

Annual Audit and Inspection Letter

March 2008



# Annual Audit and Inspection Letter

**Essex Fire Authority**

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Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### **Status of our reports**

This report provides an overall summary of the Audit Commission's assessment of the Authority, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

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## Key messages

- 1 The fire authority is performing well in priority areas and towards national framework targets. In 2006/07, 56 per cent of indicators improved. Progress is seen in a number of key performance indicators including a reduction in the number of people killed in fires. Resources are targeted to increase community safety activity, as demonstrated through additional posts for undertaking community safety work. A significant increase in the number of home fire risk assessments undertaken both directly and in partnership with others has been achieved. This is contributing to the comparably low number of primary and accidental dwelling fires reported. Although a range of local initiatives are improving the services to diverse communities the authority remains at level one of the equalities standards.
- 2 A clear corporate vision underpinned with ambitions is in place. A robust strategic framework is now aligning key business and financial planning processes. Improvements in performance management are enabling effective reporting against ambitions. Capacity is improving, including reducing sickness absences. Areas of weakness such as human resources and ICT are being tackled and relations with the unions are developing.
- 3 PWC scored the overall Use of Resources assessment at Level 2 ('performing adequately') representing a decline in overall score. However this represents a net improvement in arrangements because the criteria applied this year are harder than applied previously.
- 4 Value for money was judged as adequate but improvements were demonstrated.

## Action needed by the Authority

- 5 The FRA needs to continue to improve its approach to human resources and develop its organisational development approach, to reflect the changing nature of the service.
- 6 The FRA needs to continue to manage the move of headquarters, recognising the uncertainties that may cause and potential changing staffing requirements.
- 7 The FRA needs to improve its approach to IT, its accessibility and appropriateness of support for its users.
- 8 The FRA needs to continue developing its approach to equalities and diversity.
- 9 The FRA needs to address the deterioration in the financial reporting arrangements noted by PWC.

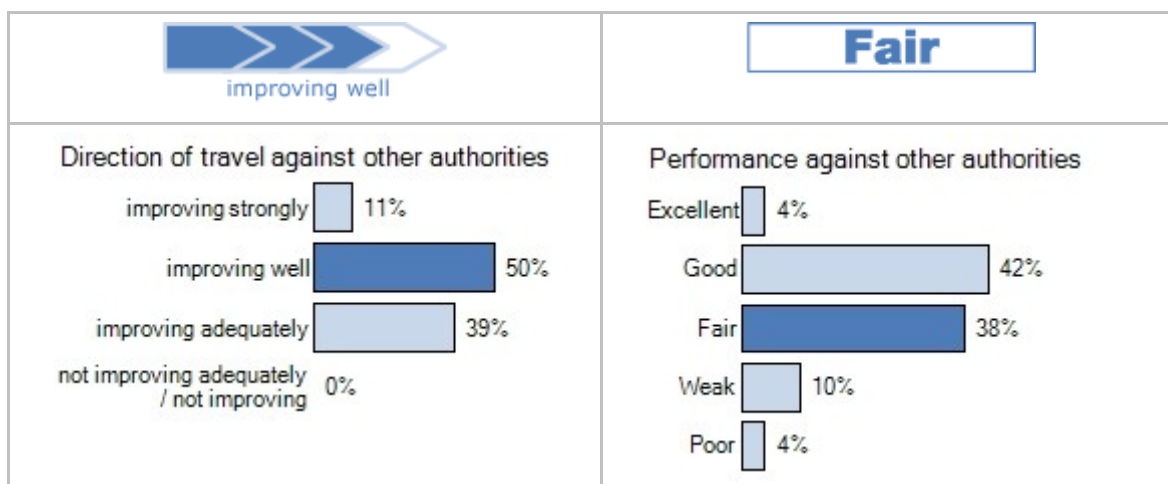
## Purpose, responsibilities and scope

- 10 This report provides an overall summary of the Audit Commission's assessment of the Authority. It draws on the most recent Comprehensive Performance Assessment (CPA) and Direction of Travel review and from the findings and conclusions from the audit of the Authority for 2006/07.
- 11 We have addressed this letter to members as it is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Authority in meeting its responsibilities.
- 12 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). (In addition the Authority is planning to publish it on its website).
- 13 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
  - the Authority's accounts;
  - whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
  - whether the Authority's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 14 This letter includes the latest assessment on the Authority's performance under the CPA framework, including our Direction of Travel report. It summarises the key issues arising from the CPA.
- 15 We have listed the reports issued to the Authority relating to 2006/07 audit and inspection work at the end of this letter.

