

Annual Audit Letter

Essex Fire Authority

Audit 2008/09

December 2009



Contents

Key messages	3
Financial statements and annual governance statement	6
Value for money and use of resources	8
Closing remarks	12
Appendix 1 – Use of resources key findings and conclusions	13
Appendix 2 – Action plan	25

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Audit Opinion

- 1 The Authority is required to prepare and approve its accounts by the 30 June 2009. The Authority met the deadline. I issued an unqualified audit opinion on the financial statements on 28 September 2009.
-

Financial Statements

- 2 We identified errors in the financial statements (other than those of a trivial nature) and reported these to the Policy and Strategy Committee on 23 September 2009. The overall impact was to decrease the surplus on the Income and Expenditure account by £26k with no change to the General Fund balance. One material error was noted in respect of the pension fund liability and officers agreed to correct all errors (other than those of a trivial nature).
 - 3 An enhanced reporting framework (International Financial Reporting Standards, IFRS) is to apply to all local government body accounts in 2010/11. The Authority has taken steps to consider some of the key accounting implications of IFRS but, to date, does not have a project plan in place setting out the key milestones and resource implications of the implementation.
-

Value for money and use of resources

- 4 I concluded that Essex Fire Authority (the Authority) met the minimum standards during 2008/09 for all of the nine criteria assessed that underpin the value for money conclusion. Hence we issued an unqualified value for money conclusion prior to the deadline of 30 September 2009.
 - 5 The Authority has achieved an overall score of 2 in the Use of Resources assessment.
 - 6 The Authority is performing adequately for each of the three Use of Resources themes of managing finances, governing the business and managing resources, scoring level two for each theme.
-

Managing performance

- 7 The Audit Commission also assesses how well the Authority manages and improves its services and contributes to wider community outcomes. The assessment considers how successful the Authority is in delivering its corporate priorities. The priorities have been drawn from what matters most to local people.
- 8 The Authority scores 3 for managing its performance (the scoring mechanism is as for Use of Resources). This is because it is delivering its priority services well and has the capability to continue to improve.

Overall Organisational Assessment

- 9 The Use of Resources and Managing Performance assessments are combined to give an overall organisational assessment judgement for the Authority. The Audit Commission has determined that the organisational assessment judgement for Essex Fire Authority is that it performs well (level 3). This is because the Authority is delivering services, such as community safety work, that is helping to protect people living in Essex. It is increasingly making better use of its resources although it recognises some aspects of financial management and financial reporting need further development.
- 10 The Authority's Managing Performance and Organisational Assessment are being reported separately by the Audit Commission's Comprehensive Area Assessment Lead for Essex.

Audit fees

- 11 The table below sets out the actual fee for 2008/09 against the planned and revised audit fees. These were reported in my Annual Governance Report to the Policy and Strategy Committee on 23 September 2009.

Table 1 **Audit fees**

Audit area	Planned fee 2008/09	Revised fee 2008/09	Final fee 2008/09
Financial statements	£59,696	£63,956	£63,956
Use of resources assessment and performance reviews	£49,403	£49,403	£49,403
Whole of government accounts	£2,815	£2,815	£2,815
Total audit and inspection fee	£111,914	£116,174	£116,174

Key messages

Independence

- 12 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.
-

Recommendations

- 13 I have made a number of recommendations within my Annual Governance and in respect of my Use of Resources work in this Annual Audit Letter to further develop the arrangements in place at the Authority.
- 14 The Authority should monitor the implementation of these recommendations.

Financial statements and annual governance statement

The Fire Authority's financial statements and annual governance statement are an important means by which the Fire Authority accounts for its stewardship of public funds.

Summary

- 15 I issued an unqualified opinion on the Authority's accounts on 28 September 2009, thereby meeting the deadline set within the Accounts and Audit Regulations 2003. In my opinion the accounts present fairly the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.
- 16 Before giving my opinion, I reported to those charged with governance, in this case the Policy and Strategy Committee, on the issues arising from the 2008/09 audit. I presented my report on 23 September 2009.

Significant issues arising from the audit

- 17 One material amendment of £10.4 million was required to the pensions liability to remove the top-up grant included within the liability and hence ensure it was calculated in accordance with the requirements of the Local Government Statement of Recommended Practice (SORP)

Material weaknesses in internal control

- 18 We have not identified any weaknesses in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.

Accounting Practice and financial reporting

- 19 I considered the qualitative aspects of your financial reporting. There were a number of qualitative areas of the financial statements that were non-SORP compliant which management agreed to amend such as the explanatory foreword disclosure.

Treasury management arrangements

- 20 The Authority did not have any investments with Icelandic banks. I have reviewed the Authority's treasury management arrangements and have concluded they are adequate.

