Essex Fire Authority

Internal Audit Report (5.14/15)

FINAL

Performance Management

22 December 2014

Contents

Debrief meeting	26 November 2014	Auditors	Daniel Harris - Partner
Draft report issued	16 December 2014		Suzanne Lane - Senior Manager
Responses received	22 December 2014		Alan Grisley - Assistant Manager
			Anna O'Keeffe – Assistant Manager
Final report issued	22 December 2014	Client sponsor	Glenn McGuiness, Deputy Director of Finance
			Ben Pilkington, Performance Information Manager
		Distribution	Glenn McGuiness, Deputy Director of Finance

1 Executive Summary

1.1 Introduction

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

Essex County Fire and Rescue Service has in place a Service Strategy which has been approved by Essex Fire Authority and covers the five year period from 2014/15 to 2018/19. Each of the six Service Objectives within the Strategy is supported by between one and six success measures.

In order to monitor performance against these success measures, a range of performance indicators has been developed which record performance based on data taken from the Service's information systems. Performance data is collated centrally by the Performance Team and is reported on a monthly basis to the Strategic Delivery Board, and then to the Strategic Management Board and the Audit, Governance and Review Committee.

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

Objective	To ensure management have clear and accurate information to make informed decisions
Risk	Loss of Reputation

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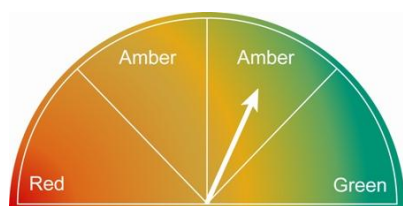
Taking account of the issues identified, the Authority can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

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:

Effectiveness

The performance figures for the sample of measures which we tested were as follows for the end of September 2014:

Performance measure	Outturn Sept 14	Target
Rate of deaths and injuries from primary fires	5.6	4
Appliance availability	85.8%	94%
Mobilisation	98%	Grouped indicator
Average days/shifts lost to sickness absence per person per year	8.6	8

We have confirmed that these figures reconcile to source data.

Design of control framework

We found that the following controls were adequately designed:

- A Service Strategy is in place which sets out objectives for the Service and how these will be measured. The Strategy was reviewed during the last financial year and came into effect from 1 April 2014. It covers the five year period 2014/15-2018/19.

- Targets were set by the Service with the aim of being in the top quartile of the Family Group 4 benchmarking group. The targets were approved by Essex Fire Authority.

- Definitions for all performance measures are held. These are either defined locally or remain the same as the old BVPI/National Indicator definitions as issued by the DCLG.

- Strategic Delivery Board (SDB) receives monthly organisational performance reports. Every third report is also reported to Strategic Management Board (SMB) i.e. they get the monthly report once a quarter, not a combined quarterly report. The Audit, Governance and Review Committee also receives the same reports as SMB, and an annual report is presented to the Fire Authority at the year end.

- The performance report described above is a RAG rated dashboard report which shows performance against target as:
  - blue (more than 10% better than target),
  - green (better than target by up to 10%),
  - amber (worse than target by up to 10%)
  - red (worse than target by more than 10%).

  Performance is shown over a rolling 12 month period so that trends are easily visible. Each Performance Report is accompanied by a narrative report explaining performance figures and trends. Commentaries input by owners onto Actuate are used to compile the report.

- There is a facility on Actuate for managers to add commentary on their performance measures and also add actions to address any issues identified with the performance figure reported.

We also identified the following weakness with the design of the control framework and have made one **Medium** priority recommendation:

- We are advised that red performance measures (below target) should have a commentary, and also blue ones (performing above target) which are dropping, and that this should be updated each month, however this is not formalised in any guidance or procedure notes. There is also no formal guidance as to whether action plans and commentaries should be subject to review for reasonableness and for progress in completing the actions.

Application of and compliance with control framework

We found that the following controls were adequately applied and consistently complied with:

- We obtained a copy of the minutes of the Essex Fire Authority meeting on 4 December 2013 and confirmed that the Service Strategy had been approved.

- We obtained evidence of benchmarking that had been undertaken and confirmed in the minutes of the Essex Fire Authority meeting on 16 April 2014 that targets for most of the performance measures had been approved at that meeting. We also confirmed through review of the appropriate minutes that the target for Call Handling had been agreed by Policy and Strategy Committee on 17 March 2010 and that the current targets for mobilisation were agreed by the Audit, Governance and review Committee on 12 October 2011.

- We took a sample of four performance measures and confirmed for the performance indicators making up the measures that the targets agreed by EFA (or its subcommittees) were those recorded on Actuate and which were being worked to and reported against**.**

- For each of the sampled indicators we confirmed that:
  - Sickness absence

    We obtained screen shots from the Actuate system which showed the figures from the system that had been used to calculate the performance figure for September (rolling 12 months). We obtained a copy of the spreadsheet containing the imported data from SAP and confirmed that the figures on Actuate could be traced to the SAP extract spreadsheet.

