

Essex Fire Authority

Annual Internal Audit Report - Year ended 31 March
2015

Presented at the Audit Committee meeting of:

15 July 2015

Baker Tilly Risk Advisory Services LLP

Contents

1 Introduction.....	2
2 The Head of Internal Audit Opinion.....	3
3 Our performance	6
Appendix A: Internal Audit Opinion and Recommendations 2014/15	7
For further information contact	9

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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1 Introduction

In accordance with Public Sector Internal Audit Standards, the Head of Internal Audit (HoIA) 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.

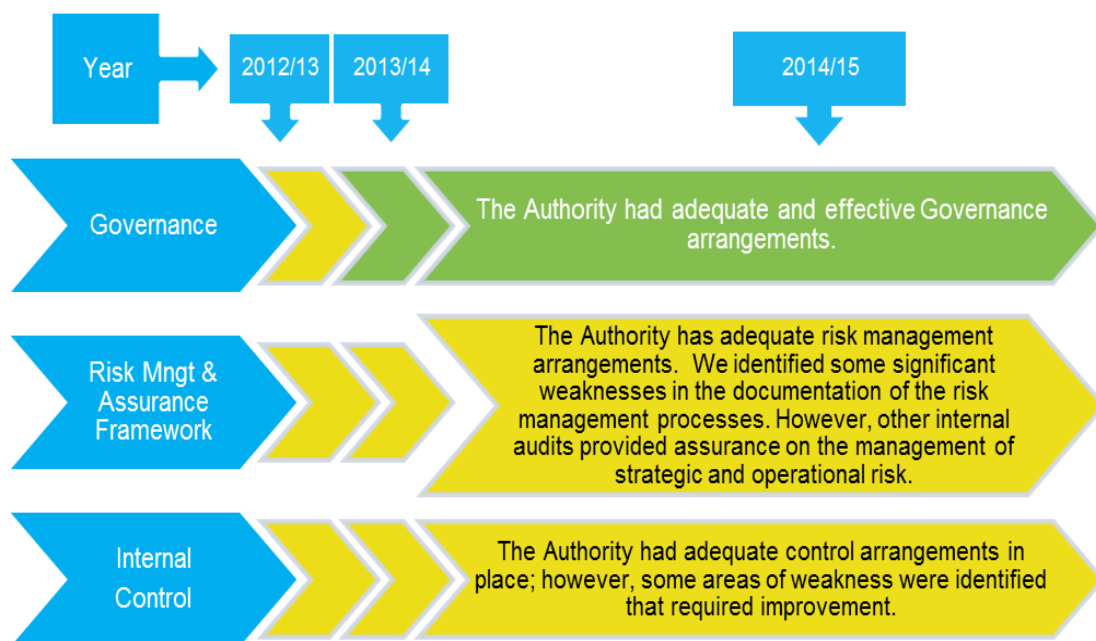
This is achieved through a risk-based plan of work, agreed with management and approved by the Audit, Governance & Review Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

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.

2 The Head of Internal Audit Opinion

The purpose of our annual the Head of Internal Audit Opinion is to contribute to the assurances available to the Treasurer and the Authority, through the Audit, Governance & Review Committee. This opinion will in turn assist the Authority in the preparation of its annual governance statement.

For the 12 months ended 31 March 2015, based on the work we have undertaken, our opinion below details the adequacy and effectiveness of your organisation's risk management, internal control and governance arrangements. We also show below the direction of travel of our opinions.



Further detail supporting our opinion can be found over the page.

2.1 The basis of our opinion

Governance

Our Governance opinion has been informed by our reviews of Budgetary Control and Business Planning which resulted in positive assurances and did not identify any significant issues in relation to the control framework or any Governance issues.

This has resulted in an overall Green (positive) opinion relating to governance.



Risk Management

Through a review of the Authority's Risk Management processes we concluded that the controls upon which the organisation relies on to manage Risk Management are not suitably designed, consistently applied or effective. We identified some significant weaknesses in the documentation of the risk management processes, including controls, assurances and actions on the risk register which require prompt attention.

We would expect the Authority to consider in the formulation of the AGS, the risk management weaknesses identified along with the actions identified for improvements.

However, our overall risk management opinion was also informed by four internal audits (Budget Setting and Control, Fleet Management, Performance Management, Business Planning) which provided assurance on strategic risks. Each of these reviews resulted in positive assurance opinions and have influenced our overall opinion that strategic risks are in practice being managed effectively.

