

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

8TH JUNE 2009

1. GOVERNANCE STATEMENT 2008/2009

Joint report of the Chief Fire Officer, Clerk, Treasurer and Monitoring Officer.

RECOMMENDED

THAT the Audit Committee considers and comments on the Governance Statement for 2008/2009.

2. PURPOSE OF REPORT

This report is submitted to Members to seek comments and consideration of the Governance Statement for 2008/2009.

3. BACKGROUND

- 3.1 West Midlands 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 and used economically, efficiently and effectively. The 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.
- 3.2 In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs and which includes arrangements for the management of risk.
- 3.3 Every Local Authority has to produce Governance Statement (see attached Appendix 1) with its Statement of Accounts, which are due to be made available at the end of June 2009.

- 3.4 The Governance Statement is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. The Governance statement is based on an ongoing process designed to identify and prioritise the risks to the achievement of the 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.
- 3.5 The Statement is signed by the Chairman of the Authority, the Clerk, the Treasurer and the Monitoring Officer who have a responsibility to ensure that the document is supported by reliable evidence and accurately reflects the Authority's internal control environment. The Governance Statement has operated throughout the year ended 31st March 2009 and up to the date of the approval of the annual report and accounts.

4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out because the matters contained in this report do not relate to a policy change.

5. **LEGAL IMPLICATIONS**

The Authority 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. As part of this it has to produce a Governance Statement.

6. **FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report.

VIJ RANDENIYA
CHIEF FIRE
OFFICER

S. PHELPS
CLERK

L. BATEMAN
TREASURER

N.SHARMA
MONITORING
OFFICER

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

- 1.1 West Midlands 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, and used economically, efficiently and effectively. The 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.
- 1.2 In discharging this duty, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.
- 1.3 This statement explains how the Authority has complied with the code of corporate governance and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2006 in relation to the publication of a Governance Statement. The Authority has produced its Governance Statement which is consistent with the principles of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government. The Authority's Audit Committee has been considering the Framework and its formal implementation as part of its 2008/2009 work programme.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values for the direction and control of the Authority and its activities through which it accounts and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, value for money services.

- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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 the 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.
- 2.3 The system of governance has operated throughout the year ended 31st March 2009 and up to the date of the approval of the annual report and accounts. The Authority's Audit Committee has, in accordance with its terms of reference, monitored corporate governance throughout the year.

3. The Governance Framework

The key elements of the systems and processes that comprise the Authority's governance arrangements include the following:-

- 3.1 The Authority has produced a Corporate Strategy Plan setting out its objectives and there is regular performance monitoring in which achievement of the Authority's objectives is measured and monitored.
- 3.2 The Authority has established clear channels of communication with the community and stakeholders regarding the production of the Annual Report, consultation on the Annual Service Plan and the development of its Internet site. This also encourages open communication.
- 3.3 The Authority facilitates policy and decision-making via regular Policy Planning Forums and Authority and Executive Committee meetings. An Audit Committee provides independent assurance to the Authority on risk management and internal control and the effectiveness of the arrangements the Authority has for these matters. The constitution of the Committees, including terms of reference for them and the Lead Members is reviewed annually and is available on the Internet.

- 3.4 The Authority ensures compliance with established strategies, procedures, laws and regulations – including risk management. The Authority also maintains and reviews regularly its code of conduct and whistleblowing policy. There is a comprehensive induction programme in place and information regarding strategies and procedures are held on the intranet, which continues to be developed. The Authority has a strong Internal Audit function and established protocols for working with External Audit. The Audit Commission through its inspectorate functions also reviews compliance with policies, procedures, laws and regulations within their remit.
- 3.5 West Midlands Fire and Rescue Authority has continued to enhance and strengthen its internal control environment through the introduction of new policies and procedures.
- 3.6 The Authority has corporate risk management arrangements in place which are supported by an approved Risk Management Strategy enabling managers and other senior officers to identify, assess and prioritise risks within their own work areas which impact on the ability of the Authority and its services to meet objectives. To consider the effectiveness of the Authority's risk management arrangements is a specific term of reference for the Executive Committee and risk management is a specific responsibility of both the Chairman and Vice Chairman.
- 3.7 The Authority's Strategic Risk Register identifies the principal risks to the achievement of the Authority's objectives and assesses the nature and extent of those risks (through assessment of impact and likelihood). The Register identifies risk owners whose responsibility includes the identification of controls and actions to manage them efficiently, effectively and economically. Further improvements have been made in this area following Internal Audit recommendations.
- 3.8 The Authority ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty. The Authority plans its spending on an established planning cycle for policy development, budget setting and performance management through the business planning process. This ensures that resources are aligned to priorities and secures best value from the resources that are available.