International Financial Reporting Standards

- 21 The national timetable for the implementation of International Financial Reporting Standards (IFRS) means that these will be first applied in the 2010/11 financial year. However, comparative figures for the 2009/10 financial year will be required.
- 22 Applying IFRS will have significant implications for the way in which local authorities prepare their annual financial statements. The Authority has taken steps to consider some of the key accounting implications of IFRS but, to date, does not have a project plan in place setting out the key milestones and resource implications of the implementation.

Financial Standing

- 23 The last year has seen the country enter a significant economic recession. The consequence locally is an increasing demand for public services and the likelihood of reduced levels of central government funding. Together, these provide a significant challenge for public sector bodies as they seek to continue to provide services to local residents, whilst maintaining a sound financial position.
- 24 In response, the Authority has recognised and responded to the changing economic climate by undertaking sensitivity analysis and 'best case/worst case' scenarios which have been identified and reported to management. These have been based on assumptions over the next three years, such as council tax level and grant allocation and provide support to members in the decision-making process. There is a projected shortfall in 2010/11 of £0.8 million and up to £4.3 million in 2011/12.
- 25 The Authority has also acknowledged that there is a need to review working practices, overheads and capital investment to ensure can address the identified issues in the medium-term. The Authority takes cost issues into account in the way services are designed and continues to do so in light of the economic climate - for example the review of the Ariel Ladder Platforms resulted in saving 44 posts and a financial saving of £1.5 million was secured.
- 26 The impact of the recession will continue to present a challenge to the Authority in the coming financial year. I will continue to monitor the Authority's response and actions in this key area.

Value for money and use of resources

I considered how well the Authority is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the Authority put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

- 27 In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 28 I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 29 The Authority's use of resources theme scores are shown in Table 2. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised below with the detailed findings included in Appendix 5.

Table 2 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	2
Governing the business	2
Managing resources	2

Managing finances

- 30 There is a medium-term financial strategy in place supported by an annual budgetary process. The budget is underpinned by reasonable assumptions, includes known service developments and is subject to review prior to approval. There is no direct engagement with local communities or other stakeholders in the financial planning process but there is a clear identified link to the annual Integrated Risk Management Plan (IRMP) consultation.

Value for money and use of resources

- 31 The Authority is financially sound over the medium term, has sufficient levels of reserves and has a track record of delivering surpluses over the last three years. The Authority's collective responsibility for financial management has been hindered by the ineffective implementation of the new financial system which has caused issues in respect of the quality and timeliness of financial reporting to management.
- 32 There is an improved understanding of the link between cost and performance with an analysis of costs linked to performance being used to drive efficiency savings and improve services - for example cost analysis for undertaking home fire risk assessments revealed that greater efficiencies could be secured through the employment of dedicated technicians. The commissioning of services seeks to secure efficiency savings and shared services with partners are increasingly used to achieve efficient ways of delivering services to the community. The Authority has also recognised the need for releasing further efficiencies through improved use of ICT.
- 33 The budget is based on robust consideration of cost pressures, service developments and statutory requirements and now gives greater consideration to the IRMP consultation prior to approval by members.
- 34 The financial statements were presented in accordance with statutory deadlines, were largely supported by working papers and represent an improvement in quality by comparison with the prior year. However there were some areas that were not compliance with the SORP and there was one material misstatement identified. An annual report has been produced which includes an explanation of financial matters and is available in a number of formats.

Recommendations

- R1 Continue to address the issues identified from the implementation of the CODA dream financial system.
- R2 Ensure that financial reporting to senior management and members is supported by reliable and effective data and is on a timely basis.
- R3 Further develop links between costs and performance to ensure there is a clear understanding by management of the impact of their decisions on both.
- R4 Ensure future financial statements are free from material error and are prepared in accordance with the requirements of the SORP.

Governing the business

- 35 The Authority is increasingly delivering services, in response to locally identified need, that are securing clear long term outcomes for people living in Essex. The Authority involves partners in commissioning and delivering services and is addressing previously identified IT issues.

- 36** There is a commitment to improving data quality and better use of information technology is leading to faster and more accurate data reporting although the results of spot checks confirm that further improvement is still required. Arrangements are in place to maintain appropriate access and security of data. Effective use is being made of partnership data for service planning - for example, the new IRMP uses partnership data to inform corporate priorities. Finance and performance data are not fully linked.
- 37** The vision of the Authority is clear and links to IRMP consultation with the Business Excellence Systems Toolkit ensuring focus on the delivery of corporate priorities. There are sound governance arrangements in place at the Authority with all key policies expected in place and an annual assessment of the framework conducted in accordance with recognised guidance. There is an identified capability issue in respect of the audit committee with some members unclear on their role - this has limited the effectiveness of the committee during the 2008/09. In addition there has been a review of officers expenses which has concluded that the regulations require amendment to ensure payments are appropriate going forwards.
- 38** There are effective risk management arrangements in place and significant work has been undertaken to address the concerns over the business continuity arrangements with further work remaining in terms of the IT disaster recovery plan.
- 39** There is a largely sound system of internal control in place supported by an effective internal audit supplier. Where areas of limited assurance have been identified there is an action plan in place to address the issues identified.