This has resulted in an overall Amber (positive) opinion relating to risk management.



Control

Of the eight assurance reports issued during 2014/15 all have resulted in positive assurances. Three were Substantial Assurance (green), four were Reasonable Assurance (amber/green) and one was Some Assurance (amber/red).

This has resulted in an overall Amber (positive) opinion relating to the control environment.



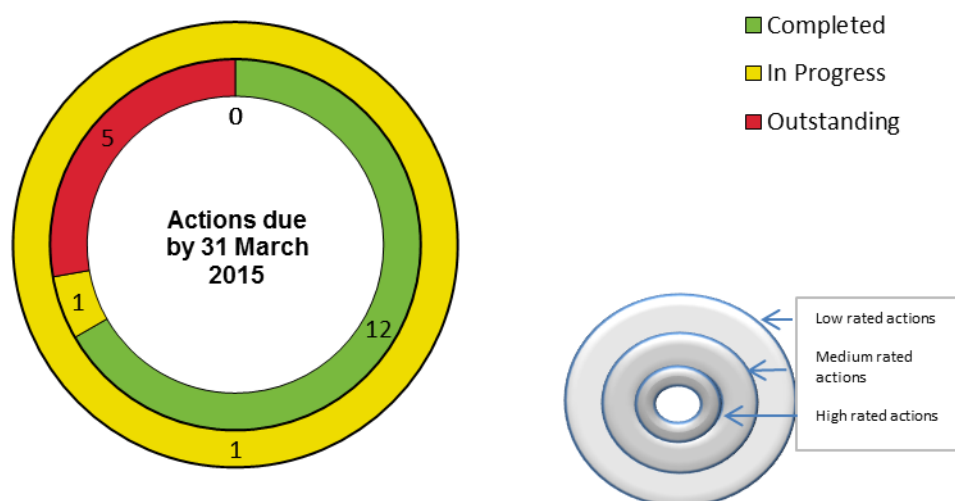
A summary of internal audit work undertaken, and the resulting opinions, is provided at appendix A.

2.2 Acceptance of 2014/2015 Internal Audit recommendations

All of the recommendations made during the year were accepted by management.

2.3 Implementation of internal audit recommendations

Our follow up of the recommendations from previous years and current audit assignments, showed that the organisation had made Reasonable progress in implementing the agreed actions.



There was also five low priority and one medium priority recommendations that were not due for completion at the time of our review which are not included in the graph above.

2.4 Reliance placed upon work of 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 2014/15 we issued 12 local government and four emergency services client updates.

We have provided benchmarking within all of our reports on the number and category of recommendations and assurance opinions across other Fire Authorities.

We have also undertaken thematic reports on Fuel Cards and Communications between Bedfordshire & Luton Fire and Rescue Authority, Cambridgeshire & Peterborough Fire Authority and Essex Fire Authority and suggested ways in which arrangements could be improved.

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

3.2 Conflicts of interest

We (Baker Tilly) have not undertaken any work or activity during 2014/15 that would lead us to declare any conflict of interests.

3.3 Conformance with internal auditing standards

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

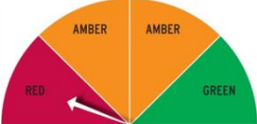
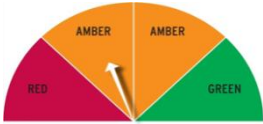
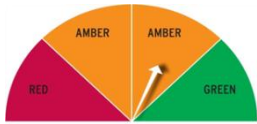
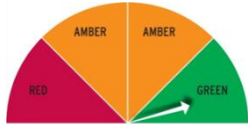
Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our Risk Advisory service line commissioned an external independent review of our internal audit services in 2011 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

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”.

Appendix A: Internal Audit Opinion and Recommendations 2014/15

Assignment	Opinion	Actions agreed		
		H	M	L
Human Resources - Transactional Process		2	1	3
Fleet Management		0	0	0
Communications		0	4	2
Fuel Cards		1	0	1
Performance Management		0	2	2
Key Financial Controls		0	1	2
Budgetary Setting & Control		0	0	2
Business Planning (DRAFT)		0	4	1
Risk Management (DRAFT)		1	7	2
Follow up (DRAFT)	Reasonable Progress			

We use the following levels of opinion classification within our internal audit reports

			
<p>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. Action needs to be taken to ensure this risk is managed.</p>	<p>Taking account of the issues identified, whilst the Authority can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.</p>	<p>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.</p>	<p>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.</p>

For further information contact

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