

## Annual Governance Statement 2011/12 and Improvement Plan 2012/13

### Report of the Chief Fire Officer

For further information about this report please contact Paul Raymond, Chief Fire Officer, on 01743 260205 or Ged Edwards, Planning and Performance Manager, on 01743 260208.

### 1 Purpose of Report

The purpose of this report is twofold: it sets out the draft Annual Governance Statement (AGS) for 2011/12 and AGS Improvement Plan 2012/13 to be included in the Fire Authority's Statement of Accounts; and it also details progress on the 2011/12 Improvement Plan.

### 2 Recommendations

The Committee is asked to:

- a) Note the progress made on the 2011/12 Improvement Plan;
- b) Agree to close the 2011/12 Improvement Plan, carrying forward any outstanding issues to the 2012/13 Improvement Plan; and
- c) Agree the AGS and 2012/13 Improvement Plan for inclusion in the 2011/12 Statement of Accounts.

### 3 Background

Corporate governance and accounting regulations require the Fire Authority to publish, on a timely basis, within its annual report, an objective, balanced and understandable statement and assessment of the Fire Authority's governance arrangements, including its risk management and internal control mechanisms, and their effectiveness in practice. This is known as the AGS.

The Fire Authority has delegated responsibility for the development of the AGS to the Risk Management Group.

At its February 2012 meeting the Fire Authority delegated approval of the Statement of Accounts to the Audit and Performance Management Committee. The Statement will, therefore, be signed off by the Chair of the Committee, the Chief Fire Officer and Treasurer at the September meeting.

The Statement of Accounts contains a statement as to how effective the Authority's various systems of internal control have been in governing the risks, to which the Authority is exposed. Areas of the system of internal control that have been identified as requiring improvement are listed in the AGS and an action plan has been developed to ensure that these improvements are progressed during the coming year. This is known as the AGS Improvement Plan.

This Committee is responsible for monitoring the progress, which the Service makes against the Plan.

#### **4 Monitoring Progress against the AGS Improvement Plan 2011/12**

A copy of the AGS Improvement Plan 2011/12 is attached at Appendix A to this report, which shows progress against each of the planned activities. There are two items, namely Resource Management and Risk Management, which have not been completed this year. To ensure completion of these two improvements Members are asked to agree that they are carried forward to the 2012/13 Improvement Plan for monitoring.

#### **5 AGS 2011/12 and AGS Improvement Plan 2012/13**

In accordance with the Accounts and Audit Regulations 4 (2), officers have reviewed the effectiveness of the Authority's internal control systems, which constitute the Authority's Governance Framework, with the aim of identifying further improvements, where required. This process involves the responsible officers' signing 'Assurance Statements' for each of the areas, for which they are responsible. Officers' statements are then reviewed by the Lead Executive Officer to ensure that the areas identified for improvement are appropriate and achievable.

A requirement of Regulation 6 (3) of the Accounts and Audit Regulations is to review annually the effectiveness of Internal Audit. Shropshire Council provides this service and reported to this Committee in June on the work undertaken during 2011/12. Shropshire Fire and Rescue Service's 'Assurance Statements' have then been reviewed in light of this report and the various audit reports received from Internal Audit over the last year. Together these have formed the basis of the AGS 2011/12 and its associated 2012/13 Improvement Plan.

Members are asked to consider and approve the draft AGS 2011/12 and the draft Improvement Plan 2012/13, attached as Appendices B and C respectively, for inclusion in the 2011/12 Statement of Accounts.

## **6 Monitoring Progress against the AGS Improvement Plan 2012/13**

This Committee will receive regular reports on progress made against the Plan throughout its life. As is the case with most plans, the activities included within it are often subject to change. This can be as a result of changes in the external environment that guides our work, as well as the internal environment that dictates whether we have the capacity to achieve our stated objectives. To ensure there is control over any slippage, the officers responsible for delivering this work must obtain approval from the Service Management Team, if they require any variations to the current Improvement Plan. Any such changes will also be reported to this committee.

