

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

23RD JUNE 2008

1. GOVERNANCE STATEMENT 2007/2008

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

RECOMMENDED

THAT the Governance Statement for 2007/2008 is approved.

2. PURPOSE OF REPORT

This report is submitted to Members to seek approval to the Governance Statement 2007/2008.

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 2008.

- 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 2008 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.

F. J. E. SHEEHAN
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 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 recently established Audit Committee will be considering the Framework and its implementation as part of its 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 2008 and up to the date of the approval of the annual report and accounts. An Audit Committee was established during the year to enhance the Governance Framework and met for the first time in January 2008.

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. Since January 2008, 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 Committee, 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 will continue 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 (for example, the introduction of an Audit Committee).
- 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 was enhanced four years ago with the implementation of 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 form part of the Constitution. 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 is independently chaired and leads on developing policies and procedures to accompany the revised Code of Conduct for Members.

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 constitution, which is appropriately reviewed by officers, sets 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 and Surgeries.
- 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 2007/08 the Internal Audit has given a 'reasonable assurance'" on the key areas of risk

management, corporate governance and financial control. In this context 'reasonable assurance' means that the systems can be relied upon to prevent error, fraud or misappropriation occurring without detection, and that nothing was found that would materially affect the Authority's standing or Annual Accounts.

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 2008-11 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 2007 identified the Authority as improving well and scored a '2' in the overall service assessment. The Audit Commission noted that "Good progress is being made in improving priority areas and there are sound arrangements in place to ensure further improvements in future". A specific area for improvement identified by the CPA was to develop the understanding of the relationship between resources and performance and ensure the resources are in place to support the operational structures in delivering against key priorities.

5.4 The review of internal control also highlights the following:

5.4.1 Risk Management

To further embed risk management, recommendations were made covering:

- Approval of the Risk Management Standing Order which has been introduced.
- Recording and reporting of changes to the Corporate Risk Register.
- Introduction of a formal assurance process, which draws together the strands of assurance for each risk.

5.4.2 Debtors

The key issues arising were:

- Finance management to identify large and longstanding debts, and ascertain what action has and is being taken by SMBC debt recovery section to recover the debts.
- Finance management to use reporting mechanisms to confirm that appropriate segregation exists when invoices and adjustments are raised.
- SMBC debt recovery should be advised not to carry out amendments to debtor accounts, as per the terms of the SLA.

5.4.3 Procurement

The main issues raised were that:

- A risk assessment to be carried out for all procurement activities.
- The procurement policy to be reviewed in order to include the objectives of the National Procurement Strategy.
- Where contracts exceed £20,000, the list of suppliers to be appropriately approved ensuring compliance with Standing Order 1/8 and the Procurement Policy.

5.4.4 Payroll

The key issues arising were:

- There was no effective way of verifying that an appropriate member of staff had checked and authorised changes notified by Personnel to Payroll.
- There was a lack of an adequate level of segregation of duties by Personnel when completing information for starters and leavers.
- There was a need for a risk register to highlight potential risks to the section and the controls put in place to mitigate them.

5.4.5 Human Resources Management System (HRMS)

The HRMS was introduced in December 2007 although its functionality needed to be expanded. As a result of this it was recommended that key constraints in the Oracle e-Business Suite needed to be addressed as part of the implementation plan including the need to establish a strategy for linking data from the Sickness Management and Rostering System and the Duty Management and Rostering System with the HRMS without compromising data integrity.

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 2007/2008 improvements were made to the partnership framework and an evaluation toolkit was introduced, 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

Frank Sheehan
Chief Fire Officer