  - Total Appliance Availability

    We obtained a copy of the spreadsheet into which data had been extracted from the Control system StatsNX. We confirmed that the calculation that had been done on the spreadsheet using this data matched the figure reported on Actuate.

  - Rate of Deaths/Injuries

    We obtained the results of a Sequel lookup from the IRS system and, using the population figure on Actuate, confirmed that the resulting calculated figure corresponded to the figure reported on Actuate.

  - Call Handling

We obtained the results of the Sequel lookup from the Control system and recalculated the performance figure, which matched what was recorded on Actuate.

- o Mobilisation - Whole time and Retained

    We obtained the results of the Sequel lookups from the Control system and recalculated the performance figures, which matched those recorded on Actuate.

- We obtained the performance report presented at the October SDB meeting and confirmed that for each of the sampled indicators the figure reported was the same as recorded on Actuate (September outturn).

- Responsibility for each indicator is assigned to an Owner. As most indicators are reported by location, Owners are set for each location as well as at the top level.

- We tested that for each of the sampled PIs that ownership had been appropriately assigned.

We also identified the following areas of weakness with the control framework where we have made one **Medium** priority recommendation:

- We noted that for nine performance measures no performance was yet being reported and data was not yet being gathered.

We also made two **Low** priority recommendations in relation to the application of the 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:

- Testing was undertaken on a sample basis only.

- We do not endorse a particular means of performance management.   It remains the responsibility of the Authority and senior management to agree and manage information needs and to determine what works most effectively for the organisation.

- 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	1	0
Application of control framework	0	1	2
Total	**0**	**2**	**2**

Recommendations implemented since the previous audit in this area:

Date of previous audit: February 2013			
Assurance:	**High**	**Medium**	**Low**
Number of recommendations made during previous audit	0	4	0
Number of recommendations implemented	0	3	0
Recommendations not yet fully implemented:	**0**	**1**	**0**

We previously recommended that actions should be updated monthly including set completion dates and responsible officers assigned for each action. Whilst we have confirmed that actions are updated on Actuate, there is no process in place to assign actions or to monitor that actions have been completed. We have made a Medium priority recommendation.

1.5 Additional Feedback

Good Practice Identified During the Audit
For those performance measures where performance is shared by other Services, benchmarking data is included on Actuate alongside performance and targets. This allows Owners to immediately see not only how their area is performing against target but also against similar organisations.

We have also made the following suggestion that Essex Fire Authority may wish to consider:

Suggestions Made During the Audit
Management should consider whether the Terms of Reference for SDB and SMB should include the frequency of meetings. This was part of a previous recommendation, the remainder of which has been implemented.

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	60%	
Amber/Green	20%	X
Amber/Red	20%	
Red		

Recommendations	Average number in similar audits	Number in this audit
Recommendations made	**2.4**	**4**

2   Action Plan

The priority of the recommendations made is as follows:

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

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.1	Management should ensure that the sickness figures are corrected and that there is a process in place to ensure the data is validated prior to be it being reported.	Low	Y	Already in place. Sickness data is already subject to re-checking throughout the year as the headline figure is affected by variations in recording of sickness such as late recording by managers. Each month the figures are re-run for the whole year to date.	Complete	BP
1.2	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.	Medium	Y	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.	April 2015	BP
1.3	Management should ensure that Ownership is correctly assigned for all performance measures.	Low	Y	This is a configuration issue of the performance management system. Ownership of the performance measures is not disputed and is identified within the business plans for individual departments.	Jan 2015	BP

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.4	Management should produce a Data Quality guidance document for Owners of performance measures and users of the Actuate system. This should state responsibilities including: • Requirement for Owners to provide a monthly commentary, and on which measures (e.g. all, or only blue and red). • Requirement for actions to be updated monthly and monitored for progress. A process should be put in place to enable to progress of actions to be monitored. • Deadline for commentaries and actions to be added in time to meet reporting deadlines for SDB and SMB. The guidance document could also include guidance on other matters such as: • Deadlines for submission of any data not gathered centrally. • Responsibilities for data validation where manual data gathering or calculation is required.	Medium	Y	A performance management framework is planned which will cover the areas described.	April 2015	BP

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 : Loss of Reputation				
1.1	Definitions for all performance measures are held. These are either defined locally or remain the same as the old BVPI/National Indicator definitions as issued by the DCLG.	Yes	We obtained screen shots from the Actuate system which showed the figures from the system that had been used to calculate the Sickness Absence performance figure for September (rolling 12 months). We obtained a copy of the spreadsheet containing the imported data from SAP and confirmed that the figures on Actuate could be traced to the SAP extract spreadsheet.

It was, however, identified during the course of the audit that, although the figure reported in September was correct, there was an issue with the accuracy of the 12 month figures in October and April, May and June. Although the reason for this is unknown, the Performance Manager stated that it is likely to be human error as there is an element of manual calculation and input to this indicator.

