



# ESSEX FIRE AUTHORITY

## Governance

DRAFT

Internal Audit Report: 6.15/16

29 March 2016



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<b>Debrief held</b>	4 March 2016	<b>Internal Audit team</b>	Daniel Harris, Partner Suzanne Lane, Senior Manager Lee Hannaford, Assistant Manager Nick Fanning, Senior Auditor
<b>Draft report issued</b>	29 March 2016		
<b>Responses received</b>			
<b>Final report issued</b>		<b>Client sponsor</b>	Roy Carter, Service Solicitor Glenn McGuinness, Deputy Director Finance
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# 1 EXECUTIVE SUMMARY

## 1.1 Background

An audit of the Essex Fire Authority's (The Authority) Governance framework and committee structure was undertaken as part of the approved internal audit periodic plan for 2015/16.

The purpose of the review was to establish whether the Authority has in place effective systems and forums to provide robust governance control within the organisation.

The Authority heads the current structure that consists of the following delegated responsibilities and advisory functions:

- Policy and Strategy Committee;
- Audit, Governance and Review Committee;
- Principal Officer Human Resources Committee;
- Joint Standards Committee;
- Cultural Review Sub Group.

There is also the Strategic Management Board and the Strategic Delivery Board, in place within the supporting governance arrangements that provide forum for scrutiny and review.

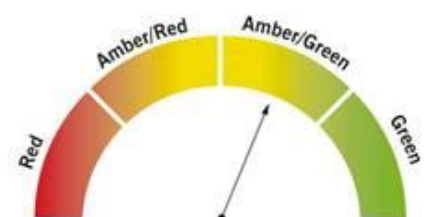
The Authority has an approved strategy in place which outlines its key objectives. Through review we identified how the current governance structure and mechanisms are operating to govern the achievement of these objectives and providing a robust framework to govern the Authority's operations and performance as a whole.

## 1.2 Conclusion

### Internal Audit Opinion:

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

However, we have identified issues that that need to be addressed in order to ensure that the control framework is effective in managing this area.



## 1.3 Key findings

The key findings from this review are as follows:

### Dedicated EFA Webpage

The Authority has a dedicated webpage on the Essex Fire and Rescue Service website. From detailed review of the website contents we confirmed the transparency of the EFA including incident data, invoice expenditure and members expenses.

The webpage also provides details of the recent Cultural Review and links to key documentation such as the EFA Code of Corporate Governance. All minutes and corporate documentation can be viewed either directly through the EFA webpage or through a link to the Essex County Council website where the minutes and meeting papers for all committees are now retained.

## **EFA Strategy and Objectives**

Essex Fire Authority has in place a Strategy for 2014 – 2018, approved by the Authority that sets out the six key objectives, these are supported by success measures and set out the overarching expected roles and responsibilities for the delivery of these objectives.

## **Constitution**

The Authority has in place a Constitution Book that defines the key governance arrangements within the Authority; initially approved in February 2013 by the EFA and reviewed and republished in December 2015. We reviewed the document in detail and confirmed that there is a clear framework, documented coverage of the remit of the EFA and contain the Terms of References' for the committees within the framework. We confirmed that the forums outlined are all currently operational within the organisation.

## **Annual Statement of Assurance**

We obtained the Essex Fire Authority accounts for 2014/15, which were published on 23 September 2015.

From review we confirmed that full governance assurance statement was included that outlined the Authority's governance framework and its core principles. The statement also provided a review of effectiveness, details of significant governance issues identified during the year and a conclusion on the effectiveness of Internal Control.

The statement was signed off by both the Chairman of the Essex Fire Authority and the Acting Chief Fire Officer.

## **Scheme of Delegation and Financial Regulations**

From review of the Scheme of Delegation (SOD) and the Financial Regulations we noted that there is a consistency within the SOD and how this has been adopted within the TOR of the Committees. In addition, the Financial Regulations contain the governance and reporting arrangements which are in line with the coverage of the committees in overseeing operational activity and performance.

## **Committee Coverage**

The committees have clear Terms of Reference in place including scope of what the meetings should cover to enable the committees to function effectively, ensuring key issues within their remit are given due care and attention.