Recommendations

- R5** Continue to develop the data quality arrangements to further improve the accuracy and timeliness of data.
- R6** Ensure that the members of the audit committee have received appropriate training in order to fulfil their role effectively.
- R7** Complete the IT disaster recovery plan in conjunction with the development of the IT transformation programme.

Managing resources

- 40** The Authority is actively seeking improvements to deliver a better use of its operational workforce - for example the Authority has increased the output from day crewed resources at no extra cost to the service. A review of crewing arrangements has been completed and a more modern resourcing approach allowing flexible response to demand is proposed which will help to secure organisational and financial benefits.
- 41** A robust approach to support the return to work of sick and injured firefighters is proving successful with new absence monitoring software allows community commanders and strategic managers to monitor, assess and challenge absence.

Value for money and use of resources

- 42 The operational competency of front line staff is being enhanced through a comprehensive approach to development. The People Strategy sets out some high aspirations for the service and there is now a clearer strategic approach to human resource management. However the longer term view of the workforce is not fully clear with nothing to show the medium or longer term actions required.
- 43 There is a positive approach to the management of change and the three HR Business partners are engaging service departments to promote change. Although firefighters are engaged in change management activities, their views about the success of this are mixed. Employees are involved in key operational decisions.
- 44 The service clearly recognises the importance of equality and diversity for the service both in staff and engaging with local people and service users.

Recommendation

- R8 Develop a longer term approach to workforce planning to ensure there is a clear path to achieve the high aspirations set out by the Authority.

VFM conclusion

- 45 I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 1.
- 46 I issued an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Closing remarks

- 47 I have discussed and agreed this letter with the Chief Fire Officer and the Director of Finance and Treasurer to the Authority. I will present this letter to the Fire Authority meeting on 9 December 2009 and will provide copies to all members.
- 48 Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Authority during the year.

Report	Date issued
Audit and inspection plan	May 2008
Supplementary opinion audit plan	February 2009
Annual Governance Report	September 2009
Opinion on the financial statements	September 2009
Value for money conclusion	September 2009
Annual audit letter (including Use of Resources report)	December 2009
Organisational Assessment and Managing Performance	December 2009

- 49 The Authority has taken a positive and constructive approach to our audit. I wish to thank the Authority staff for their support and co-operation during the audit.