## **7 Financial Implications**

Any significant budgetary implications, brought about by the improvements proposed in the Improvement Plan, have already been considered either as part of the Fire Authority's budget planning process or within each Department's business planning process.

## **8 Legal Comment**

The AGS is a legal requirement under the Code of Practice on Local Authority Accounting in the United Kingdom and must be included in the Fire Authority's Annual Statement of Accounts.

## **9 Equality Impact Assessment**

This report has been assessed against the Service's Brigade Order on Equality Impact Assessments (Human Resources 5 Part 2), which has shown that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An initial Equality Impact Assessment has not, therefore been completed.

## **10 Appendices**

**Appendix A** AGS Improvement Plan 2011/12

**Appendix B** Draft Annual Governance Statement 2011/12

**Appendix C** Draft Annual Governance Statement Improvement Plan 2012/13

## **11 Background Papers**

There are no background papers associated with this report.

**Annual Governance Statement Improvement Plan 2011/12**

Area of review	IRN	Improvement required	Improvement Owner	Progress to date	Completion date
Financial Management	1	As a result of anticipated retirement the Service needs to review tasks and structures associated with financial matters and to ensure that the duties of the Treasurer are continued effectively.	Joanne Coadey	Shropshire and Wrekin Fire Authority has entered into a Service Level Agreement with Shropshire Council to provide both Treasurer Services and Section 151 Officer.	Completed
Resource Management	2	The Asset Management System has not yet been implemented. The Service is not able to demonstrate compliance with standards.  Complete implementation in accordance with reviewed project timescales.  A review of current equipment regimes is being conducted. The review will aim to give assurance that the systems and arrangements that are currently in place still meet the needs of the Service.	Andrew Kelcey	The scenario based review is complete and process maps have been produced. The items of equipment relating to the review are; Ladders, LPP, Branch, Helmet.  Although not an integral part of the stated scenario, as the aim was to concentrate on high risk items, processes relating to BA cylinders were also considered within the scope of this review.  The next phase of the review will be to determine the most appropriate method for the roll out of the AMS.	Ongoing. Will be carried forward to the 2012/13 Improvement Plan for continued monitoring.
Risk Management and Business Continuity Planning	3	Internal audit has identified that members of the Risk Management Group require some measure of training and/or qualification to ensure that all risk-related issues are dealt with in line with best practice.	Ged Edwards	A new officer responsible for Corporate Risk Management was appointed on the 1 <sup>st</sup> April 2012. The officer holds a qualification in Office of Government Commerce Management of Risk (MOR). Training for the senior management team and members of the Risk Management Group has been arranged for 1/11/2012.	Partially completed. Will be carried forward to the 2012/13 Improvement Plan for continued monitoring.

Area of review	IRN	Improvement required	Improvement Owner	Progress to date	Completion date
Operations	4	Fire Control will be relocated to Shrewsbury (new) HQ.	Martin Timmis	The relocation project has been managed through the Shrewsbury HQ Programme. Fire Control has relocated and a new command and control system installed.	Completed
Health & Safety	5	Review to identify any improvements, and, if necessary, develop an action plan, to assess and implement the findings of the Health and Safety Executive consolidation report based on the eight inspections completed in 2009/10.	Andy Perry	Recommendations have been reviewed and an action plan is in place. Whilst not all actions have yet concluded and/or will continue into the future, this IP is complete.	Completed
Area Command	6	The reduction in Group Managers in the Department, as a consequence of the budget cuts, meant that the structure of the Department would not continue to be able to deliver the Service's stated Aims and Objectives in the most effective way.	Andy Johnson	Structural change within Area Command is complete and is now embedded within the Service. The Department has been restructured into 2 Groups, rather than 3 Districts.	Completed
Area Command	7	Due to Phase 2 of the District Support Team Project not being able to proceed, because of the budget cuts, there will be a shortfall in the resources originally planned to support Retained Duty System (RDS) management and development, which will impact on our ability to continue to professionalise the RDS service.	Andy Johnson	Resources within the Department as a whole have been redistributed to take account of this change. We have moved one of the Station Managers from the Shrewsbury, Telford & Wrekin Group across to the Shropshire Rural Group.	Completed