We reviewed in detail the minutes of the EFA committees and confirmed that the coverage was aligned in all cases to the remit of the specific forums. The quality of information and the coverage given across the individual committees was detailed enough to allow for decision making and scrutiny of the information presented.

## **Committee Reporting to Essex Fire Authority**

Meeting minutes from the Committees are presented to the EFA Board on a monthly basis or when required as set out within their Terms of Reference. From review of the September and December 2015 EFA meeting minutes we confirmed the forum was presented minutes from the previous meetings held by the Policy and Strategy Committee (PSC), Audit, Governance and Review Committee (AGRC) and Principal Officer Human Resources Committee (POHRC) for information and review. Key areas of business including organisational development, declarations of interest and the Independent Review Action Plan were also noted within the EFA minutes.

## **Performance Reporting**

Performance reports are monitored and scrutinised by the Strategic Management Board (SMB), the Strategic Delivery Board (SDB) and the Audit, Governance and Review Committee. We obtained and confirm there is a performance reporting schedule that clearly sets out the reporting requirements.

We obtained the last two available minutes for the SDB and confirmed from review that the performance report had been presented and scrutinised at each meeting and that there had been actions set to address issues identified.

We obtained the report presented to the AGR Committee on 20 January 2016 and also the report to SMB on the 16 February 2016. From review we confirmed that the performance measures and associated key performance indicators are RAG rated and reported in line with the authority's six objectives.

## Cultural Review

Following the cultural review in September 2015, the Authority has implemented an action plan to address the issues raised. We obtained the cultural review report and identified that there were 35 recommendations made. We also obtained the Independent Review Action Plan within the report presented to the Essex Fire Authority on 13 January 2016 by the Chief Fire Officer and confirmed that it is in line with the Cultural Review recommendations and against each sets out the action requirements, responsibility, resource requirements and timescale. In addition each action requirement is narrated with an action progress update. The minutes also demonstrated that the Independent Action Review Plan is being reported on and monitored effectively and we confirmed with the Deputy Director of Finance that an independent progress review is currently being arranged with it proposed to be presented to the EFA in June 2016. Please note, as part of this review we have not provided an opinion on the Culture of the organisation or reviewed the detailed progress made on the actions arising from the culture review.

We identified the following weaknesses resulting in **one medium** priority management action being agreed:

## Members Training

We obtained documentation outlining the governance training provided and confirmed that there was a training evening on the 19 February 2016 for Members and Officers and a Member workshop on the 1 March 2016. We obtained the course coverage slides for the 1 March 2016 event and confirmed there was coverage of key governance areas.

We were, however, unable to confirm which members had attended as a training log is not in place. In addition, we noted that there was no mechanism in place to chase non attendees to offer them the opportunity to receive the training documents or to go through the training with them. There is also an absence of evidence of a full training programme for members.

Without members receiving adequate training there is a risk to their effectiveness in providing good governance to the authority.

In addition we agreed **four low priority** management actions which are covered within section 2 and 3 of the report.

## 1.4 Additional information to support our conclusion

Risk	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Governance	3 (15)	3 (15)	4	1	0
<b>Total</b>			<b>4</b>	<b>1</b>	<b>0</b>

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

## Action Plan

### Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may, with a high degree of certainty, lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The table below sets out the actions agreed by management to address the findings:

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
<b>Risk: Governance</b>					
1.1	The governance structure chart does not fully reflect the current committee arrangements.	Low	The Authority will update the governance structure chart to reflect the current governance arrangements.		
1.2	The Strategic Delivery Boards Terms of Reference has not been reviewed and updated in line with required timescales.	Low	The SDB Terms of Reference will be reviewed and updated in line with timescales set following the conclusion of the internal management restructure.		
1.3	There is no formal action plan process in place to demonstrate that the actions agreed at the individual committees are monitored to ensure satisfactory and timely progress has been made.	Low	The Authority should implement action logs to add robustness to the process of raising actions at the authority's key governance forums, provide a clear audit trail of actions set and allow for ease of monitoring.		