## How is Essex Fire Authority performing?

### Essex Fire authority is ‘improving well’

**Figure 1 Overall performance of authorities in CPA**



## The improvement since last year - our Direction of Travel report

**The FRA has scored 3 in this assessment. It is improving well.**

- 16 The fire authority is performing well in priority areas and towards national framework targets. In 2006/07, 56 per cent of indicators improved. Progress is seen in a number of key performance indicators including a reduction in the number of people killed in fires. Resources are targeted to increase community safety activity, as demonstrated through additional posts for undertaking community safety work. A significant increase in the number of home fire risk assessments undertaken both directly and in partnership with others has been achieved. This is contributing to the comparably low number of primary and accidental dwelling fires reported. Although a range of local initiatives are improving the services to diverse communities the authority remains at level one of the equalities standards.
- 17 A clear corporate vision underpinned with ambitions is in place. A robust strategic framework is now aligning key business and financial planning processes. Improvements in performance management are enabling effective reporting against ambitions. Capacity is improving, including reducing sickness absences. Areas of weakness such as human resources and ICT are being tackled and relations with the unions are developing.

**What evidence is there of the fire and rescue authority (FRA) improving outcomes?**

- 18** The fire and rescue authority (FRA) is performing well across its priority areas and towards national framework targets. In areas already performing well the rate of improvement is accelerating. Between 2005/06 and 2006/07, 56 per cent of performance indicators improved and the FRA compares well for the number of indicators in the best performing 25 per cent (12th out of 42 FRAs). The number of primary fires and accidental dwelling fires is low; consistently maintaining the service in the best performing 25 per cent of FRA. In relation to National Framework targets the number of fire deaths from accidental fires fell in 2005/06 and again in 2006/07 resulting in a comparatively low number of fire deaths. The number of deliberate primary fires has reduced by 45 per cent between 2005/06 and 2006/07. There has also been a sustained fall in the number of injuries in fires. There continues to be further work required to address current performance in respect of the percentage of fires attended in dwellings where a smoke alarm had activated (28.5 per cent in 2006/07 and 27.5 per cent in 2005/06).
- 19** Effective initiatives, focused on priority areas, are delivered. Hoax calls have reduced from 1,447 in 2004/05 to 1,102 in 2006/07 through targeted campaigns including Back Fire and Arson About – theatre initiatives which have reached more than 10,500 young people in 2006/07. Innovative work with travellers has reduced incidents on the largest single caravan park in Europe, ‘Dale Farm’, by 57 per cent during 2005/06.
- 20** Service users and communities are benefiting from the impact of the FRAs expanding community safety role. Intervention programmes with young people and attendance by fire crews at community events and school visits are visible examples of this. High levels of satisfaction are reported after incidents, following fire safety inspections and home fire risk assessments (HFRA). The proportion of citizens satisfied with the overall service provided by Essex has reduced over the last six years by 12 per cent but at 64 per cent satisfied performance remains comparatively high.
- 21** Community fire safety activity has increased and is having positive outcomes. The number of HFRA has increased from 710 in 2004/05 to approximately 10,000 in 2005/06; the FRA is on target to double this to 20,000 in 2007/08. This is being achieved, in part, through increased partnership working such as the fitting of smoke detectors by local authority staff undertaking gas boiler servicing. Additionally the FRA is targeting its resources to community safety activities such as increasing the number of non uniformed home fire safety technicians from 3 to 8 enabling each community command to deliver education packages to meet local need. Clear instances where lives have been saved as a result of HFRA are evident. Increased community safety activity contributes the low number of accidental dwelling fires and the fall in the percentage of incidents attended where a smoke alarm was not fitted; falling from 61.6 per cent in 2005/06 to 51.2 per cent in 2006/07.

- 22** Strong contributions are being made to wider community outcomes. The Firebreak programme, a five day course to build personal skills for disaffected 13-17 year olds, has been so successful that it is run most weeks of the year. Such initiatives are now increasingly supported with clear performance management arrangements to demonstrate outcomes. Firebreak has been independently evaluated by psychologists to further quantify whole-life benefits in addition to the short term outcomes. Of the 568 participants to date, 38 per cent went on to secure a college place and 36 per cent found full time employment.
- 23** The operational performance of the FRA was judged in October 2006 as performing strongly. The service was found to be performing very well with regard to prevention and protection and operational preparedness. However locally developed standards of fire cover are not being achieved. The standards set are to attend an emergency within 8 minutes on 80 per cent of occasions, ten minutes on 90 per cent of occasions and 20 minutes on 100 per cent of occasions, from the time an emergency response is mobilised. The Authority's performance in 2006/07 did not meet the targets, with performance at 61 per cent, 76 per cent and 93 per cent respectively. A formal review has highlighted data-gathering and analysis issues which have impacted on actual performance levels.
- 24** Access and the quality of services provided to vulnerable people are improving. The FRA is working closely with the Audit Commission to improve access. A community outreach worker has been appointed along with two outreach education workers – one to work with the elderly and one to increase awareness among BME populations. This is underpinned with targeted work within the community commands including that to inform the congregation of a local mosque on fire safety and home safety visits. The 'Vicar in a Van' initiative is also engaging with other faith groups. The service is working closely with the growing Polish community with presentations delivered after religious services. Although it is not possible to demonstrate clear outcomes from all initiatives the FRA has a clear commitment to move resources to preventative activities (now accounting for 18 per cent of the FRA spend) directly supporting the 'meeting community needs' priority.
- 25** There is evidence of improvements in equalities and diversity and an action plan is in place to further improve race equality in the Service. Despite missing the target to achieve Local Government Equality Standard level 2 by March 2007, it has revised its target date to April 2008 and there is evidence that progress is being made. Furthermore the Service has taken significant steps to address the female/BME composition of its workforce by holding open days for target groups to raise the profile of the Service as an employer and to communicate selection criteria. This has resulted in doubling the number of applicants from both women and BME members of the community. Limited progress in this area may prevent the ability of the Service to meet all the needs of its diverse communities.