Paul King
District Auditor
November 2009

Appendix 1 – Use of resources key findings and conclusions

1 The following tables summarise the key findings and conclusions for each of the three use of resources themes.

Managing finances

Theme score	2
Key findings and conclusions	
<p>There is a medium-term financial strategy (MTFS) in place supported by an annual budgetary process. The budget is underpinned by reasonable assumptions, includes known service developments and is subject to review prior to approval. There is no direct engagement with local communities or other stakeholders in the financial planning process but there is a clear identified link to the annual Integrated Risk Management Plan (IRMP) consultation.</p> <p>The Authority is financially sound over the medium term, has sufficient levels of reserves and has a track record of delivering surpluses over the last three years. The Authority's collective responsibility for financial management has been hindered by the ineffective implementation of the new financial system which has caused issues in respect of the quality and timeliness of financial reporting to management.</p> <p>There is an improved understanding of the link between cost and performance with an analysis of costs linked to performance being used to drive efficiency savings and improve services - for example cost analysis for undertaking home fire risk assessments revealed that greater efficiencies could be secured through the employment of dedicated technicians. The commissioning of services seeks to secure efficiency savings and shared services with partners are increasingly used to achieve efficient ways of delivering services to the community. The Authority has also recognised the need for releasing further efficiencies through improved use of ICT.</p> <p>The budget is based on robust consideration of cost pressures, service developments and statutory requirements and now gives greater consideration to the IRMP consultation prior to approval by members.</p> <p>The financial statements were presented in accordance with statutory deadlines, were largely supported by working papers and represent an improvement in quality by comparison with the prior year. However there were some areas that were not compliance with the Statement of Recommended Practice and there was one material misstatement identified. An annual report has been produced which includes an explanation of financial matters and is available in a number of formats.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 1.1 (financial planning)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p> <p>There is a medium-term financial strategy (MTFS) in place supported by an annual budgetary process. The budget is underpinned by reasonable assumptions, includes known service developments and is subject to review prior to approval. A capital programme is in place and the funding implications of this are included in revenue planning but there are no clear links with other strategies in place such as the IT strategy.</p> <p>The report to support the 2009/10 MTFS is detailed and thorough in respect of 2009/10 but there is limited reference to the following two years and there is an unexplained difference in the funding gaps identified in 2009/10 compared to those identified in 2008/09.</p> <p>While there is no direct evidence of engagement with local communities or other stakeholders in the financial planning process, there is an implicit link through to the IRMP consultation. The final 2009/10 budget and MTFS were produced but then held pending this consultation before being brought back to members for approval - there were no changes as a result of the consultation process.</p> <p>The Authority is financially sound over the medium term, has sufficient levels of reserves and has a track record of delivering surpluses over the last three years. Consideration is clearly given to the levels of reserves with a review of the CIPFA guidance undertaken to ensure that they remain within recommended levels. There is clear monitoring of reserves within the MTFS and some sensitivity analysis although, as noted in the 2008 Assessment, there could be more specifically identified scenarios included within this.</p> <p>The roles of finance and non-finance staff are defined within the financial regulations. The Authority's collective responsibility for financial management has been hindered by the ineffective implementation of the new financial system which has caused issues in respect of the quality and timeliness of financial reporting to management. All committee papers include a financial element so there is opportunity to explain the financial impact of decisions made.</p> <p>There has been some recent CIPFA training for both Senior Management Board (SMB) and Members but it is too early to assess outcomes resulting from this.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 1.2 (understanding costs and achieving efficiencies)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>There is an improved understanding of the link between cost and performance and an analysis of costs linked to performance is being used to drive efficiency savings and improve services - for example the cost of each station, including utility costs, has been calculated and mapped against the level of activity and although this is a simple measure, it enables comparisons to be made such as why one station is higher cost than another per incident. This analysis is providing management the information to challenge the way services are provided and the costs that are incurred.</p> <p>Cost analysis for undertaking home fire risk assessments revealed that greater efficiencies could be secured through the employment of dedicated technicians and these posts have been filled and are improving the delivery of community safety work. In addition partners, such as district councils, also undertake this work. This focuses activity on those potentially most vulnerable as well as being an efficient method of reaching these people.</p> <p>Unit costs are being used at an operational level to enable improved delivery of shared services with partners. The Authority takes cost issues into account in the way services are designed - for example the review of the crewing of the Ariel Ladder Platforms will save 44 posts resulting in financial saving of £1.5m.</p> <p>Improved control of the retained firefighter budget has ensured overspends faced in previous years are not repeated - for example if there is a hot summer with a high number of field fires then community safety work is scaled back until there is a clear indication of available budget. Community commanders also now have greater flexibility to move money from one station to another depending on resource requirements for retained firefighters and this improved management demonstrates a strategic approach to linking the delivery of services to available funding.</p> <p>The commissioning of services seeks to secure efficiency savings and shared services with partners are increasingly used to achieve efficient ways of delivering services to the community. This includes the mobile library staff, employed by Essex County Council, being advocates for community fire safety and distributing fire safety advice and smoke detectors to those that otherwise may not be targeted. Services, such as legal services, are delivered on behalf of other fire services achieving an income and increasingly the expertise available. The provision of fire training on a commercial basis is achieving an income of up to £160,000 per year.</p> <p>The Authority has recognised the need for releasing further efficiencies through improved use of ICT. A strategy has recently been agreed to provide significant investment enabling better ICT to support services.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 1.3 (financial reporting)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The budget is approved prior to the start of each year and includes both revenue and capital sections. There is a thorough assessment of demand-led and inflationary pressures, service developments as well as statutory requirements and CIPFA guidance. Members review and comment on the budget and their findings are clearly considered.</p> <p>Monthly budgetary reports are supplied to budget holders on a timely basis. There was an overall surplus of £379k on the budget identified for 2008/09 and planned efficiency savings were included in the budget. Budget reports are taken to SMB each month, with quarterly reports going to Members of the Policy and Strategy Committee.</p> <p>There is no evidence to date that performance information is included in conjunction with the financial reports although all papers to committees set out the financial implications of decisions taken. There is a desire from the performance team to link the achievement of priority indicators to finance more explicitly to allow greater understanding.</p> <p>Members receive quarterly monitoring reports with SMB receiving financial planning summaries which highlight key variances and can be used to inform strategic decision making. However, from the minutes of SMB meetings, there have been significant issues in terms of financial reporting during 2008/09. There have been examples of confusion over the data provided, the accuracy of the data and, on occasion, finance reports have not been available for the meetings, although this latter point was in part related to the timing of the meetings which was addressed at the end of the year. Management have also commented that, at times, the finance report lacks sufficient explanation of variances to enable effective decision making.</p> <p>Budget holders are provided with monthly reports against cost centres which provide data on the level of expenditure, commitment and balance of their budgets but work to date suggests that the reports are difficult to use and there is limited support from finance to budget holders. In addition there is very limited use of accurate profiling in the reports to budget holders - most employ the default equal split of annual amounts across 12 months (although it is noted that a large proportion of the cost is staff costs).</p> <p>The issues of financial reporting are intrinsically linked to the implementation of the new CODA Dream finance system. A review of the SMB minutes highlights that there have been significant issues and discussions have confirmed that the implementation was under-resourced. In addition budget holders and management continue to express concerns over the management information available from the CODA Dream system although there is an acknowledged improvement by the end of the year.</p> <p>The financial statements were completed and approved within statutory deadlines with one material error identified. The statements were supported by working papers and queries were resolved in a timely manner. While the financial statements met the requirements of the Statement of Recommended Practice in most areas there remain some areas for improvement (such as the explanation of the financial position of the Authority).</p> <p>The Authority produces an annual report that contains all the key elements expected but further work could be undertaken to demonstrate that it presents the information required by key stakeholders. The report is available on the website and can be requested in a range of formats and languages.</p>	

