service Objectives set out in the Service Strategy.</p> <p>Departmental Strategies are drawn up to identify departmental objectives to support these high level objectives. The Departmental Strategies contain the following sections;</p> <ul style="list-style-type: none"> • Role, Purpose and Alignment; (This section include the Service Strategy Objectives) • What we have achieved so far; 	Yes	<p>We confirmed that there are eighteen departments that require a strategy to be completed. We found that three departments had not submitted a strategy document at the time of the review.</p> <p>If departments are not submitted a strategy document it demonstrates weakness in the business planning process and ineffective support to the Service in achieving its Strategic Objectives.</p> <p>For the 15 strategy documents identified as submitted a full review was undertaken;</p> <p>Two documents were dated after the 26th September 2014 deadline, whilst four documents did not indicate a date of submission. Two further documents had a 2013 date of submission which indicated that they have not been updated for the current financial year.</p> <p>In conclusion only seven of the 15 therefore demonstrated a submission date in line with the timescales set.</p> <p>The submission dates are in place to ensure the business planning process can be completed timely to allow for achievement of the departmental objectives for the year to aid the achievement of the Services strategic objectives.</p>	<p>The Service should monitor the submission of departmental plans against planned completion dates.</p> <p>Each Department Strategy document should be annotated with details of submission date, document author, reviewer and approver.</p>	Medium

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	<ul style="list-style-type: none"> Where do we want to be; How will we achieve this; (This section includes the department objectives.) Department Strategy Action Plan to support its objectives. <p>There are eighteen departments for which a strategy document is required.</p> <p>The Departmental Strategies are required to be signed off as reviewed and approved by the department prior to submission,</p>		<p>11 documents demonstrated an author with there being four exceptions where no author was noted.</p> <p>In addition only three of the documents demonstrated a reviewer and approver.</p> <p>Without evidence of the review and approval of the department strategy documents we are unable to give assurance that there is a robust and effective process.</p> <p>These issues were discussed with the Performance Improvement Manager who confirmed that the document management within the departments is not effective.</p> <p>We confirmed through review that each of the 15 documents outlined the objectives as set out in the Service Strategy and that the departmental objectives set are linked to these.</p> <p>The departmental objectives as set out within the document are supported in all cases by an action plan that outlines an objective ID, action description, owner, timescale, outcome, success measures and Budget resources.</p> <p>There is a risk that if all departments do not submit their plans and within a reasonable time this may undermine the Services' ability to meet its objectives.</p>		
1.2	There is a timetable in place for 2015/16 that identifies when the departmental business planning process should be completed.	Yes	The timetable set out for the submission and review of the departmental plans as per the SMB minutes from 26th August 2014 confirms a deadline for the submission of the Department Strategies of 26 th September 2014.		-

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	This timetable is communicated to all departmental heads so they are aware of the requirements.		<p>The 18 required departmental strategies as covered in detail within control testing 1.1 identified that only nine demonstrated a submission date in line with the deadline.</p> <p>The exceptions were;</p> <ul style="list-style-type: none"> • Three Departmental Strategies had not been evidenced as being submitted at the time of the review. • Two documents had a 2013 date of submission indicating that the plan had not been updated for the 2015/16 financial year. • Four documents had no date of submission indicated so timeliness could not be confirmed. <p>A recommendation made in 1.1. covers this weakness.</p>		
1.3	<p>There is a 'Guide to Business Planning' document in place within the Service.</p> <p>This document outlines the business plans, timescales, procedure, templates, strategy guidance and peer review details in relation to the business planning process.</p> <p>The document was last updated in August / September 2013.</p>	Yes	<p>The Guide to Business Planning was obtained and reviewed. The document covers the business planning process for 2014-19 and clearly sets out the requirements of the business planning process.</p> <p>There has been no update since September 2013 so good practice would be to have an annual review of the document to ensure the processes described are in line with current practice.</p> <p>The Performance Improvement Manager provided a report to the Strategic Management Board in August 2014 for the members to note the business planning process and the associated deadlines.</p>	The Service should ensure that the Guide to Business Planning is reviewed annually to ensure it mirrors current practice and effectively guides the business planning process for the year ahead.	Low

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
			This was supported by a template of the departmental strategy document and demonstrating the further guidance on the process.		
1.4	Action plans within the 2014/15 department strategies are not monitored by the Service to determine if the actions have been implemented / delivered.	No	<p>From discussions with the Performance Improvement Manager we confirmed that the performance monitoring process has been covered in full detail within the recent Performance Management Review and recommendations to improve this process in regards to ownership, resource allocation and performance management guidance have been agreed.</p> <p>The department actions plans were further discussed in more detail and we confirmed with the Performance Improvement Manager that there is currently no mechanism for monitoring the actions in the business plans.</p> <p>The risk of not monitoring these action plans is that the department objectives may not be met and management may not be aware of this in a timely manner. Ultimately this may impact the Services' effectiveness in meeting its strategic objectives.</p>	The Service should ensure that the action plans within the Department Strategies are formally monitored.	Medium
1.5	There is no annual self-assessment carried out by the Service in relation to its Business Planning Process.	No	<p>We confirmed through discussions with the Performance Improvement Manager that there is no self-assessment process from which the Service can determine the success of the prior year business planning arrangements.</p> <p>The risk of not performing any self-assessment activity is failing to identify areas where the process can be improved. This could impact on the continued effectiveness of the current business planning processes, to the detriment of achieving the Service's overall objectives.</p>	The Service should ensure that there is an annual self-assessment of the business planning process to identify areas where the process was effective and areas that could be improved upon, taking the process forward.	Medium

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
1.6	<p>The assessment of resources required to meet objectives within the Departmental Strategies was including within the action plan for each Strategy.</p> <p>Production of the strategy document forms the basis of the initial budget review meetings as the start of the budget setting process, which then feeds into Medium Term Financial Plan and related Business Plan.</p>	Yes	<p>Due to the absence of evidence we could not confirm that the assessment of resources within Departmental Strategies had been used as part of the budget setting and Medium Term Financial Planning process.</p> <p>Furthermore we could not determine if the final approved budgets for 2015/16 agreed to the Departmental Strategies and resources required. There is a risk that is these do not match elements within operational plans and individual objectives are not achievable.</p>	As part of the Business Planning process, the Service should evidence and retain the initial assessment of resources required to meet objectives within the Departmental Strategies and future iterations including the final version which matches the approved budget.	Medium