- 26 There is an inconsistent approach to managing value for money. Despite examples of efficiency savings being achieved the FRA does not have clear and effective mechanisms to report cost and performance data and there is no reporting mechanism which differentiates between priorities. Members have increased the frequency of reporting on efficiency savings from six monthly to quarterly. The FRA generated £1.707m of cashable and £1.328m of non-cashable savings in 2006/07. This arose primarily from implementing revised IRMP; staffing arrangements and revised special appliances crewing, the use of revised contractual arrangements including national Firebuy contracts. The FRAs cost data per head of population continues to indicate an overall downward movement in the relative position of the Authority from a ranking of 15 in 2004/05 to 20 in 2006/07. Expenditure on community fire safety has continued to increase since 2004/05 and is one of the higher spending authorities on such activities.

**How much progress is being made to implement improvement plans to sustain future improvement?**

- 27 The corporate strategy 2006 sets a clear vision and ambitions. The vision to 'Make Essex Safer' was developed and communicated as part of its cultural change programme 'Getting back what matters'. A concise corporate document; 'strategy on a page' translates the vision into a mix of inward and outward looking ambitions. It is easy to understand and well communicated. The four ambitions that underpin the vision are; Meeting Community Needs; Managing Resources Effectively; Improving the way we work and Developing our people and culture. The ambitions reflect the requirements of the National Framework as well as the Government's efficiency agenda.
- 28 A robust strategic planning framework is now in place although areas for development remain. Planning processes have been aligned bringing together businesses plans, financial planning and risk management. This addresses weakness previously reported. There is an increased focus on service planning however not all plans are supported with SMART targets. Some of 12 objectives underpinning the ambitions do not have a clear external focus. This reduces the clarity with which wider social, economic and community issues are addressed.
- 29 The Authority has transformed its culture to be more open and democratic. This has contributed towards improved internal and external relationships. Authority members and officers are providing good community leadership. Substantially better relationships with the workforce and new ventures with partners are producing positive outcomes in some areas and supporting the delivery of a balanced strategy of prevention, protection and intervention in line with the National Framework.

- 30** Engagement and consultation is effective both externally and internally. Communication is a corporate priority and ambitions are communicated appropriately to a wide range of stakeholders. Internally this includes through the Team Brief newsletter and Smoke Signals DVD. These are well regarded by staff. Over 250 staff responded to proposals in the IRMP to change shift patterns and consequently these views were reflected in the IRMP. Significantly, the FRA has agreed clear principles and arrangements for engaging the unions on specific issues. This will not only improve engagement with the unions but also lead to speedier decision making. Challenges remain in improving union relations further however although open engagement with staff has improved industrial relations.
- 31** Partnership working is better managed and improved outcomes are being realised. A partnership policy, which includes evaluation processes, and register is in place. Service level agreements are used to maximise the effectiveness of partnerships. Exit strategies are applied, for example a partnership with Help the Aged to fit smoke alarms was dissolved due to it not being cost effective. However this is not consistent across the organisation, for example there is little evaluation of the work with travellers and no exit strategy in place. Overall the use of partnerships is improving therefore assisting in the delivery of corporate priorities.
- 32** The fire service is utilising its capacity to support the work of the RMB however this has yet to show benefits across the board. The FRA is playing an increasingly proactive role in supporting the work of the RMB and has seconded a full-time member of the senior management team to the RMB. The FRA is itself leading on HR, however other than the development of a regional strategy little progress has been made. Procurement work on a regional basis is now resulting in some savings but these are not significant. Despite the significant contribution Essex Fire and Rescue Service is making to the RMB the potential benefits are not being realised in all work streams in the eastern region.
- 33** Capacity is improving. Further improvements in the management of sickness absence has occurred with sickness levels falling for whole time staff from 10.61 days/shifts lost in 2005/06 to 9.3 2006/07. Reductions in sickness are also reported for all full time staff. The new HR business partners are providing greater strategic and operational support to Community Commanders. Previously difficult issues are being proactively addressed at station level. This provides a degree of continuity and certainty of advice, something which was lacking in the past. The relocation of the headquarters poses a challenge to capacity in the future and the FRA is preparing for this.
- 34** Performance management is showing clear signs of improvement. Performance information had been provided in different formats, from different systems to different users. The FRA has moved from outdated systems to comprehensive system using PBViews integrating both national and local PIs. This is providing more timely, accurate and relevant information accessible at all levels. Although in its early stages the improvements in performance management is providing increased clarity with reporting including commentary for reasons for variation from targets. More effective performance management is enabling the FRA to demonstrate progress against priorities.

