

DEVON & SOMERSET FIRE & RESCUE AUTHORITY



REPORT REFERENCE NO.	DSFRA/09/16
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY
DATE OF MEETING	29 JUNE 2009
SUBJECT OF REPORT	ANNUAL GOVERNANCE STATEMENT 2008/09
LEAD OFFICER	Chief Fire Officer and Treasurer to the Authority
RECOMMENDATIONS	
<p>(a) <i>That the current position resulting from addressing the identified areas of required activity in the 2007/08 Annual Governance Statement, as set out in Appendix A to this report, be noted;</i></p> <p>(b) <i>That the Annual Governance Statement required to accompany the 2008/09 final accounts, as set out in Appendix B to this report, be approved and the Chairman and Chief Fire Officer authorised to sign it on behalf of the Authority.</i></p>	
EXECUTIVE SUMMARY	
<p>This report sets out progress against those significant internal control issues identified in the 2007/08 Annual Governance Statement. It also outlines the current standing of the Authority's corporate governance processes and proposes a draft Annual Governance Statement to accompany the 2008/09 final accounts.</p>	
RESOURCE IMPLICATIONS	Nil.
EQUALITY IMPACT ASSESSMENT	An initial assessment has revealed that there are no equality issues arising from this report.
APPENDICES	<p>A. Progress against significant internal controls issues identified in 2007/08 annual Governance Statement.</p> <p>B. Draft Annual Governance Statement 2008/09.</p> <p>C. Governance Arrangements Schematic.</p>
LIST OF BACKGROUND PAPERS	Annual Governance Statement 2007/08.

1 INTRODUCTION

- 1.1 The Accounts and Audit Regulations (Amendment) (England) 2003 (as amended) place a requirement on relevant authorities, including combined fire and rescue authorities, to publish an Annual Governance Statement (AGS). Whilst it is convenient to include this statement within an authority's final accounts, it is not specifically a finance related statement and forms part of the authority's corporate obligations in respect of corporate governance and risk management.
- 1.2 The Chartered Institute of Public Finance Accountancy (CIPFA) in conjunction with the Society of Local Authority Chief Executives (SOLACE) has published extensive guidance to assist authorities in producing the Annual Governance Statement. This guidance has been followed as far as practicable in relation to the production of the 2008/09 AGS for the Devon and Somerset Fire and Rescue Authority.
- 1.3 The appendices to this report set out, respectively:
- progress in addressing those issues identified in the 2007/08 AGS (Appendix A);
 - the proposed AGS to accompany the Devon and Somerset Fire and Rescue Authority 2008/09 final accounts (Appendix B);
 - a schematic of Governance arrangements (Appendix C).
- 1.4 The remainder of this report addresses in summary each of these appendices

2. GOVERNANCE OBJECTIVES

- 2.1 In the "Delivering Good Governance in Local Government" guidance produced jointly by CIPFA/SOLACE, CIPFA specifies some eight specific governance areas (or objectives) that should be subject to annual review. SOLACE identified a further six areas which sit within, and are subsets of, the first CIPFA identified objective. The CIPFA objectives are identified below and in producing the 2007/08 AGS the Authority reviewed its position against all of these objectives. Following production and of the 2007/08 AGS and its consideration as part of the external audit process for the Statement of Accounts (to which the AGS is linked), however, the Authority was advised that the 2008/09 AGS should only address those areas where actions were identified in the 2007/08 AGS as being needed.

Objective 1 deals with the compliance with principal statutory obligations and organisational objectives. Member engagement and development was identified as an action point together with staff awareness training which is being effected through such means as the refreshed "Whistleblowing" code.

Objective 2 considers the identification of principal risks to the achievement of objectives. Partnership Framework and Risk Management still need to be addressed by the Authority in 2009/10 mainly in the areas of the training and embedding of the risk management culture throughout the organisation. This work is in progress and will be ongoing throughout 2009/10.