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
1.4	A formal training programme for the Authority's Members is not in place. In addition a training log is not in place to record Members training completion.	Medium	<p>The Authority will ensure that training logs are retained for each of its Members and that where training sessions are missed that they are followed up with non-attendees.</p> <p>In addition the Authority will produce a formal training programme for Members.</p>		
1.5	A self-assessment process is not in place for either the EFA itself or the committees within the governance structure.	Low	An annual review of the EFA and sub committees' effectiveness will be introduced to ensure that the forums have achieved their annual objectives and have adhered to their Terms of Reference.		

## 2 DETAILED FINDINGS

This report has been prepared by exception. Therefore, we have included in this section, only those risks of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
<b>Risk: Governance</b>						
1.1	<p>A governance structure is in place detailing the committees that report into the EFA and the reporting lines between the forums.</p> <p>This is signed off and approved as part of the constitution.</p>	Yes	No	<p>We have reviewed the governance structure included within the Constitution and confirmed this is the most up to date structure.</p> <p>The current structure clearly defines the governance arrangements within the Authority.</p> <p>We did note however, that the Constitution document states that there needs to be an update to delete the Audit Sub-Committee that is no longer in place and to add in the Cultural Review Sub Group.</p>	Low	The Authority will update the governance structure chart to reflect the current governance arrangements.
1.2	<p>The following forums are in place within the governance framework;</p> <ul style="list-style-type: none"> <li>• Policy and Strategy Committee;</li> <li>• Audit, Governance and Review Committee;</li> <li>• Principal Officer Human Resources Committee;</li> <li>• Joint Standards Committee;</li> <li>• Cultural Review Sub Group.</li> </ul> <p>Each committee has separate Terms of Reference and meeting agendas, papers and minutes are retained in the EFA website.</p> <p>There is also the Strategic Management Board</p>	Yes	No	<p>We obtained for each of the Authority's committees the TOR and confirmed that in all cases they set out the purpose, remit, membership, quorum and meeting frequency and were all last reviewed and agreed in December 2015</p> <p>In addition, we obtained meeting minutes for each of the Committees and confirmed that they demonstrated that meetings are being held in line with meeting frequency and that detailed minutes are being taken for each meeting.</p> <p>We also obtained the SMB and SDB TORs and monthly meeting minutes, we noted that the TOR for the SMB was agreed in October 2015 in line with its annual review requirements.</p>	Low	The SDB Terms of Reference will be reviewed and updated in line with timescales set following the conclusion of the internal management restructure.



Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
	and the Strategic Delivery Board in place within the supporting governance arrangements.			<p>However, we note that the SDB's TOR was last updated in July 2014. The forum has an annual review requirement so has not been reviewed within the required timescales.</p> <p>If the forums TOR is not reviewed within set timescales there is risk that the forum is not effective within its role within the governance framework.</p> <p>We noted from the debrief that the review of the management structure is being dealt with by the Acting Chief Fire Officer in conjunction with the Expert Advisory Panel, which will affect the SDB and its continued role.</p>		
1.3	Matters raised at previous committee meetings are revisited at the following committee meetings although there is no formal action plan process to robustly demonstrate that the actions set are monitored to ensure satisfactory and timely progress has been made.	No	n/a	<p>We confirmed that there is an element of follow up within the subsequent meeting minutes although noted that a formal action plan process is not in place for the committees and boards within the Authority.</p> <p>If actions and matters raised are not formally recorded and monitored there is a risk to the effectiveness of the forums in addressing key issues.</p>	Low	The Authority should implement action logs to add robustness to the process of raising actions at the authority's key governance forums and provide a clear audit trail of actions set and allow for ease of monitoring.
1.4	<p>The Authority has in place 25 members who are elected and nominated by Essex Fire's three constituent authorities. Appointments are made from the Essex County Council, Southend Borough Council and Thurrock Borough Council with the appointments made by each Council to reflect the political make up of each Council.</p> <p>The importance of good governance is promoted at the top of the organisation and is fed down</p>	No	n/a	<p>Through review of the Constitution we confirmed that Members of the Fire Authority are appointed by the constituent authorities on a politically proportionate basis.</p> <p>The importance of good governance is set out within the constitution and supporting documentation that is available to all Authority Staff via the website.</p>	Medium	<p>The Authority will ensure that training logs are retained for each of its Members and that where training sessions are missed that they are followed up with non-attendees.</p> <p>In addition, the Authority will produce a formal training</p>