## **Draft Annual Governance Statement 2011/12**

To accompany the Statement of Accounts 2011/12

### **Scope of Responsibility**

Shropshire and Wrekin Fire and Rescue Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, used economically, efficiently and effectively.

The Fire Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Fire Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Fire Authority has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government'.

A copy of the Code is on our website at:

<https://www.shropshirefire.gov.uk/sites/alpha.shropshirefire.gov.uk/files/page/files/Code%20of%20Corporate%20Governance%202011-12%20Final.pdf>

A paper copy can be obtained from the Corporate, Performance and Operations Department within the Service.

This Statement explains how the Fire Authority has complied with the Code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement.

### **The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, culture and values, by which the Fire Authority is directed and controlled, and the activities through which it accounts to, engages with, and leads the community. It enables the Fire Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable, and not absolute, assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Shropshire and Wrekin Fire and Rescue Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact, should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Shropshire and Wrekin Fire and Rescue Authority for the period of the 2011/12 accounts and up to the date of approval of the Annual Report and Statement of Accounts.

### **The Governance Framework**

The Fire Authority's governance framework comprises many systems, policies, procedures and operations in place to:

- identify and communicate the Authority's vision of its purpose and intended outcomes for citizens and service users;
- review the Authority's vision and its implications for the Authority's governance arrangements;
- measure the quality of services for users, ensuring they are delivered in accordance with the Authority's objectives and that they represent the best use of resources;
- define and document the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication;
- develop, communicate and embed codes of conduct, which define the standards of behaviour for members and staff;
- review and update standing orders, standing financial instructions, the scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
- ensure the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010);
- undertake the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities;
- ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- enable whistle-blowing and the receiving and investigating of complaints from the public;
- identify the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training;

- establish clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation; and
- ensure good governance arrangements in respect of partnerships and other group working.

## **Review of Effectiveness**

The Fire Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control.

The review of effectiveness is informed by the work of the executive managers within the Authority, who have overall responsibility for the development and maintenance of the governance environment, as well as:

- the Treasurer;
- the Fire Authority's Monitoring Officer;
- Legal advisors to the Fire Authority;
- Internal Auditors; and
- Managers within the Fire Authority, who have day-to-day responsibility for ensuring the governance framework is functioning correctly.

Comments made by the External Auditors and other review agencies and inspectorates in their Annual Audit Letters and other reports also contribute to this review.

Throughout 2011/12, the Fire Authority has maintained, reviewed and improved its system of internal control in a number of ways. In particular:

- a) The Authority continues to monitor expenditure for all capital schemes;
- b) On-going review of our employment policies is undertaken and, where necessary, policies are modified or created to ensure compliance with all applicable legislation;
- c) The Service Transformation Programme has been established to bring together the requirements of Public Value, Integrated Risk Management Planning (IRMP) and activities that Service Managers believe will deliver a sustainable service to the community into the future. Central to the Programme will be the continued investment in technology and systems to improve back-office efficiency and provide operations with technology to improve service delivery. The Programme, which dovetails into the Service's Financial and Service planning processes, will ensure that the appropriate level of control and visibility of all projects, reviews and activities are maintained throughout the lifecycle of the Programme.
- d) During the year the Authority has continued with its Public Value approach towards planning, budget and cost saving measures. The Year 1(2011/12) Public Value initiatives have resulted in a £1.1m reduction in the Authority's spend, with minimal disruption to service delivery.