Appendix 1 – Use of resources key findings and conclusions

Governing the business

Theme score	2
Key findings and conclusions	
<p>The Authority is increasingly delivering services, in response to locally identified need, that are securing clear long term outcomes for people living in Essex. The Authority involves partners in commissioning and delivering services and is addressing previously identified IT issues.</p> <p>There is a commitment to improving data quality and better use of information technology is leading to faster and more accurate data reporting although the results of spot checks confirm that further improvement is still required. Arrangements are in place to maintain appropriate access and security of data. Effective use is being made of partnership data for service planning - for example, the new IRMP uses partnership data to inform corporate priorities. Finance and performance data are not fully linked.</p> <p>The vision of the Authority is clear and links to IRMP consultation with the Business Excellence Systems Toolkit ensuring focus on the delivery of corporate priorities. There are sound governance arrangements in place at the Authority with all key policies expected in place and an annual assessment of the framework conducted in accordance with recognised guidance. There is an identified capability issue in respect of the audit committee with some members being unclear on their role - this has limited the effectiveness of the committee during the 2008/09. In addition there has been a review of officers expenses which has concluded that the regulations require amendment to ensure payments are appropriate going forwards.</p> <p>There are effective risk management arrangements in place and significant work has been undertaken to address the concerns over the business continuity arrangements with further work remaining in terms of the IT disaster recovery plan.</p> <p>There is a largely sound system of internal control in place supported by an effective internal audit supplier. Where areas of limited assurance have been identified there is an action plan in place to address the issues identified.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.1 (commissioning and procurement)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The Authority is increasingly delivering services, in response to locally identified need, that are securing clear long term outcomes for people living in Essex. Community Wheels and Fire Bike have been partnership initiatives led by the Authority. Community Wheels, a purpose built education and resource centre, allows a multi-agency team of police officers, firefighters and road safety officers to travel across Essex to deliver high quality advice, education and information to a wide variety of road users and their passengers. Fire Bike is another successful partnership involving a top-end motorcycle loaned to the road safety partnership from a local motorcycle dealership - this is taken to motorcycle events by a firefighter to deliver road safety messages to the motorcycle community. Such fire service led activities have directly contributed to the 23 per cent fall in the number of people killed and seriously injured on Essex roads in 2008/09 compared to the previous year.</p> <p>The Authority involves partners in commissioning and delivering services - in 2008/09 partners installed almost 3,000 of the 14,369 smoke alarms fitted. This includes almost 10,000 fitted in the homes of elderly and single parents and almost 1,500 in the homes of disabled people. In addition, closer working with Essex County Council using a jointly agreed protocol to identify those at risk people for targeting with home fire safety activities. The Authority is developing a clearer long term approach to targeting home fire safety checks to improve further the focus on those most at risk from death and injury from fire.</p> <p>The Authority adopts innovative approaches to deliver services that meet community need - for example, through money raised by its trading arm, it supports a charity that helps vulnerable groups. Initiatives supported link to the fire services priorities such as 'Support 4 Sight' where £5,000 was donated to expand a home visiting service for visually impaired people to help reduce accidents and improve their safety and security. The Authority has a clear view that partnerships should be effective in supporting their own and shared priorities - for example, one initiative with a district council has seen work with those most likely to commit arson and other crimes through the country's first purpose built firebreak and young firefighters centre.</p> <p>Community groups and partners are involved in decision making and in taking decisions the Authority consults appropriately with interested parties - for example, at a strategic level, the Authority consults widely on the development of the risk management plan. Examples of effective consultation at an operational level include the decision to relocate the Ariel ladders which involved front line firefighters writing business cases for the preferred location.</p> <p>There is an increasing understanding of supply markets and examples of savings made through influencing the supply market – for example the ICT transformation programme includes contingent fees only payable on the basis of levered gains to the Authority.</p> <p>Effective procurement practices both internally, and in partnership, are securing efficiency gains. The Regional Management Board is used for procurement where commercial benefit exists but other avenues are explored when better value can be secured.</p> <p>The Authority also provides commercial services, including a legal service and fire training, to other fire services resulting in efficiency gains. Such commercial activity supports the testing of competitiveness of the services provided.</p> <p>The Authority is responding to weaknesses in ICT. An ICT strategy has been agreed following a comprehensive review and aims to deliver a more efficient and effective service. Problems such as out of hours IT support are improving but remain a weakness.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.2 (data quality and use of information)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>There is a commitment to improving data quality - for example the Fire Service is providing countywide training on the incident recording system together with a dedicated section providing information and help on the intranet. Data quality is written into job descriptions and is part of induction training for new staff. Better use of information technology is leading to faster and more accurate data reporting. The previous paper based forms for incident recording were found to be inaccurate but electronic recording is now completed in 48 hours allowing quicker decision making.</p> <p>There is good use of data to target key areas of service need - for example, demographic data enabled a better targeting of home fire safety checks and has reduced the number to 14,000 home fire safety checks which will be delivered from 2009/10. The service accepts that the random process used until 2008/09 was inefficient.</p> <p>Better use is being made of data to improve performance management and the performance management system is being revised to align with priorities and there is improved performance reporting based on what operational commanders need and what is produced centrally.</p> <p>Testing of performance indicators confirmed that from the four checks performed, two were fully supported by the data, one was agreed after amendment and the final indicator could not be supported.</p> <p>Arrangements are in place to maintain appropriate access and security of data and robust arrangements are in place for effectively sharing data between partners. In addition there is a partnership agreement covering a joint initiative with the police in Basildon to share information - the outcome from this is improved community safety by reducing the instances of arson, particularly amongst young people. The Authority is also a signatory to the Essex Trust Charter which covers all public services in the county and sets out governance arrangements for sharing data. The service also manages requests for data in line with the requirements of the Freedom of Information Act.</p> <p>Effective use is being made of partnership data for service planning. For example, the new IRMP uses partnership data to inform corporate priorities. The Authority has made progress in producing reliable data to support operational activity and strategic developments to target key issues such as the number of people killed and seriously injured (KSI). A thorough approach to capturing and presenting data on KSI statistics is showing the progress that has been achieved - the analysis shows a clear link between the reduction in KSI and partnership initiatives delivered.</p> <p>A Business Continuity Strategy is in place covering critical operational systems in place which is underpinned by individual business continuity plans for each department/area. However, these have not been subject to a full a risk assessment to ensure rapid configuration in the event of a major business interruption at the major sites.</p> <p>The IT Disaster Recovery plan is not yet fully fit for purpose as a decision has been made to develop in conjunction with the implementation of the IT transformation programme.</p> <p>Finance and performance data are not fully linked. Financial and performance reports go to members separately, with little linkage between the two sets of information. As a result, the full significance of this information may not be seen by decision makers.</p>	