- 35 A comprehensive approach to risk management is developing. There is a robust understanding of long term risks. This includes a thorough risk assessment that reviews the potential impact of housing and population growth; the growth of Stansted airport and the implications of climate change.
- 36 The human resource function is beginning to show clear improvement although some key issues remain areas for development. The HR department is now making a better contribution to corporate management, is starting to be recognised, gives focus and is gaining credibility. However the service currently lacks a human resource strategy that reflects and supports the corporate priorities. A draft workforce development strategy, covering key areas such as staff development, recruitment and diversity has been produced but is not yet approved by the FRA. Workforce planning is not well developed. This is recognised as a weakness and workforce utilisation indicators are being developed. Without effective workforce planning, it will be difficult for the FRA to have the capacity and the ability to meet the challenges of the future.
- 37 ICT is an area of significant weakness. Work undertaken by the Audit Commission revealed the lack of an ICT recovery and continuity strategy and identified a perception that the limited IT support to front line staff impacted on their ability to work efficiently. The current lack of effective IT infrastructure at head quarters and on fire stations is causing frustration amongst staff and reducing the impact of the improvements in communication. Significant investment (approx £0.5 million) has been agreed to roll out faster internet speeds on stations and robust disaster recovery arrangements will be in place by February 2008.
- 38 Corporate governance arrangements are sound. A local code of corporate governance has been developed. Individual directorate governance documents are being implemented to cascade the corporate arrangements, however, not all directorates have these arrangements in place and there are no time scales for full implementation. Following a restructure in 2006 a Strategic Management Board was established aligning structures to corporate priorities

## **Strategic Human Resource Management Review**

- 39 During 2007/08 we undertook a review of the strategic management of human resources and the summary findings are noted below.
- 40 Progress is starting to be made in key areas of Human Resource activity and also in strengthening the strategic role of the function. Although there is no overall improvement plan in place to address the findings of the PWC report, progress is being noticed. The HR department is gaining credibility and is now recognised to be making a better contribution to operational and corporate management. This improvement is welcomed by managers.

- 41 Capacity is improving. Business Partners have been recruited and a supporting structure is now being implemented. Posts in the department are being filled which is leading to more confidence being placed in the HR department to deliver. Plans to develop IT systems to support HR are well advanced for implementation in 2008. These IT systems will help to provide better data to support decision making. Partnership working is taking place with other fire and rescue services across the region but the direct impact on Essex is not yet clear.
- 42 The Workforce Development Strategy is not yet in place. This is an important, but yet missing piece of the jigsaw to support the delivery of the corporate priorities. Without the strategy in place, the Fire & Rescue Service will find it difficult to demonstrate alignment of its HR policies and initiatives to its corporate priorities.
- 43 Front line staff lack knowledge about the role of the HR department and how it can help them. Most of their perceptions about the department are influenced by previous experiences.

## Management of IT services

- 44 During 2007/08 we undertook a review of the management of IT service and the summary findings are noted below.

### User focus

- 45 IT services do not currently meet user expectations.
- 46 Users interviewed mainly expressed dissatisfaction with IT services. Our survey also shows lower levels of satisfaction than in other public bodies where we have run the same survey. User concerns relate particularly to access from remote locations and outside of normal office hours. The Authority is taking action to support key systems outside of normal office hours but this does not extend to supporting remote locations. Approximately 90 per cent of users who responded to our survey agreed that 'good information is vital in helping me do my job'. However only 44 per cent agreed 'I receive adequate support on IT to enable me to make effective use of information systems'. Good quality IT services have become increasingly important for all staff. Users at all levels, from senior managers to firefighters, consistently report that IT systems, in particular email, intranet, office applications and GIS, are essential to undertake their daily work. Shortcomings in the IT service undermine the efficiency of the organisation.

## **IT service resilience arrangements**

- 47 IT service resilience arrangements are currently inadequate.
- 48 Only limited service resilience controls are currently in place for IT, and these have not been fully documented. The IT team are currently engaged in a programme to improve these arrangements. The current situation leads to a risk that administrative systems could suffer a prolonged service interruption, or that data could be permanently lost or corrupted. This risk does not affect the most business critical system, mobilisation, which is supported separately, or financial systems, which are provided by Essex County Council. Administrative systems have in the past been regarded as less business critical. However, some of these systems, notably email and intranet, have become increasingly important. Although the Authority does not depend on these to respond to individual incidents, email is used for communications on national emergencies, such as the recent flooding. When this is not available it can lead to a delay in a response from the Authority. Most staff now use these systems, and many regard them as essential to undertake their regular job. Some managers reported that they were unable to undertake most of their work when IT systems are not available.