- e) The Service has invested significantly in its Information and Communications Technology and command and control infrastructure, building resilience and improved service delivery.
- f) The Fire Authority has received and/or adopted:
- Statement of Accounts 2010/11;
  - Corporate Plan 2011/12;
  - Public Value Year 1 2011/12 outcomes;
  - Annual Audit Letter 2010/11;
  - Budget Monitoring reports;
  - Public Value Measure Performance reports;
  - External security audits;
  - Periodic performance reports, and
  - The Medium Term Corporate Plan, strategy and budget.
- g) The Fire Authority's Service Management Team of officers carries out a continuous assessment of the implementation of policies and procedures throughout the organisation, including following up on progress made towards last year's Improvement Plan.
- h) Internal audits have been undertaken with a number of planned reviews of systems and internal control procedures across a range of functions in the Fire Authority. Each review contains an opinion on the internal controls in place and any weaknesses result in recommendations for improvement, which are implemented by management. Progress against these recommendations is monitored by the Risk Management Group, with regular reports to the Service Management Team and to the Audit and Performance Management Committee.
- i) Audits completed by Internal Audit during 2011/12 related to:
- Budget preparation and control
  - Capital accounting and budgeting
  - Payroll, travel and subsistence
  - Risk management
  - Corporate governance
  - Network administration
  - Previous recommendation follow ups

Internal Audit will be conducting audits into the following areas during 2012/13:

- Payroll, travel and subsistence
- Capital accounting and budgeting
- Computer services
- Income generation and sundry debtors
- Purchasing cards
- Information transparency

- Fraud and corruption – changes to creditor bank details
- Risk management
- Corporate governance
- Previous recommendations follow up

### **The Role of the Chief Financial Officer**

The Authority is compliant with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

A Service Level Agreement has been put in place between Shropshire Council and Shropshire and Wrekin Fire Authority, for the provision of financial advice and representation.

Shropshire Council's Corporate Head of Finance and Commerce acts as Treasurer to Shropshire and Wrekin Fire and Rescue Authority to ensure the sound administration of the financial affairs of the Authority, as required by the statutory duties associated with s151 of the Local Government Act 1972, the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2011.

The Chief Financial Officer's role is discharged through:

- Provision of advice and support on application of accounting policies and procedures and adherence to International Financial Reporting Standards.
- Attendance by the Treasurer or nominated representative at the following statutory meetings held with Fire Authority Members:
  - Six meetings of the Fire and Rescue Authority;
  - Five meetings of the Strategy & Resources Committee;
  - Four meetings of the Audit and Performance Management Committee.
- Regular Chair's briefings and internal meetings, as well as regular liaison with the internal Head of Finance (Deputy s151 Officer), and the internal Fire Authority Finance Team.

In addition to the provision of Section 151 duties:

- Shropshire Council provides access to a number of services at no cost to the Fire Authority; for example the Fire Authority's Finance Team will have direct access to the Council's Financial Forward Planning Team, and can provide resilience and development through staff rotation and secondments.
- The Council endeavours to consult with the Fire Authority on any key or principle decisions, outside the formal services agreed within the service level agreement.

## **Significant Internal Control Issues**

No significant issues were raised in the Annual Audit Letter 2010/11. The relatively minor points arising from these reviews are being used to enhance the existing system of controls, particularly with regard to information and information and communications technology security.

The Fire Authority undertook a review of its systems of internal control, which underpin its governance framework, during May and June 2012. An Annual Governance Statement (AGS) Improvement Plan 2012/13 has been produced, based on the findings from this process. Progress made against the Plan will be monitored by the Risk Management Group, with quarterly progress reports to the Fire Authority's Audit and Performance Management Committee and the Service's Service Management Team.

A summary of the areas for further development, contained in the AGS Improvement Plan 2012/13, is given below:

### **Finance Management**

1. Ensure that strategic financial planning takes account of likely changes to funding streams, in terms of business rates retention and localisation of council tax support, as a result of new legislation.
2. Public Value and the 2020 Strategy will consider how the Service is structured and meets the challenge of further budget settlements.

