



ESSEX FIRE AUTHORITY

Annual internal audit report 2015/16

April 2016

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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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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 2016, the Head of Internal Audit opinion for Essex Fire Authority is as follows:

Head of Internal Audit opinion 2015/16

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 board takes into account in making its annual governance statement (AGS).

1.3 Factors and findings which have informed our opinion

The internal audit plan was driven by the Authority's key risks as identified by management. Discussions were also held with management during the year to ensure that any key emerging risks for the Authority were included in the plan, which have in turn been reported to the Audit, Governance and Review Committee.

Six out of the eight reports issued provided a positive opinion, of the remaining two, both were partial assurance (amber/red) opinions.

The first partial assurance opinion related to Risk Management where we found that improvements had been made from the two previous years 'no assurance' (red) opinions to the design of the control framework. We could see evidence that the Authority was putting processes in place to improve risk management. However, a number of these were either in progress, not fully embedded or were planned and not fully implemented in 2015/16. Therefore a number of weaknesses remained and further work was required to embed the processes which will take place within 2016/17.

The second partial assurance opinion related to Data Retention where we identified non-compliance with the data retention policy across the four departments tested. The results of our audit demonstrated a lack of awareness of the policy and compliance with the controls in place. The review identified that data was retained longer than the approved retention periods but also duplicate that data was being held within departments.

We also carried out an advisory review in relation to workforce planning which did not identify any significant weaknesses.

We carried out two follow up reviews during 2015/16 (VAT advisory follow up and general follow up). As a result of our work we were able to confirm that reasonable progress had been made to implement management actions and that management continued to work on strengthening controls where weaknesses had previously been identified.

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

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 were suitably designed, however, they were not 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 required prompt attention.

As part of our review of Data Retention we identified issues in relation to non-compliance with established policies and procedures where documentation was held beyond the requirements of the Data Protection Act.

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, unless assurances have been gained internally over improvements in the highlighted areas of weakness since the audit reports were issued.

2 THE BASIS OF OUR INTERNAL AUDIT OPINION

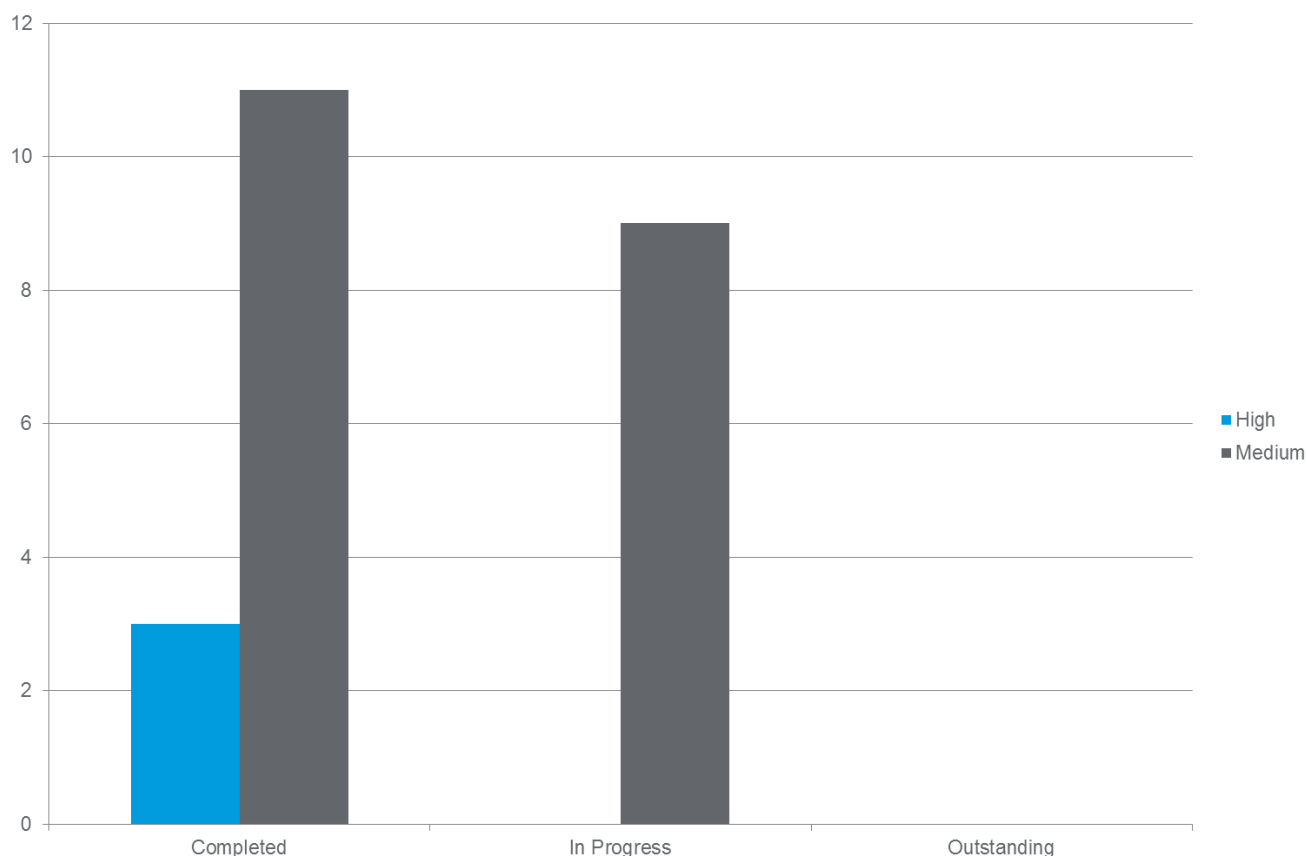
As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