## **IT risk management**

- 49 Risk management arrangements for IT are incomplete.
- 50 Some risk management arrangements are in place, but they are not comprehensive and are not embedded. IT risk management comprises part of the corporate risk management approach. There is a corporate risk register which contains risks in respect the current years IT workplan, but it is not a comprehensive assessment of all IT risks and corporate risk management is still under development.

## **Disaster recovery planning and procedures**

- 51 Plans and procedures for disaster recovery are lacking.
- 52 There is no ICT recovery and continuity strategy. There is also no overall corporate business continuity plan. There are specific plans to address some of the risks in the risk register but this does not include comprehensive plans for IT.

## Service assessment

- 53 The Commission has undertaken a fire and rescue service assessment of the Authority. The assessment focused on service delivery and looked at the effectiveness of the service as experienced by recipients of the service. The assessment was constructed from two elements.
- The performance information element (an analysis of outcome focused best value performance indicators selected from those nationally available to assess the outcome of the services delivered by the authority).
  - The operational assessment of service delivery element (provided to the Commission by the Department of Communities and Local Government (DCLG)).
- 54 The assessments for Essex Fire Authority are provided in Table 1.

**Table 1 Fire and rescue service assessment**

Element	Assessment
Performance indicator	3 out of 4
Operational assessment of service delivery	4 out of 4
Overall fire and rescue service assessment	4 - Performing strongly – well above minimum requirements

*Source: Audit Commission*

- 55 DCLG’s operational assessment of service delivery assessed the planning and delivery of emergency response. The following text was provided by DCLG as part of their assessment of Essex Fire Authority.

- 56** Essex County Fire and Rescue Service has a clear understanding of its community and is focused on meeting their needs. The Service is performing strongly in its prevention and protection work with significant member engagement, and clear governance arrangements in place. The Service delivers excellent and well developed community safety initiatives, and evaluates their success effectively. The Service is performing strongly in operational preparedness and has good collaborative arrangements with partners. The Service is performing well in risk analysis, emergency response, and call management and incident support. The Service conducted a fundamental review of its services, called 'Getting Back to What Matters', and has improved in a relatively short period of time. The Service has an effective and well-planned structure for communications which ensures that staff are aware of, and involved in, changes to organisational direction. Overall, Essex Fire and Rescue Service is becoming a more inclusive service and this is having a significantly positive effect on service delivery performance.

## Local Area Agreement

- 57 As part of the 2006/07 plan we agreed to undertake a piece of work to look at the effectiveness and governance arrangements of the LAA across Essex.
- 58 Local Area Agreements (LAAs) are three year agreements which set out the priorities for a local area agreed between central government and a local area. The local area is represented by the local authorities, PCTs, Fire & Police services, the Learning & Skills Council, Local Strategic Partnerships and other local partners including the community & voluntary sector. LAAs are based on delivering national outcomes in a way that reflects local priorities.
- 59 The first Essex LAA was published in March 2006. It set fourteen priorities. The aim was to focus on the needs of identified groups of service users and residents in a way that would lead to a step-change in the collective effectiveness of the whole public sector in Essex, particularly through more joint working between agencies at the frontline.
- 60 As the LAA is being revised in line with recent Government guidance, including the new national indicator set we have agreed to delay this work pending the new arrangements being put in place. Partners are seeking to use the opportunity to develop a more inclusive and effective approach that better reflects local priorities and the diverse needs of Essex. The revised targets will be based on the Joint Strategic Needs Assessment. It is due to be published as LAA2 in June 2008.

## Health Inequalities in Essex audit

- 61 The purpose of this audit was to assess current arrangements across Essex to reduce health inequalities; and examine future plans to improve life chances and reduce health inequalities. The audit involved all local authorities and PCTs in Essex, as well as the Fire & Rescue Service. As well as a document review, interviews and a survey, the audit included action planning workshops, involving representatives of all the audited bodies. The main conclusions were then shared with Essex public services Chief Executives.
- 62 The audit identified four main areas to be addressed:
- strategic approach;
  - information and joint planning;
  - delivery and monitoring performance; and
  - political involvement.
- 63 Partners recognised that a range of approaches to health inequalities is likely to be the most effective. Many health inequalities are local issues, needing local solutions. However, without a common overall strategic approach, with agreed local and Essex-wide priorities and a shared view of the importance of the agenda, joint planning will remain problematic, accountability unclear and difficult to performance manage.

- 64 Elected members need to have information and an understanding of the issues involved in health inequalities in order to provide the necessary political leadership. Elected members will need to make difficult political decisions on the focus and allocation of resources.