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
	<p>through the Authority, staff are aware of the importance of good governance.</p> <p>There is training in place for Members that includes general training and development days although there is no formal training programme established.</p> <p>In addition, a training log is not in place to record the training received and attended by Members'. As a result a mechanism is not in place to ensure all members have had sufficient training or enable the Authority to chase up non-attendees.</p>			<p>We obtained documentation outlining the governance training provided and confirmed that there was a training evening on the 19 February 2016 for Members and Officers and a Member workshop on the 1 March 2016.</p> <p>We also obtained the course coverage slides for the 1 March 2016 event and confirmed there was coverage of key governance areas.</p> <p>We were, however, unable to confirm which Members had attended as a training log is not in place. In addition, we noted that there was no mechanism in place to chase non attendees to offer them the opportunity to receive the training documents or to go through the training with them.</p> <p>We confirmed with the Service Solicitor that there is not a full training programme for Members.</p> <p>Without Members receiving adequate training there is risk to their effectiveness in providing good governance steerage to the authority.</p>		programme for Members.
1.5	<p>It is good practice to undertake an annual self-assessment of the EFA to identify how the forum has worked in the previous year and how it can better utilise its time to be more effective in discharging its duties. Committees should also be self-assessing annually and reporting into the EFA.</p> <p>There is not a self-assessment process in place.</p>	No	n/a	<p>We confirmed with the Authority's Service Solicitor that a self-assessment process is not in place for either the EFA itself or the Committees within the governance structure.</p> <p>Without this process in place there is risk to the effectiveness of the Authority's governance forums and is a missed opportunity to evaluate performance and ensure the forums are meetings their Terms of Reference and remit effectively.</p>	Low	An annual review of the EFA and committees effectiveness will be introduced to ensure that the forums have achieved their annual objectives and have adhered to their Terms of Reference.

# APPENDIX A: SCOPE

## 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. The scope was planned to provide assurance on the Authority manages the following area:

### Area under review

To ensure an effective system is in place to set and manage medium and long term objectives, plans and strategies

## Areas for consideration:

The following areas will be considered as part of the review:

- The Financial regulations and scheme of delegation were consistent with the terms of reference for committees,
- Strategic plans and objectives had been set and approved by the Authority and responsibilities for monitoring and reporting delegated to subcommittees, reflected within their terms of reference and minutes.
- Responsibility for delivery and monitoring of the objectives had been effectively assigned to appropriate individuals and oversight sits with an appropriate committee.
- The development of metrics to enable monitoring of performance against delivery.
- The method for receiving assurances on the achievement of objectives.
- The process for the receipt and recording of assurances and the reporting of assurances to relevant committees including the process for escalating to the Authority.
- The Terms of Reference are reasonable covering membership, frequency and quoracy of meetings and enable the identified groups to effectively discharge their statutory duties and delivery of objectives.
- The process for monitoring the effectiveness of members in discharging their duties and identifying subsequent training needs.
- There is evidence in papers and minutes that adequate information within reports is supplied to enable decision making at Committee level including challenge and agreement of action which is followed up.
- Assurance on performance against strategies, plans and objectives are reported up to the Authority including what action is being taken against poor performance where there is challenge.
- We will also perform a comparison of the strategic plan development and setting process together with the strategic plans between Essex, Bedfordshire and Cambridgeshire Fire Authorities, this will be reported separately to our main report.

## **Limitations to the scope of the audit assignment:**

- This review covered the period from 1st April 2015.
- The review did not aim to cover all aspects of governance. It aimed to provide assurance that the key governance processes are in operation as included within the areas for review. As such this review should not be considered to provide assurance over the whole governance process.
- We did not include in our review the objective setting process or ensure accuracy of reporting against these.
- We have not provided an opinion on the culture of the organisation or considered the detailed findings or actions arising from the culture review. Whilst we have reviewed the governance arrangements to ensure that progress against these actions are being reported back through the governance structure, we have not included detailed testing in this area.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

## APPENDIX B: FURTHER INFORMATION

### **Persons interviewed during the audit:**

- Glenn McGuinness, Deputy Director of Finance
- Roy D J Carter, Service Solicitor

# FOR FURTHER INFORMATION CONTACT

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