Appendix 1 – Use of resources key findings and conclusions

Key findings and conclusions	
<p>The challenge of performance data by officers is improving - for example, this has been marked in respect of absence management where there has been more challenge around return to work interviews. This improved challenge is helping to secure improvements in availability and attendance. Performance reporting contains commentary and action plans based at a station level. Station managers are comparing good practice across areas and questioning the data which helps them to understand the impact they have on the business and improve performance where necessary.</p>	
<p>KLOE 2.3 (good governance)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
Key findings and conclusions	
<p>There are sound governance arrangements in place at the Authority. There are policies in place in respect of counter-fraud and whistleblowing with member behaviour monitored by a Standards Committee.</p> <p>There is a local code of corporate governance in place and individual directorate governance documents are in the process of implementation to cascade the corporate messages. A review of the governance framework and the effectiveness of the system of internal audit was carried out by the Audit and Review Committee - this was undertaken by means of a gap analysis measuring existing governance arrangements against expectations.</p> <p>There is an Audit Committee in place which meets quarterly and reviews the findings of internal and external audit as well as commenting on other key documents such as the code of corporate governance. However there have been some issues - the committee was not quorate at one meeting which had to be cancelled. In addition committee members have expressed concern about their ability to operate in the role effectively as they considered that they did not fully understand their role and hence there are identified training needs.</p> <p>The Standards Committee is in place but there are no known cases to review and it was noted that further training was required for members from the 2007/08 work completed.</p> <p>A corporate strategy detailing priorities has been developed via the IRMP consultation. This provides the vision of the Authority which is then linked to priorities. The Business Excellence Systems Toolkit (BEST) has been developed, and is regularly reviewed, to support managers in the delivery of services. The BEST covers the key aspects of good management such as performance management and risk management. It also advises those involved in partnership working the key aspects of partnership governance. A robust approach to enabling managers to have access to the tools to manage services supports the delivery of corporate priorities.</p> <p>There is limited evidence of a strong ethical framework being in place at the Authority. There has been no training in this area although at member level there is a handbook in place and the governance arrangements operating at the Authority cover this by proxy at officer level. There are some ongoing issues at officer level which raise questions on the lead taken in the area of ethics by senior management.</p> <p>There is a robust approach to partnership working and the Authority has a number of controls in place to help ensure that partnerships deliver what they are supposed to meet corporate priorities and deliver outcomes for local people. There is a partnership register in place and each partnership is monitored - an example is the work with travellers which is generally regarded as a best practice example and the recent opening of a resource centre in Basildon.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.4 (risk management and internal control)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The operations of the Authority are underpinned by the IRMP which tailors services provided to reflect local priorities with proposals put forward. As a result a County-wide review was undertaken identifying key demographic changes in the County and to inform discussion and future planning to ensure that existing resources are employed to meet the community safety needs of people in Essex. The IRMP also details actions to modernise the service supported by a high level risk assessment to consider changes to fire cover.</p> <p>The Authority has developed increasingly focused processes to monitor and manage corporate risk with a detailed risk compendium being updated within the BEST. This details the corporate approach to the management of risk and is updated on a regular basis as well as outlining risks associated with projects and partnerships. The corporate risk register process is increasingly disciplined with weekly review. Member engagement in risk management is improving through the risk management committee which meets three times a year and member risk champions and officers report that members are now much more inclined and have the capacity to challenge risk decisions.</p> <p>Training is also provided to managers on the approach to risk management so that it is consistently applied. Improved approaches to risk management support service delivery and this has been tested in recent ICT failures when risk plans were immediately and successfully implemented ensuring that front line services were unaffected.</p> <p>The risk of fraud and corruption is addressed by the counter-fraud policy which is in place and was subject to review by Internal Audit in 2007/08 and updated in line with their recommendations. Internal Audit leads on counter-fraud issues and is considered to be adequately resourced in this regard although there has been no proactive counter-fraud work.</p> <p>There have been no incidences of fraud identified. A reminder was issued to staff in September 2008 about the whistleblowing policy, and the policy is also publicised internally via the DVD newsletter. However it is not available on the Authority website, firefighter awareness of the policy is low and there is limited evidence of usage. Staff were advised of the Authority's participation in the National Fraud Initiative project via their payslips.</p> <p>There is a sound system of internal control in place with an effective internal audit team in place. Internal Audit is externally provided and there were no significant issues highlighted as part of the most recent triennial review.</p> <p>There have been a small number of limited assurance reports issued throughout the year although it is noted that recommendations are added to an action plan and are in the process of being addressed.</p>	