# The audit of the accounts and value for money

## Introduction

- 65 During 2006/07 we (PWC) performed the following work under our responsibility to consider the Authority's arrangements for ensuring economy, efficiency and effectiveness in its use of resources:
- Review of the Best Value Performance Plan;
  - Use of Resources Evaluation;
  - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources;
  - Data Quality Review;
  - Statement on Internal Control; and
  - Targeted review of the Integrated Personal Development System (IPDS).

## Best Value Performance Plan

- 66 Under the Local Government Act 1999 we are required to carry out a review of the Authority's Best Value Performance Plan (BVPP) in accordance with Section 7 of the Local Government Act 1999 and separately issue to the Authority a statutory report in accordance with the requirements of the Act.
- 67 Our work on the Authority's BVPP 2006/07 was undertaken in December 2007. We issued our report on the Authority's BVPP in December 2006. We made no statutory recommendations. This was consistent with the prior year.
- 68 As part of the audit handover arrangements, we agreed with the Authority's new auditors, the Audit Commission to undertake the review of the Authority's Best Value Performance Plan 2007/08. Our work in this area has been completed and we issued a report on 5 December 2007. Again, no statutory recommendations were made. However, we did note some areas for improvement going forward. We are in the process of compiling our report in this area, which we aim to issue shortly. There are no significant matters arising from the review which we wish to bring to the attention of members.
- 69 Prior to 2006/07, our review of the BVPP included the need to audit the Authority's Best Value Performance Indicators (BVPIs) included within the plan. This requirement was removed for 2006/07 and instead replaced by a review of arrangements to secure data quality (we provide further detail on this below).

## **Use of Resources Assessment**

- 70** The Use of Resources assessment is undertaken by us on behalf of the Audit Commission and contributes to the overall rating of the Authority under the Comprehensive Performance Assessment (CPA). We must assess the Authority's performance in each of five areas:
- Financial Reporting;
  - Financial Management;
  - Financial Standing;
  - Internal Control; and
  - Value for Money.
- 71** Each of these five areas consists of a number of key lines of enquiry (KLoE) against which a score, or performance level, must be reached. These translate into the following assessments.
- 1 = below minimum requirements – inadequate performance.
  - 2 = only at minimum requirements – adequate performance.
  - 3 = consistently above minimum requirements – performing well.
  - 4 = well above minimum requirements – performing strongly.
- 72** The score for each KLoE then determines the overall score for each area, using rules issued by the Audit Commission. The Audit Commission will determine the overall use of resources score by combining our separate scores for each of the themes covered, using a set of rules which they have published in their October 2005 report 'CPA – the harder test'.
- 73** The 2006/07 Use of Resources assessment was largely undertaken in November and December 2006, in respect of the year to that date, and the results were reported to the Authority in March 2007.
- 74** Following a change in the Audit Commission's timetable, the 2007/08 Use of Resources assessment took place mainly in September to November 2007 and was in respect of the financial year ending March 2007. As part of the audit handover arrangements, we agreed with the Authority's auditors for 2007/08 (the Audit Commission) to undertake this assessment as the detail of the assessment related to 2006/07 information, our final year as the Authority's appointed auditors.
- 75** In accordance with the Audit Commission's timetable the results of the assessment were issued in draft to the Authority in December 2007. Our finalised report detailing the results, detailed findings and our recommendations was issued in February 2008. We present below a summary of the assessments for the KLoEs.

<b>Key line of enquiry</b>	<b>2007/08 KLOE score</b>	<b>2006/07 KLOE score</b>
Financial reporting: overall score	2	3
The Authority produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers	2	3
The Authority promotes external accountability	3	3
Financial management: overall score	3	3
The Authority's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities	2	2
The Authority manages performance against budgets	3	3
The Authority manages its asset base	3	3
Financial standing: overall score	3	3
The Authority manages its spending within the available resources	3	3
Internal control: overall score	2	2
The Authority manages its significant business risks.	2	2
The Authority has arrangements in place to maintain a sound system of internal control	3	3
The Authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business	2	2
Value for money: overall score	2	2
The Authority currently achieves good value for money	2	2
The Authority manages and improves value for money	3	3

- 76 Due to the change in the assessment timetable, the Authority only had a little time in order to formulate and implement the improvements necessary to address any areas for improvement noted in the 2006/07 assessment. As a result a number of the recommendations we made in the prior year assessment have again been raised in this year's assessment. Despite this, the Authority has implemented a number of changes since the previous assessment, including:
- the compilation and approval of a partnership policy. This includes arrangements to ensure appropriate signed agreements are put in place and monitored;
  - provision of risk management training to Members; and
  - the compilation and approval of an anti-fraud and corruption policy;
- 77 The establishment during the year of the Challenge and Innovation Audit and Review Sub-Committee to focus on governance and audit matters. In addition, this sub-committee has agreed a programme of training to ensure that Members can undertake their role on the committee effectively. Some training has already been delivered.
- 78 Although the improvements have not result in improved assessment scores, they strengthen the Authority's underlying performance and provide a basis for further improvement in the 2008/09 assessment. In order to demonstrate achievement at level '3', the Authority will need to demonstrate that the new arrangements/procedures put in place are embedded.
- 79 Our review noted one area – financial reporting - in which performance had deteriorated. This was as a result of a material misstatement being identified within the accounts as well as the difficulties in obtaining appropriate supporting evidence for audit queries as detailed earlier in this report.
- 80 Our detailed recommendations for improvement are detailed with our Use of Resources Report.

