

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT AND RISK COMMITTEE

19 JUNE 2023

1. **GOVERNANCE STATEMENT 2022/23**

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

RECOMMENDED

- 1.1 THAT the Committee approves the Governance Statement for 2022/23.

2. **PURPOSE OF REPORT**

This report is submitted to Members to seek comments and consideration of the Governance Statement for 2022/23.

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, which includes arrangements for the management of risk.
- 3.3 Every Local Authority has to produce a Governance Statement (see attached Appendix) with its audited Statement of Accounts, which for 2022/23 are due to be made available by the end of September 2023.

- 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 Chair of the Authority and the Chief Fire 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 31 March 2023 and up to date of the approval of the annual report and accounts.

4. **EQUALITY IMPACT ASSESSMENT**

- 4.1 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**

- 5.1 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**

- 6.1 There are no direct financial implications arising from this report.

BACKGROUND PAPERS

None.

The contact officer for this report is Assistant Chief Fire Officer Karen Gowreesunker, 0121 380 6006.

Wayne Brown
Chief Fire Officer

Mike Griffiths
Treasurer

Satinder Sahota
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, that public money is safeguarded and properly accounted for. 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 The Authority has complied with the code of corporate governance which is consistent with the principles of the revised CIPFA/SOLACE Framework 2016 published by CIPFA in association with the International Federation of Accountants (IFAC) – Delivering Good Governance in Local Government. The Authority has also complied with the requirements of CIPFA's statement on the role of the Chief Financial Officer in Local Government. This Annual Governance Statement explains how the Authority has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6 which require the Authority to prepare an Annual Governance Statement.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to 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. 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 the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place for the year ended 31st March 2023 and up to the date of the approval of the annual report and statement of accounts.

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 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 consultation on the key priorities of the Service. This also encourages open communication.
- 3.3 The Authority facilitates policy and decision-making via regular Policy Planning Forums and Authority meetings. An Audit and Risk 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 the terms of reference, is reviewed annually and 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 whistle blowing 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.
- 3.5 West Midlands Fire and Rescue Authority will continue to enhance and strengthen its internal control environment through the review of current 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 Audit and Risk Committee and risk management is a specific responsibility of both the Chair and Vice Chair.
- 3.7 The Authority's Corporate 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 likelihood and impact). The Register identifies risk owners whose responsibility includes the identification of controls and actions to manage them efficiently, effectively and economically.

- 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 Chief Financial Officer is a key member of the leadership team, helping to develop and implement the Authority's strategy. 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.
- 3.11 The Authority within its committee framework has an Appointment, Standards and Appeals Committee to promote high ethical standards amongst Members. This Committee leads on developing policies and procedures to accompany the Code of Conduct for Members and is responsible for local assessment and review of complaints about members' conduct. The Authority also has a Scrutiny Committee which undertakes performance management functions, informs policy development and holds officers and the Authority to account.
- 3.12 The Fire and Rescue National Framework for England sets out a requirement for Fire and Rescue Authorities to publish 'Statements of Assurance'. Specifically, Fire and Rescue Authorities must provide assurance on financial, governance and operational matters and show how they have had due regard to the expectations set out in their Community Risk Management Plan and the requirements included in this Framework. The Authority has approved the Statement of Assurance which is available on the Service's website.

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 of effectiveness is informed by the work of the statutory officers and principal managers of the Authority who have responsibility for the development and maintenance of the governance environment, the internal audit annual report and comments made by the external auditor in their Auditor's Annual Report and other reports.

4.2 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
- Monitoring Officer

In addition to the statutory posts, the post of Clerk to the Authority has been maintained.

4.4 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 2015. The internal audit provision operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. 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.

4.5 The resulting Audit Plan is discussed and agreed with officers of the Strategic Enabling Team and the Audit and Risk Committee and shared with the Authority's external auditor. 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.

- 4.6 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;
 - Other work undertaken by independent inspection bodies.
- 4.7 From the work undertaken by Internal Audit in 2022/2023 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.
- 4.8 The Authority is able to confirm that its financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- 4.9 Audit Services have reported and advised on the implications of the result of the review of effectiveness of the governance framework by the sources noted above and that the arrangements continue to be regarded as fit for purpose in accordance with the Authority's governance framework. The areas to be specifically addressed are outlined in 5.5.