Managing resources

Theme score	2
Key findings and conclusions	
<p>The Authority is actively seeking improvements to deliver a better use of its operational workforce - for example the Authority has increased the output from day crewed resources at no extra cost to the service. A review of crewing arrangements has been completed and a more modern resourcing approach allowing flexible response to demand is proposed which will help to secure organisational and financial benefits.</p> <p>A robust approach to support the return to work of sick and injured firefighters is proving successful with new absence monitoring software allows community commanders and strategic managers to monitor, assess and challenge absence.</p> <p>The operational competency of front line staff is being enhanced through a comprehensive approach to development. The People Strategy sets out some high aspirations for the service and there is now a clearer strategic approach to human resource management. However the longer term view of the workforce is not fully clear with nothing to show the medium or longer term actions required.</p> <p>There is a positive approach to the management of change and the three HR Business partners are engaging service departments to promote change. Although firefighters are engaged in change management activities, their views about the success of this are mixed. Employees are involved in key operational decisions.</p> <p>The service clearly recognises the importance of equality and diversity for the service both in staff and engaging with local people and service users.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 3.3 (workforce planning)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>There is a better approach HR management that is delivering improvements.</p> <p>The Authority is actively seeking improvements to deliver a better use of its operational workforce - for example, the Day Crew Review makes a range of recommendations including the modernisation of working practices, increasing levels of community safety work and moves ultimately designed to improve fire cover across the county. Overall the Authority has increased the output from day crewed resources at no extra cost to the service.</p> <p>A review of crewing arrangements has been completed with a more modern resourcing approach allowing flexible response to demand proposed. It is based on the actual number of firefighters required over a 24 hour period to keep all fire appliances available together with an adequate reserve to cover leave, sickness and training. The crewing system will help to secure organisational and financial benefits.</p> <p>A robust approach to support the return to work of sick and injured firefighters is proving successful. New absence monitoring software allows community commanders and strategic managers to monitor, assess and challenge absence and consequently the number of working days lost to sickness for firefighters has fallen by 38 per cent in April 2009 compared to April 2008. In addition the number of working days lost to sickness for non-uniform staff has fallen by 48 per cent and the approach is being balanced with effective use of occupational health resulting in savings of over £110,000. The turnover of long term sickness absence has accelerated showing that the approaches adopted are being successful. Firefighters support the approach being taken by management.</p> <p>The operational competency of front line staff is being enhanced through a comprehensive approach to development. This addresses previously identified weakness regarding incident management with an annual certification process introduced for all personnel. This ensures that an appropriate individual manages various categories of risk; otherwise a defensive position is adopted until such a certificated individual is in attendance.</p> <p>The Authority is very ambitious in its aims for workforce development. The People Strategy sets out some high aspirations for the service and there is now a clearer strategic approach to human resource management. The People Strategy and Work Force Development Directorate Plans (WDDP) flow from the corporate plan which subsequently cascades into HR and training plans on a local and thematic basis. The HR plan shows how these actions will help achieve the objectives of the IRMP and this clearer approach is supporting the management of key HR issues and is already having a positive impact.</p> <p>The longer term view of the workforce is not fully clear. The WDDPs only give a single year snapshot with nothing to show the medium or longer term actions. There is a positive approach to the management of change and the three HR Business partners are engaging service departments to promote change and helping to bring about a better use of resources in these areas.</p> <p>Although firefighters are engaged in change management activities, their views about the success of this are mixed and some considered communications not to be good. They were positive about improvements in both the amount and type of operational equipment supplied in the last year. Employees are involved in key operational decisions. The decision to co-locate the Aerial Ladder Platforms and rescue tenders using the same crew considered the views of staff. This engagement with frontline staff supports the management in decision making.</p>	