### **Use of Resources Conclusion**

- 81 Under the Code, we are required to conclude on the adequacy of the Authority's arrangements for ensuring economy, efficiency and effectiveness in its Use of Resources. In reaching this conclusion, we are required to have regard to twelve Code of Practice criteria published by the Audit Commission. Eight of these criteria directly relate to key lines of enquiry within the 2007/08 Use of Resources assessment (see above). Another directly relates to our assessment of the Authority's management arrangements for securing data quality, undertaken as part of the 2007/08 data quality review we have performed on behalf of the Audit Commission. This is commented upon in further detail below.

- 82 As in the prior year, we issued an unqualified use of resources conclusion on 29 September 2007 stating that we were satisfied that, having regard to the criteria for other local government bodies issued by the Audit Commission, in all significant respects, the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007. Further detail is included within Appendix 2.

## **Data Quality Review work**

### **2006/07**

- 83 In 2006/07 we were required to undertake a mandatory review for the first time of the Authority's arrangements for securing data quality. Our data quality review 2006/07 took place in September 2006. The main recommendations made during this review related to:
- the need to put in place a data quality policy, procedures and framework; and
  - develop and implement a business continuity plan.
- 84 We agreed and reported our findings and recommendations with management within our letter 'Data Quality Assessment' in October 2006.

### **2007/08**

- 85 In order to conclude on one criterion within the Use of Resources conclusion 2006/07, we are required to take into account the results of the Data Quality Review 2007/08, (which includes assessing arrangements in place during 2006/07). As part of our handover arrangements, we agreed with the Authority's auditors for 2007/08, the Audit Commission, to undertake the Data Quality Review 2007/08.
- 86 The Data Quality Review 2007/08 is a mandatory review designed to assess the arrangements put in place to secure quality of data within the Authority.
- 87 Our review has been completed and we are in the process of compiling the report of our draft findings and recommendations to management. We will issue this in due course.

## **Statement on Internal Control**

- 88 The Authority is required to produce a Statement on Internal Control (SIC) in accordance with the Accounts and Audit Regulations 2003 and Statement of Recommended Practice, and include it within the Statement of Accounts.
- 89 We reviewed the SIC to consider whether it complied with the requirements and whether it was misleading or inconsistent with other information known to us from our audit work.
- 90 There are no matters resulting from our review that we wish to draw to the attention of Members.

## **Targeted Review of the Integrated Personal Development System**

- 91** We performed a targeted review, as part of our audit work under the Code of Audit Practice, of the implementation of the Authority's Integrated Personal Development System (IPDS).
- 92** The objectives of our review were to:
- gain an understanding of the IPDS framework and the national context within which it needs to operate;
  - gather data on how the IPDS operates within the Authority through a variety of desk research, interviews and focus groups; and
  - identify where and how improvements can be made, highlighting possible options for implementation and clarifying next steps.
- 93** The results of our review were reported to the Authority in September 2006. We noted a number of significant findings and recommendations. In summary, our main findings were that:
- whilst IPDS provides individuals with the opportunity to take responsibility for their own development and establish development needs, there was little recognition that this needs to be balanced against organisational requirements, including meeting minimum standards and managing risk;
  - there was a lack of evidence to demonstrate that IPDS is effective as a practical tool for developing fire-fighters classified as competent;
  - there was no coherent approach to workforce planning, with the promotion processes not fit for purpose. HR, IPDS and training are structured as three separate departments and there is no clear training strategy in place; and
  - although IPDS is intended to apply to control and support staff and retained fire-fighters, these groups feel excluded from part of it, leading to perceptions of unfairness.
- 94** Our most significant recommendations related to:
- refocusing the emphasis of IPDS on operational excellence, driven by risk management and operational needs;
  - adopt an integrated workforce plan. This will provide a clear understanding of workforce requirements and address competence issues including training and development, succession planning and promotions. In addition the HR, IPDS and training departments should be integrated into a single function;
  - create a standard programme of necessary watch based risk critical training and tie training into workforce planning; and
  - consider adopting a new name for the employee development processes to indicate that IPDS has changed and demonstrate the significance of its refocus on operational excellence.