Objective 3 requires the Authority to identify key controls to manage risk. The area of Business Continuity Planning is now complete with the publication of harmonised Business Continuity Plans and advanced preparation for Pandemic Influenza.

Objective 4 requires the Authority to seek assurances on the effectiveness of key controls. Again there was compliance in the main with departmental heads having a general awareness of emergent risks and how to manage these. Further improvements to the process are proposed however for the Authority by obtaining and recording individual assurances from all departmental managers and the continuing increase in the internal audit of both Stations and Headquarter's functions.

Objective 5 is concerned with the evaluation of assurances and the identification of gaps in control. SMB reviews all reports whilst Service Planning and Risk & Insurance incorporate recommendations into action plans and the Risk Register respectively. This is an ongoing process.

Objective 6 concerns the action plan for the improvement of the system of corporate governance. Under this objective the need for a broader understanding of risk management across the service has been identified. This will include (inter alia) Fraud awareness training and a new draft Performance Management Framework.

Objective 7 relates entirely to the production of the Annual Governance Statement.

Objective 8 sets out the requirement for this report on the review of governance to be presented to Members for information and approval. These objectives are self-evidently fulfilled.

3. 2007/08 ANNUAL GOVERNANCE STATEMENT AND ACTION PLAN

- 3.1 The AGS included in the 2007/08 final accounts included five significant internal control issues which were required to be addressed during 2008/09. Appendix A summarises the position as at 31 March 2008 in relation to these for the Devon and Somerset Fire and Rescue Authority. The full Audit trail supporting this position statement is contained in a separate document available on request. Substantial progress has been made against each of the outstanding issues.
- 3.2 Following an IDeA facilitated Member Diagnostic, an approach to enhanced Member engagement (including, amongst other things, "workshop" sessions following formal Authority/Committee meetings to explore relevant issues in greater detail) has been implemented. Further enhancements to the engagement process (e.g. development of a local induction programme based upon the regionally-developed framework; consideration to introduction of a Member Development Review process – based upon the regional model piloted in Dorset) are ongoing.
- 3.3 In relation to the Partnership Framework (a requirement of the 2007/08 AGS), while the Authority has now approved a Framework this was only done at its last meeting and was, therefore, outside the reporting period for the 2008/09 AGS. Consequently, it has been necessary to refer again to production of the Framework in the Significant Governance Issues Section of the draft 2008/09 AGS (see Appendix B).
- 3.4 Considerable progress has also been made in terms of raising the profile and awareness of corporate risk management following combination, with the Service Management Board having reviewed the operation of the Authority's Corporate Risk Profile to ensure that risks to the Authority's strategic objectives and corporate plans were appropriately identified and managed. Further work will still be required in 2009/10 (and potentially beyond) to ensure that corporate risk management is fully embedded at all levels within the new organisation.

4. 2008/09 ANNUAL GOVERNANCE STATEMENT

- 4.1 Attached at Appendix B is the draft AGS for 2008/09. It sets out at paragraph 4.1 those Significant Governance issues required to be addressed by Action Plans in 2009/2010.
- 4.2 Finally, Appendix C aims to provide in diagrammatic form the interrelationship between each aspect of the Authority's governance arrangements and the factors influencing, and being influenced by, the AGS.

5. RISK MANAGEMENT IMPLICATIONS AND CONCLUSION

- 5.1 The Annual Governance Statement is fundamental to the risk management of the Authority. The statement shows that the Devon and Somerset Fire and Rescue Authority critically examined its internal control environment and a set of actions to improve, where necessary, this environment for the Authority over the coming year has been developed. Specifically, therefore, the Authority is asked to:
- note the progress made against those areas for improvement set out in the 2007/08 AGS;
 - to consider with a view to approving the 2008/09 Statement; and
 - subject to its approval, to authorise the Chairman and Chief Fire Officer to sign it on behalf of the Authority.