Appendix 1 – Use of resources key findings and conclusions

Key findings and conclusions

The service clearly recognises the importance of equality and diversity for the service both in staff and engaging with local people and service users. It undertakes a range of activities, such as Diversity Week, to promote awareness amongst staff, partners and service users. The impact of these activities is not clearly measured and hence outcomes remain unknown.

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R1 Continue to address the issues identified from the implementation of the CODA dream financial system.	2	Mike Clayton Finance Director & Treasurer	Y	The recommendation recognises that these issues are being addressed. A number of issues have already been addressed and cleared as part of the Coda Dream Phase II project. Some issues are being addressed through a Finance Improvement Plan which is due to complete by April 2010.	April 2010
9	R2 Ensure that financial reporting to senior management and members is supported by reliable and effective data and is on a timely basis.	3	Mike Clayton Finance Director & Treasurer	Y	A number of issues have already been addressed and cleared as part of the Coda dream Phase II project. Some issues are being addressed through a Finance Improvement Plan which is due to complete by April 2010.	April 2010
9	R3 Further develop links between costs and performance to ensure there is a clear understanding by management of the impact of their decisions on both.	2	Mike Clayton Finance Director & Treasurer	Y	The Finance Improvement plan includes provision to increase the support provided by finance staff to managers throughout the Service. The existing arrangements for the development of directorate and departmental business plans in parallel with the budgetary process reflects the importance attached to linking costs and performance in decision making by all managers.	April 2010

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R4 Ensure future financial statements are free from material error and are prepared in accordance with the requirements of the SORP.	2	Mike Clayton Finance Director & Treasurer	Y	Actions to address the issues raised on the 2008/09 statements have already been completed. This was reported to the Audit Committee in October 2009. Further staff development and training to prepare for International Financial Reporting Standards and changes to the Statement of Recommended Practice have been undertaken.	Completed
10	R5 Continue to develop the data quality arrangements to further improve the accuracy and timeliness of data.	3	Mark Jones Director Business Excellence	Y	The Authority has in place arrangements to ensure that a Quality Assurance process is applied and several points throughout the collection of key data. These processes are documented and training is provided for personnel in its application. As part of the ICT transformation programme the Authority is introducing for March 2010 a Quality Management process applied service wide to all data and application processes. This will reinforce the current arrangement to secure greater continuity and reliability of data collection and processing practices	March 2010
10	R6 Ensure that the members of the audit committee have received appropriate training in order to fulfil their role effectively.	2	Mike Clayton Finance Director & Treasurer	Y	Training for the current Audit Committee will be provided in 2010.	January 2010
10	R7 Complete the IT disaster recovery plan in conjunction with the development of the IT transformation programme.	2	Adam Eckley Director Assets & Resources	Y	The ICT Strategy approved by the Authority in June 2009 includes a core infrastructure programme replacement which is critical to the ICT disaster recovery plan. Work commenced on the Core Infrastructure Replacement Programme in May 2009 and is scheduled for completion by the end of March 2010.	March 2010

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
11	R8 Develop a longer term approach to workforce planning to ensure there is a clear path to achieve the high aspirations set out by the Authority.	2	Richard Hopper Director Workforce Development	Y	The Service will develop and publish a clear Career Progression and Development Framework. The purpose will be to provide a clear career development path from Trainee Firefighter to Chief Fire Officer. The Framework will be underpinned by clear development programmes aligned to TASK and national role maps which focus on developing management, leadership and technical knowledge. Effective assessment frameworks to validate applied competence and knowledge will also be incorporated.	April 2010

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, audio, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2009

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