- 95 We understand from officers that the Authority has undertaken a significant amount of work to implement the report's recommendations. This has primarily involved re-focusing the national IPDS arrangements towards the needs and risk critical elements of the service by means of developing and implementing both an appraisal system, as well as technical, activity, skills and knowledge training for almost 900 operational staff, including revised arrangements for retained firefighters. We commend the Authority's overall approach and support the next stage of the development in respect of officer roles in order to build upon the work based promotion, assessment and development processes.

### **Audit Plan and fees 2006/07 update**

- 96 Since we issued our Audit Plan for 2006/07, which was presented to the Policy and Strategy Committee in May 2006, we have the following updates to the plan to report.
- We have performed appropriate procedures for each of the risks identified in our Audit Plan of 2006/07. We use this Audit Letter to comment only on those areas where we believe we need to communicate these with those charged with governance.
  - Since our Audit Plan was approved, we agreed to undertake additional work to provide training to Members in relation to reviewing and scrutinising internal audit work. Two presentations were undertaken in November 2006 and April 2007. The fees agreed for this work were agreed with the Director of Finance and Treasurer, and totalled £2,240.
  - In the prior year, the audit work and certification for Whole of Government Accounts was funded by the Audit Commission. At the time our Audit Plan was approved, no guidance was made available regarding funding of this work. We therefore did agree a fee for this work. We are now aware that the Audit Commission is not funding this work for 2006/07. We have therefore agreed a fee for this work – details are shown within the table below.
  - Following the completion of our 2006/07 audit work, we provide within the following table, an update on our 2006/07 fees.

	<b>2006/07 Budgeted Fee (£)</b>	<b>2006/07 Actual Fee (£)</b>
Accounts	54,500	57,500
Use of Resources	74,100	74,100
Total Code of Practice Fee	128,600	131,600
Member training presentations	2,240	2,240
Total Fee	130,840	133,340

## **Notes**

- 97** We incurred an overrun in relation to the accounts as a result of delays encountered in obtaining appropriate supporting evidence (further detail is provided on page 8). We have agreed this overrun with the Director of Finance and Treasurer.
- 98** In addition to our Code of Practice work, we are also required to certify the Authority's Whole of Government Accounts. The Audit Commission issues guidance regarding the expected fee range for the audit of Whole of Government Accounts. For 2006/07, this range was £1,430 - £2,870. During our audit we identified some minor amendments which were made to the draft Whole of Government Accounts. As a result, our fee for this work was above the minimum fee level at £1,550.

## Looking ahead

- 99 The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements.
- 100 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with an enhanced annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 101 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.

## Closing remarks

- 102 This letter has been discussed and agreed with David Johnson. A copy of the letter will be presented at the Audit and Review Sub-Committee on 30 April 2008. Copies need to be provided to all Authority members.
- 103 The Authority has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Authority's staff for their support and cooperation during the audit.

## Availability of this letter

- 104 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the Authority's website.

**Ian Davidson**  
**Relationship Manager**

31 March 2008

## Appendix 1 – Audit reports issued

- 1 The following audit reports were issued during 2006/07 and 2007/08:
  - Auditor’s Statutory Report on the Best Value Performance Plan 2006/07;
  - Data Quality Review 2006/07;
  - Review of Integrated Personal Development System;
  - Report to Management: Internal Financial Controls 2006/07;
  - Fire Use of Resources - Assessment Results 2006/07;
  - Audit Report on the Statement of Accounts;
  - Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources;
  - Certification on the Whole of Government Accounts 2006/07; and
  - Auditor’s Statutory Report on the Best Value Performance Plan 2007/08.
  - The following report has been issued in draft:
    - Report to Management on the Statement of Accounts; and
    - Fire Use of Resources - Assessment Results 2007/08.
  - The following reports are expected to be issued in draft shortly:
    - Data Quality Review 2007/08.

## Appendix 2 – Use of resources conclusion

- 1 The Audit Commission has published 12 Code of Practice criteria on which auditors are required to reach a conclusion on the adequacy of an authority's arrangements for economy, efficiency and effectiveness in its Use of Resources. There are only two assessments – 'adequate' and 'not adequate'. The results on our assessment of each criteria are noted below.

Code criteria	Description	Use of resources conclusion
1	The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	Adequate
2	The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	Adequate
3	The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	Adequate
4	The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	Adequate
5	The body has put in place arrangements to maintain a sound system of internal control.	Adequate
6	The body has put in place arrangements to manage its significant business risks.	Adequate
7	The body has put in place arrangements to manage and improve value for money.	Adequate
8	The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	Adequate
9	The body has put in place arrangements to ensure that its spending matches its available resources.	Adequate

**30** Annual Audit and Inspection Letter | Appendix 2 – Use of resources conclusion

<b>Code criteria</b>	<b>Description</b>	<b>Use of resources conclusion</b>
10	The body has put in place arrangements for managing performance against budgets.	Adequate
11	The body has put in place arrangements for the management of its asset base.	Adequate
12	The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	Adequate