5. Significant governance arrangements within the Authority

- 5.1 West Midlands Fire & Rescue Authority has a legal duty to provide an efficient, safe and effective fire and rescue service. The key priorities are:-
- Prevention – safer and healthier communities
 - Protection – stronger business communities
 - Response – dealing effectively with emergencies
- 5.2 These formed the basis of the Authority's three year rolling strategy 2022-25 and Annual Plan which set out the outcomes and priorities based on the Community Risk Management Plan and Medium-Term Financial Plan. The five-minute risk based attendance standard lies at the heart of the Service Delivery Model. The model shows how staff provide the core prevention, protection and response services to make the West Midlands safer, stronger and healthier.
- 5.3 Grant Thornton, the Authority's External Auditors, published the Audit Findings Report for its 2021/2022 audit work which reported an unqualified opinion on the financial statements. They are also required to issue a value for money conclusion stating if the Authority had proper arrangements in all significant respects to ensure it delivered value for money in the use of resources. The 2021/22 value for money conclusion is currently being undertaken alongside the 2022/23 conclusion and will be reported in due course.

5.4 Based on audit work undertaken during the year, an Annual Internal Audit Report was presented to the Audit and Risk Committee on 19 June 2023. Audit work which was completed in 2022/2023 included:-

- Freedom of Information
- Fixed Asset Accounting
- Accounts Payable
- Budgetary Control
- Accounts Receivable
- Governance
- Risk Management
- Payroll
- Data Protection
- Partnerships

5.5 As a result of these audits the following were identified as the main issues:-

Freedom of Information

A review was undertaken to provide assurance that adequate controls were in place for dealing with and responding to Freedom of Information requests. An issue identified related to requests not always being responded to within the designated 20-day timeframe. It was acknowledged that the relevant information requested was collated in a timely manner but the issue related to delays in the approval process which resulted in the information not being sent to the requestor within the stipulated timeframe. A management response was received confirming agreement to the report and an action plan provided detailing how an automated approval process has been implemented to address this issue.

Governance

The objective of the review was focussed upon the adoption, adequacy and application of the Local Government Transparency Code and to ensure that the control system in place mitigated risks to the achievement of the Authority's objectives in this area. The review identified one issue where improvement could be made, as detailed in both the Code of Conduct (which forms part of the Constitution) and the Anti-Fraud, Corruption and Bribery Policy, whereby it is a requirement that employees must declare to their line manager any financial or non-financial personal interests that could bring about conflict with the interests of the Authority. The review identified that this requirement was not being consistently complied with. There was evidence that interests were being declared in meetings, where appropriate but that the annual returns were not being completed by employees. The declaration of interests' process is integral for promoting the transparency of the decision-making process throughout the Authority and for mitigating the risk of reputational loss.

As part of a previous review of governance it was noted that a number of policies, including those which formed part of the appraisal/performance management/appraisal framework and the Whistleblowing and Anti-Fraud and Corruption Policy, had not been reviewed on a regular basis.

As part of the latest review, these matters were followed-up and it was confirmed that they have been addressed and the policies have been reviewed and approved.

- 5.6 The issues outlined above, together with any other issues highlighted in the Annual Internal Audit Report, have been raised with relevant managers and actions have been taken to achieve improvements.

Funding Position

- 5.7 In February 2022, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC) confirmed the Authority's funding settlement for 2022/23 at £53.590m, which was a one-year only settlement.
- 5.8 In December 2022, the Secretary of State for DLUHC announced the provisional settlement for 2023/24 at £56.867m, resulting in a funding increase of £3.277m (6.1%). This was increased by a further £54k in the final settlement allocation in February 2023. In addition, it was indicated the Services Grant would continue to be distributed through the existing Settlement Funding Assessment formula in 2023/24 amounting to approximately £1.4M for this Authority (£2.3M in 2022/23). The Government also proposed a general Council Tax referendum threshold of 3% for Fire and Rescue Authorities. However, for one year only (2023/24), for all Fire and Rescue Authorities, there would be flexibility to increase Band D precepts by £5.
- 5.9 The Local Government Finance Settlement is a one year only Settlement for 2023/24, rather than the anticipated two-year Spending Review period. Multi-year settlements are a more effective way of managing resources, aligned to longer term planning and this uncertainty needs to be factored into the Medium Term Financial Strategy. Every 1% increase/reduction in core funding represents an increase/loss of circa £0.570m funding for the Authority.
- 5.10 In addition, there are ongoing budget uncertainties, particularly relating to Firefighter pension related issues, that have significant funding implications but at this stage still remain unclear in terms of ongoing cost and whether those costs will need to be found by Fire and Rescue Authorities and/or by Government funding. Furthermore, there are significant budget pressures affecting the Authority arising from the 'Cost of Living' crisis, particularly pay awards and inflation levels. Therefore, whilst the Government funding allocation in 2023/24 is an increase in cash terms compared to 2022/23, a high level of caution still needs to be applied to future financial years as the funding position and expenditure position remain volatile for the Fire Sector.

6. Certification

- 6.1 To the best of our knowledge, the governance arrangements, as outlined above have been effectively operating during the year with the exception of those areas identified as requiring improvement. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our annual review.

Greg Brackenridge
Chair
West Midlands Fire & Rescue Authority

Wayne Brown
Chief Fire Officer