If data is not validated there is a risk that incorrect performance information could be reported, which could potentially lead to incorrect management decisions. | Management should ensure that the sickness figures are corrected and that there is a process in place to ensure the data is validated prior to be it being reported. | Low |

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
1.2	An Organisational Performance Report is reported to SDB on a monthly basis, and SMB and Audit, Governance and Review Committee on a quarterly basis. The Performance Report is a RAG rated dashboard report which shows performance against target as: blue (more than 10% better than target), green (better than target by up to 10%), amber (worse than target by up to 10%) red (worse than target by more than 10%). Performance is shown over a rolling 12 month period so that trends are easily visible. Each Performance Report is accompanied by a narrative report explaining performance figures and trends. Commentaries input by Owners onto Actuate are used to compile the report.	Yes	We obtained the performance reports prepared for the July, August and September SDB meetings. We reviewed the reports and noted that in each month the narrative report provided commentary by Service Objective for each relevant performance measure, and that the performance report was accompanied by a RAG rated dashboard report which showed performance on a monthly basis for the previous 12 month period. We noted that for a number of performance measures no performance was being reported. These were: • Total Essex Leisure Premises Risk Scores • Total Essex Workplace Premises Risk Scores Project Cost variation • Project schedule variation • Respondents satisfied with the response they received • Improved staff satisfaction • % of employees satisfied with the training they receive to do their role • Annual reduction in carbon footprint • % of respondents aware of the work undertaken by the Service • Improved satisfaction with leadership within the Service. We obtained evidence that the staff engagement survey was underway which would inform three of	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.	Medium

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
			the above measures. The Performance Information Manager confirmed that the external surveys were going to be developed following the completion of the internal survey work. The Performance Information Manager also confirmed that the Risk scores were annual measures and that this was the first year of reporting, and that the Project Costs and Carbon Reduction measures were waiting for posts to be filled before the data could be gathered and performance reported. If performance against all agreed measures is not reported, there is a risk the Authority will not be able to monitor the progress of the strategic Service Objectives.		
1.3	Responsibility for each performance indicator is assigned to an Owner. As most performance indicators are reported by location, Owners are set for each location as well as at the top level.	Yes	For the sample of performance measures we interrogated Actuate to ascertain whether Ownership had been assigned. We identified that: • Sickness - Ownership had correctly been assigned to the Head of HR. • Rate of injury and death - Ownership had correctly been assigned to the SDO Safer Communities. • Total Availability - Ownership had correctly been assigned to the ACFO Operations. We noted, however, that ownership below this had not been consistently assigned. In addition, the Owner's Assistant was named as the SDO Safer Communities, but this was incorrect. • Call Handling - Ownership was correctly	Management should ensure that Ownership is correctly assigned for all performance measures.	Low

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
			assigned to the SDO Safer and Resilient Communities. • Mobilisation - This was assigned to the Chief Fire Officer but below this had not been assigned. The Chief Fire Officer is ultimately responsible for all performance measures. Whilst we acknowledge that responsibility has been taken for each of the performance measures and that commentary was being added even where there was no named Owner on Actuate, there is a risk that if Owners are not formally assigned the measure may not be properly monitored.		
1.4	There is a facility on Actuate for managers to add commentary on their performance measures and also add actions to address any issues identified with the performance figure reported. We are advised that red performance measures (below target) should have a commentary, and also blue ones (performing above target), and that this should be updated each month, however this is not formalised in any guidance or procedure notes. There is also no formal guidance as to whether action plans and commentaries should be subject to review for reasonableness and for progress in completing the	No	We obtained screen prints from Actuate for the sample of performance measures to ascertain whether commentaries were being made and actions updated. We noted that in all cases commentary and action plans had been added for October except for Call to Alert in 90 seconds where there was no commentary or action plan added for October. We identified by looking on Actuate with the Performance Information Manager that no commentary had been added during 2014/15 for this indicator. We are advised that red performance measures should have a commentary, and also blue ones (performing more than 10% above target), however this is not formalised in any guidance or procedure notes. Without guidelines for users as to when commentaries should be added, there is a risk that	Management should produce a Data Quality guidance document for Owners of performance measures and users of the Actuate system. This should state responsibilities including: • Requirement for Owners to provide a monthly commentary, and on which measures (e.g. all, or only blue and red) • Requirement for actions to be updated monthly	Medium

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	actions.		inconsistent practices will be followed. We noted that in order to see previous actions it is necessary to scroll back through periods. There is no easily viewable summary of actions for each performance measure which would allow management to check that actions are appropriate and address the gap identified, or that actions are being completed. Whilst we note that actions are now being added to Actuate to address performance issues, there is a risk that these actions may not be appropriate if not reviewed, and that actions may not be completed if they are not monitored.	and monitored for progress. A process should be put in place to enable to progress of actions to be monitored. • Deadline for commentaries and actions to be added in time to meet reporting deadlines for SDB and SMB. The guidance document could also include guidance on other matters such as: • Deadlines for submission of any data not gathered centrally. • Responsibilities for data validation where manual data gathering or calculation is required.	