- 3.9 The Authority's financial system is an ORACLE based general ledger and management information system, which integrates the general ledger function with those of budgetary control and payments. Financial Regulations and Contract Procedure Rules are approved and regularly reviewed by the Authority. A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action initiated.
- 3.10 The Authority's performance management and reporting of performance management continues to be improved with a more focused Corporate Strategy, the setting of priorities and is supported by regular performance monitoring. Corporate performance is reported on a quarterly basis and this process provides officers and Members with the opportunity to share knowledge and understanding about key performance issues affecting services.
- 3.11 The Authority has a Standards Committee which promotes high ethical standards amongst Members. This Committee has three independent members, one of whom chairs the Committee. It leads on developing policies and procedures to accompany the revised Code of Conduct for Members and is responsible for local assessment and review of complaints about members' conduct.

4. **Review of Effectiveness**

- 4.1 The 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 is informed by the work of the internal auditors and the statutory officers and principal managers of the Authority who have responsibility for the development and maintenance of the governance environment and also by comments made by the external auditors in their annual audit letter and other reports.
- 4.2 Department and section unit business plans contain a variety of performance indicators and targets that are regularly reviewed.
- 4.3 The Authority's political governance arrangements, which are appropriately reviewed by officers, set out the responsibilities of both Members and senior managers. In particular the Authority has identified the following statutory post holders: -

- Chief Fire Officer
 - Treasurer
 - Clerk
 - Monitoring Officer
- 4.4 The Authority continues to assess how its overall corporate governance responsibilities are discharged. In particular the Authority has adopted the CIPFA/SOLACE guidance, has developed a local code of corporate governance and is working towards the National Good Governance Standard.
- 4.5 The arrangements for the provision of internal audit are contained within the Authority's Financial Regulations. The Treasurer is responsible for ensuring that there is an adequate and effective system of internal audit of the Authority's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2003 as amended in 2006. The internal audit provision operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006. The Authority's Audit Plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Authority's corporate governance arrangements, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to Authority establishments and fraud investigations. Internal Audit leads on promoting a counter-fraud culture within the Authority. This includes the publication of a quarterly anti-fraud and corruption newsletter known as The FRAUDitor, the production of a Raising Fraud Awareness guide for managers and running a series of Raising Fraud Awareness Seminars.
- 4.6 The resulting Audit Plan is discussed and agreed with Corporate Board officers and the Audit Committee and shared with the Authority's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. All Authority Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any areas needing improvement.
- 4.7 The Authority's review of the effectiveness of the system of internal control is informed by:
- The work undertaken by Internal Audit during the year;
 - The work undertaken by the external auditor reported in their annual audit and inspection letter;

- Other work undertaken by independent inspection bodies.

4.8 From the work undertaken by Internal Audit in 2008/09 the Internal Audit has given a 'reasonable assurance' that the Authority has adequate and effective governance, risk management and internal control processes. This represents an unqualified opinion and the highest level of assurance available to Audit Services. In giving this opinion it is recognised that assurance can never be absolute. The most that internal audit can provide is reasonable assurance that there are no major weaknesses in the Authority's governance, risk management and control processes.

5. **Significant governance arrangements within the Authority**

5.1 West Midlands Fire and Rescue Authority has set out **four key priorities**:

- Communities and Partnerships
- Response
- People
- Value for Money

5.2 These form the basis of the Authority's Corporate Strategy 2009-12 and Performance Plans referred to above and provide the focus for the improvements, which are being made in all areas of the Authority.