Lee Howell
CHIEF FIRE OFFICER

Kevin Woodward
TREASURER

APPENDIX A TO REPORT DSFRA/09/16

ANNUAL GOVERNANCE STATEMENT 2007/08 – POSITION STATEMENT ON IDENTIFIED AREAS OF REQUIRED ACTIVITY			
Identified Issue	Action Needed	Complete	Comment
Member engagement and development	Member engagement programme to be established	Ongoing	Departmental Service Plan Objective
Partnership framework required	To be produced	Ongoing	Departmental Service Plan Objective
Risk Management Training required	Embed Risk management awareness	Ongoing	Departmental Service Plan Objective
Employee Code of Conduct required	Implement new CLG Code of Conduct when issued	Awaited	FRS Core values are incorporated in Contracts of Employment
Business Continuity Plans	BCPs needed	Complete	Plans published Feb 2009

DEVON & SOMERSET FIRE & RESCUE AUTHORITY
ANNUAL GOVERNANCE STATEMENT 2008/09

1. SCOPE OF RESPONSIBILITY

- 1.1 The Devon & Somerset Fire & 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 had 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 overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.
- 1.3 The 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 www.dsfire.gov.uk or can be obtained from Clerk to the Authority. This Statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 (as amended) in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads 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, cost-effective 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 of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 A governance system has been in place for the Authority up to the year ended 31 March 2009 and up to the date of approval of the annual report and statement of accounts.

3. REVIEW OF EFFECTIVENESS

- 3.1 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 the effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

- 3.2 Throughout 2008/09 the Authority maintained and reviewed its governance framework in a number of ways. In particular:
- a. the Service Management Board reviewed the operation of the Authority's Corporate Risk Profile to ensure that risks to the Authority's strategic objectives and corporate plans were appropriately identified and managed. The outcome of this work will be shared with the Authority during Summer 2009;
 - b. The Authority received and/or adopted:
 - Three year Corporate Plan;
 - Statement of Accounts 2007/08;
 - Annual Governance Report 2007/08
 - External Auditors' Management Letter;
 - Budget Monitoring Reports;
 - Periodic Performance Reports;
 - Medium Term Financial Plan;
 - CPA was refreshed and preparation for CAA (Awareness Raising) commenced;
 - A revised code of Members conduct and introduction of local assessment regime in accordance with legislative requirements, ;
 - Internal Audit Annual report 2007/08.
 - c. The Audit and Performance Review Committee provided an additional level of review to a number of these plans and strategies;
 - d. Internally, Service Planning and Review carried out a continuous assessment of the implementation of policies and procedures throughout the organisation, including follow-up on progress against the action plans;
 - e. Internal Audit undertook a number of planned reviews of systems and internal control procedures across a range of functions in the Authority. Each review contained an opinion on the internal controls in place and any unsatisfactory audit opinions resulted in recommendations for improvement, which were implemented by Management. Copies of these reviews were sent both to the Authority's Treasurer and Monitoring Officer;
 - f. The Authority has established, as required by law, a Standards Committee to oversee its ethical conduct. The composition of this committee has recently been revised to facilitate operation of the local assessment regime;
 - g. The Authority adopted a corporate governance code which brought elected Members closer to the decision making process and served to strengthen overall governance arrangements;
- 3.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework and a plan to address weaknesses and ensure continuous improvement of the system is in place.

4. SIGNIFICANT GOVERNANCE ISSUES

- 4.1 Continuing appraisal of the governance and internal control mechanisms during the accounting period has identified internal control issues which the Authority will address in the next year via Action Plans to deal with the following issues:
- a. The Authority will continue to progress Member engagement and development including a structured approach to induction based on the Regional Model;
 - b. The Authority will produce and implement a partnership framework. This will also include an ongoing review of partnership value and our contribution;

- c. Corporate Risk Management training will be delivered throughout the organisation in order to embed this within its culture.
- d. Action plans will be monitored and amended as necessary to provide a refined focus on continuous improvement in order to embed this within the Authority's culture and provide service-wide coordination.

4.2 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 in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Lee Howell
CHIEF FIRE OFFICER

Bernard Hughes
AUTHORITY CHAIRMAN