

# Annual Governance Statement 2009/10 and Improvement Plan 2010/11

## Report of the Chief Fire Officer

For further information about this report please contact Paul Raymond, Chief Fire Officer, on 01743 260205 or Martin Timmis, Head of Operations and Risk, on 01743 260182.

### 1 Purpose of Report

This report asks the Fire Authority formally to approve the Annual Governance Statement (AGS) 2009/10, which must be included as part of the Statement of Accounts 2009/10. It also asks Members formally to approve the AGS Improvement Plan 2010/11.

### 2 Recommendations

The Fire Authority is recommended to:

- a) Accept and sign-off the Annual Governance Statement 2009/10; and
- b) Approve the Annual Governance Statement Improvement Plan 2010/11.

### 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 an Annual Governance Statement or AGS. The Fire Authority has delegated responsibility for the development of the AGS to the Risk Management Group, which is made up of the Fire Authority's Risk Management and Audit Champion and officers.

## **4 AGS 2009/10 and AGS Improvement Plan 2010/11**

During April 2010, officers have reviewed the Authority's internal control systems, which constitute the Authority's Governance Framework, with the aim of identifying where further improvements are required. This process involves the responsible officers having to sign 'Assurance Statements' relating to 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.

These 'Statements' have then been reviewed in light of the various audit reports received from Internal Audit over the last year, and together have formed the basis of the Annual Governance Statement 2009/10 and its associated Improvement Plan 2010/11.

At its meeting on 13 May the Fire Authority's Audit and Performance Management Committee considered and approved the Annual Governance Statement 2009/10 (subject to amendments being made to the lists of audits completed and planned) and its associated Improvement Plan 2010/11 for recommendation to the Fire Authority. The necessary amendments have now been made to the Statement and the amended version and Improvement Plan are attached at appendices A and B respectively. It should also be noted that the reference to the 'Corporate, Performance and Response Department' on page 1 has been amended to its correct title of 'Corporate, Performance and Operations Department'.

Following approval the Annual Governance Statement 2009/10 will be signed by the Chair of the Fire Authority, the Chief Fire Officer and the Treasurer for inclusion in the Fire Authority's Statement of Accounts 2009/10.

## **5 Financial Implications**

There are no financial implications resulting directly from this report.

## **6 Equality Impact Assessment**

An Initial Equality Impact Assessment has been completed.

## **7 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 Statement of Accounts 2009/10. The Improvement Plan will assist the Authority in achieving compliance in this area.

## 8 Appendices

### Appendix A

Annual Governance Statement 2009/10

### Appendix B

Annual Governance Statement Improvement Plan 2010/11

## 9 Background Papers

There are no background papers associated with this report.

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Business Continuity Planning		Legal	*
Capacity		Member Involvement	*
Civil Contingencies Act		National Framework	
Comprehensive Area Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	*
Financial		Staff	
Fire Control/Fire Link		Strategic Planning	
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*
Integrated Risk Management Planning			



## **Annual Governance Statement 2009/10**

### **Scope of Responsibility**

Shropshire and Wrekin Fire 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:

<http://www.shropshirefire.gov.uk/engine/managing-the-service/cfa/members-handbook/section-1.htm>

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(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 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 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 the Shropshire and Wrekin Fire Authority for the year ended 31 March 2010 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;
- 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 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 in 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 2009/10, 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 has implemented a new Communication and Consultation Strategy to provide information to, and receive feedback from everyone that has a vested interest in the service;
- d) Improvements have been made to the way the service reports, monitors and delivers Health and Safety in the workplace;
- e) Fire Safety staff have received training in specific operational roles, thus improving the operational resilience of the service;
- f) A contingency plan has been developed to deal with failure of the National FiReControl project. An Interim Fire Control System is currently being procured to meet the needs of the organisation;

- g) The Fire Authority has received and/or adopted:
- Statement of Accounts 2008/09;
  - Performance Plan 2009/10;
  - Integrated Risk Management Plan and Action Plan;
  - Annual Audit Letter 2008/09;
  - Budget Monitoring reports;
  - External and peer inspections;
  - Periodic performance reports;
  - The Medium term financial plan, strategy and budget.
- h) The Fire Authority's Chief Officers Group and Service Performance Group 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.
- i) 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 Policy Group and to the Audit and Performance Management Committee.