### **Resource Management**

3. The Service needs to complete the implementation of the Asset Management System. Existing systems will be assessed to seek assurance that they are robust and fit for purpose.

### **Operations and Fire Control**

4. Embedding of the Command and Control system to suit the needs of the Service and the Community.
5. Determine and implement an appropriate in-life support arrangement for the Command and Control System.
6. Consideration to be given to the outcomes of the Operational Assurance Peer Review.

### **Health and Safety Management**

7. Implement the action plans following the review of the Health and Safety Executive consolidation report, based on the eight inspections they completed in 2009/10.

## **Service Transformation Programme**

8. The Service Transformation Programme will monitor key areas including the implementation of a number of systems (Human Resources, Performance Management and Information Management Review). The Programme will aid in embedding and supporting appropriate systems to ensure the most efficient use of our resources.

## **ICT and Communications**

9. Improved resilience of the shadow site at Telford Central needs to be fully assured when installation is complete, with regard to resilience offered by our partnering with Hereford and Worcester Fire and Rescue Service. This will include the provision of secure Business Continuity information, accessible at all times to appropriate managers.

## **Risk Management and Business Continuity Planning**

10. Internal audit has identified that members of the Risk Management Group require some measure of training and/or qualification to ensure that all risk-related issues are dealt with in line with best practice.

Signed:

Chair of Audit and Performance  
Management Committee

Paul Raymond  
Chief Fire Officer

Rachel Musson  
Treasurer

## Draft Annual Governance Statement Improvement Plan 2012/13

Area of review	IRN	Improvement required	Improvement Owner	Progress to date	Completion date
Financial Management	1	Ensure that strategic financial planning takes account of likely changes to funding streams, in terms of business rates retention and localisation of council tax support, as a result of new legislation.	Joanne Coadey		February 2013
	2	Public Value and the 2020 Strategy will consider how the Service is structured and meets the challenge of further budget settlements.			December 2013
Resource Management	3	The Service needs to complete the implementation of the Asset Management System. Existing systems will be audited to seek assurance that they are robust and fit for purpose.	Andrew Kelcey		Ongoing. Brought forward from the 2011/12 Improvement Plan.
Operations and Fire Control	4	Embedding of the Command and Control system to suit the needs of the Service and the Community.	Andy Johnson		September 2012
	5	Determine and implement an appropriate in life support arrangement for the Command and Control System.	Andy Johnson		To be determined
	6	Consideration to be given to the outcomes of the Operational Assurance Peer Review.	Steve Worrall		December 2012
Health and Safety Management	7	Implement the action plans following the review of the Health and Safety Executive consolidation report based on the eight inspections completed in 2009/10.	Andy Perry		To be determined

Area of review	IRN	Improvement required	Improvement Owner	Progress to date	Completion date
Service Transformation Programme	8	The Service Transformation Programme will monitor key areas including the implementation of a number of systems (Human Resources, Performance Management and Information Management Review). The programme will aid in embedding and supporting appropriate systems to ensure the most efficient use of our resources.	Ged Edwards		To be determined
ICT and Communications	9	Improved resilience of the shadow site at Telford Central needs to be fully assured when installation is complete. This will include the provision of secure Business Continuity information, accessible at all times to appropriate managers.	Sally Edwards		December 2012
Risk Management and Business Continuity Planning	10	Internal audit has identified that members of the Risk Management Group require some measure of training and/or qualification to ensure that all risk-related issues are dealt with in line with best practice.	Ged Edwards	A new officer responsible for Corporate Risk Management was appointed on the 1 <sup>st</sup> April 2012. The officer holds a qualification in Office of Government Commerce Management of Risk (MOR). Training for the senior management team and members of the Risk Management Group has been arranged for 1/11/2012.	November 2012. Brought forward from the 2011/12 Improvement Plan