5.3 The Comprehensive Performance Assessment (CPA) in 2008 identified the Authority as improving well and scored a '2' in the overall service assessment. The Audit Commission indicated that the Authority had made good progress in delivering its priorities and was well positioned to keep improving. It was noted that the process for managing value for money is still developing and that the Authority needs to continue to integrate financial and performance management to assist the Authority in deriving maximum value for money from its ongoing activities and future reviews of its asset and personnel structures.

5.4 The review of internal control also highlighted the following:

5.4.1 Accounts Receivable

The key issues arising were:

- The Service Level Agreement (SLA) for the debtors services needed to be clarified so that both the West Midlands Fire Service and the service provider (Sandwell MBC (SMBC) – Debt Recovery Team) are both aware of their duties and what is required from them.
- It was recognised that the outstanding debts to the Authority are being reduced. However, to maintain this, a full outstanding debtors report should be produced on a monthly basis to ensure that debts are being appropriately managed and to prevent debts outstanding for long periods of time.
- It should be agreed between the Authority and SMBC Debt Recovery Team as to who is responsible for reviewing credit balances. This should also be clearly recorded in the SLA. The credit balance should then be reviewed alongside the outstanding debts, and dealt with appropriately.
- Access rights to the Accounts Receivable system should be checked annually to ensure that the correct users have access, and have the correct access rights allocated to them.

5.4.2 Management of Fuel

The main issues raised were:

- Completion of the Journey Log book (T2) and the Fuel Tally book (T4).
- Separation of duties when completing and signing the T2 and the T4. At four of the five locations checked there were instances where the same officer signed both of the records when a fuel issue was made.
- Monthly checking of fuel stocks. In 60% of the sample checks there was no signature against the pre and post delivery checks recorded.

- Re-ordering of fuel in accordance with the Standing Order Appendix.

5.4.3 Risk Management

The key issues arising were:

- That a review of the terms of reference of the Insurance Risk Management Group be undertaken be so that it becomes a focal point for risk management activity,
- That risk management be further embedded by the development of departmental risk registers in accordance with the Department/Command Action Plan 2009, 'Embedding Risk Management'.

5.4.4 Governance

Two issues meriting attention were:

- Standing Order 2/12 Official Conduct should be reviewed and re-issued as soon as possible.
- Consideration should be given to introducing the West Midlands Local Government Association Member Development Charter (at the Primary Level initially), for WMFS members, to meet the objectives of the charter, including raising the profile and encouraging member commitment to elected member development.

5.4.5 Internet Usage

The key issues arising were:

- The Authority should agree the scope, period and responsibility for a regular analysis of the internet logs. We recommended that this be at least monthly.
- All system generated alerts should be promptly examined and appropriate action taken and documented.
- All generic accounts should be migrated to specifically named accounts.

- A review of the general single sign-on policy should be undertaken, outlining both benefits and potential weaknesses.
- A review should be conducted to ensure threshold levels are set to appropriate values and, where generated, alerts are fully & accurately evidenced by the log entries.
- The Authority should decide upon whether sites such as Facebook will be permitted (i.e. not blocked), what conditions of use should be adhered to (i.e. not during working time) and to ensure that all staff are aware of this policy.

5.4.6 Payroll

The key issues arising were:

- Pensions Payroll should follow-up with Human Resources to ensure that reassessments in respect of disability entitlements are carried out within an appropriate period of time, to ensure that no overpayments are made.
- The Senior Pensions Officer should sign the relevant documents to evidence that the figures reconcile and that a check has been carried out. The hard copy should be reviewed and signed by management to prove that it has been completed on a timely basis.

All of the above issues have been raised with relevant managers and actions are being taken to achieve improvements.

- 5.5 The Authority continues to be actively involved in developing the way it works with partners and organises itself to deliver services. Developments of this nature require careful management and the Authority has sought to identify and minimise the impact of risks associated with this change. During 2008/2009 improvements continue to be made to the partnership framework and evaluation toolkit, which provides guidance for officers and members working in and managing partnerships throughout the lifecycle of a partnership. In addition, an Officer Work Group was established to consider how the Authority needed to respond to the increasingly important issue of Local Area Agreements.

Peter Howard
Chairman

Susan Phelps
Clerk

Lynda Bateman
Treasurer

Neeraj Sharma
Monitoring Officer

Vij Randeniya
Chief Fire Officer