Audits completed by Internal Audit during 2009/10 related to:

- Income & debtors
- Corporate Governance
- Payroll
- Risk Management
- Insurance
- Banking and Treasury Management arrangements
- Firefighter overtime claims
- Budget Preparation and Control
- Review of Annual Governance Statement

Internal Audit will be conducting audits into the following areas during 2010/11:

- Payroll
- Risk Management and Business Continuity
- Corporate Governance
- Review of Annual Governance Statement
- Fraud and Corruption
- Estates Management
- Partnerships
- Creditors system
- Purchasing and Procurement



- Asset Management
- Vehicle Fleet

The Fire Authority underwent various audits in relation to the 2009/10 Comprehensive Area Assessment (CAA), by the Audit Commission. CAA measures how well public services are working together to meet the needs of the local community. The final report stated that:

*“Overall, Shropshire and Wrekin Fire Authority performs well. The fire and rescue authority is delivering its priority services well and has the capability to continue to improve. Leadership is good, managers and members work together, and with local people to agree priorities. They make sure that there are enough resources (like people, money and equipment) to deliver what they promise. It is a learning organisation and understands the diverse needs of its communities and is targeting effort at the most vulnerable.”*

### **Significant Internal Control Issues**

No significant issues were raised in the Annual Audit Letter 2009/10. The minor points arising from these reviews were used to enhance the existing system of controls.

The Fire Authority undertook a review of its systems of internal control, which underpin its governance framework, during April 2010. An Annual Governance Statement (AGS) Improvement Plan 2010/11 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 Chief Officers Group.

A summary of the areas for further development, contained in the AGS Improvement Plan 2010/11, is given below:

#### **1. Finance Management**

We plan to carry out a full review of RDS station activities resulting in payment to allow us to create more accurate budgets, including for pay, retaining fees and variable payments. This will allow us to compare like stations budgetary controls. This replaces last years scheduled improvement which will be incorporated into the review.

#### **2. Strategic Planning Process**

As a consequence of the current economic instability we have reviewed our processes including IRMP and have commenced the introduction of the Public Value Model in preference to previous planning methodologies.

We have started a Public Value review, and will implement Public Value during 2010/11.

### **3. Fire Control Convergence**

The Interim Fire Control System is based on developing technology. Consequently, it may not deliver the required standard of C&C for the service.

Substantial “live testing” of the new system is being incorporated into the contractual arrangements for ICRS. Live testing will be closely monitored by officers.

### **4. Resource Management**

The new Asset Management System has not yet been fully implemented. The service is not able to demonstrate compliance with standards. Consequently in 2010/11 we will complete implementation in accordance with reviewed project timescales.

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

With dependence on ICT systems increasing, the service needs to develop an AGS assurance statement for this key area. The RM and ICT Manager will work together to provide an appropriate statement

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the services Chief Officers Group, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## Annual Governance Statement Improvement Plan 2010/11

Area of review	IRN	Improvement required	Improvement Owner	Completion date
Financial Management	1	Monitoring and audit of RDS payments is hampered by reliance on paper records.  We plan to carry out a full review of RDS station activities resulting in payment to allow us to create more accurate budgets, including for pay, retaining fees and variable payments. This will allow us to compare like stations budgetary controls. This replaces last years scheduled improvement which will be incorporated into the review.	Joanne Coadey	03/2011
Strategic Planning Process	2	As a consequence of the current economic instability we have reviewed our processes including IRMP and have commenced the introduction of the Public Value Model in preference to previous planning methodologies.  We have started a Public Value review, and will implement Public Value during 2010/11.	Steve Worrall	12/2010
Fire Control Convergence	3	The Interim Fire Control System is based on developing technology. Consequently, it may not deliver the required standard of C&C for the service.  Substantial “live testing” of the new system is being incorporated into the contractual arrangements for ICRS. Live testing will be closely monitored by officers.	Martin Timmis	03/2011
Resource Management	4	The new Asset Management System has not yet been fully implemented. Service is not able to demonstrate compliance with standards.  Complete implementation in accordance with reviewed project timescales.	Andrew Kelcey	12/2010
Risk Management and Business Continuity Planning	5	With dependence on ICT systems increasing the service needs to develop an AGS assurance statement for this key area.  RM and ICT Manager will work together to provide an appropriate statement	Martin Timmis	03/2010