2.1 Acceptance of internal audit recommendations

Management have agreed actions to address all of the findings reported by the internal audit service during 2015/16.

2.2 Implementation of internal audit recommendations

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



Whilst we reported that the Authority had demonstrated **reasonable progress** in implementing agreed management actions in the areas of Fuel Cards, Performance Management, Follow Up, Business Planning, IT General Controls Healthcheck and Purchase of New Appliances. We identified that **little progress** had been made in implementing the management actions within the areas of HR – Transactional Process and Communications.

2.3 Working with other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers. We have not as part of our work, reviewed the impact, progress in implementing actions from or the implications of the independent review of culture commissioned by the Authority.

2.4 Wider value adding delivery

As part of our client service commitment, during 2015/16 we have issued five briefings relating to the sector within our progress reports presented to the Audit and Standards Committee. We will continue to share our briefings with you during 2016/17.

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

We have also undertaken thematic reports on Communications and Succession Planning between Bedfordshire Fire & Rescue Authority, Cambridge and Peterborough Fire Authority and yourself 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.

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

2.5 Conflicts of interest

RSM has not undertaken any work or activity during 2015/16 that would lead us to declare any conflict of interest.

2.6 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 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”. Work is in hand to arrange our next review.

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.

Head of internal audit opinion 2015/16

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

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.

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

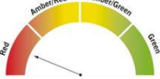
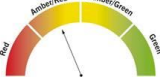
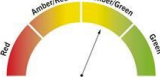
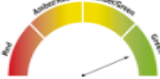
The organisation does not have an adequate framework of risk management, governance or internal control.

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2015/16

Assignment	Assurance level	Actions agreed		
		H	M	L
IT General Controls Healthcheck	 Reasonable Assurance	0	3	4
Workforce Planning	Advisory	0	4	2
Purchase of New Appliances	 Reasonable Assurance	0	3	2
Risk Management	 Partial Assurance	0	5	4
PAYE/VAT	Advisory			
Governance	 Reasonable Assurance	0	1	4
Key Financial Controls (HR)	 Reasonable Assurance			
Key Financial Controls (GL)	 Substantial Assurance	0	3	1
Property Maintenance	 Substantial Assurance	0	0	1

Assignment	Assurance level	Actions agreed		
		H	M	L
Data Retention	 Partial Assurance	1	3	0
Follow up	Reasonable Progress	0	9	0

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

None	Partial	Reasonable	Substantial
			
<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.</p> <p>Urgent action is needed to strengthen the control framework to manage the identified risk(s).</p>	<p>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.</p> <p>Action is needed to strengthen the control framework to manage the identified risk(s).</p>	<p>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.</p> <p>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).</p>	<p>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.</p>

FOR FURTHER INFORMATION CONTACT

**Daniel Harris, Head of Internal
Audit**

Daniel.harris@rsmuk.com

Tel: 07792 948767

Suzanne Lane, Senior Manager

Suzanne.lane@rsmuk.com

Tel: 07720 508148