

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Item No 5

MEETING: 24th JUNE 2013

SUBJECT: ANNUAL GOVERNANCE REVIEW 2012/2013

**JOINT REPORT OF THE CHIEF FIRE OFFICER, CLERK TO THE AUTHORITY,
THE FINANCE OFFICER AND PERSONNEL ADVISOR**

1 INTRODUCTION

- 1.1 The purpose of this report is to provide details of the findings of the 2012/2013 Annual Governance Review and seek approval to the Annual Governance Statement, prior to its incorporation in the Statement of Accounts.

2 BACKGROUND

- 2.1 In 2001 the Society of Local Authority Chief Executive's (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA) jointly published '*Corporate Governance in Local Government: A Keystone for Community Governance Framework and Guidance Note*'. In line with the guidance contained in this document the Authority introduced its first local Code of Corporate Governance (the Code), which was approved by Members in 2003.
- 2.2 Annual reviews of the Code have taken place to ensure that it remains up to date and effective. Minor updates to the Code have also been carried out to address any issues identified during the reviews. The Code was last updated in June 2012.
- 2.3 The authority has a statutory duty to prepare an Annual Governance Statement, as enshrined in the *Accounts and Audit (England) Regulations 2011*¹.
- 2.4 National guidance on good governance in public bodies has been regularly updated over the years, and TWFRAs code takes account of the most recent framework, '*Delivering Good Governance in Local Government*', produced in 2007 by CIPFA and the Society of Local Authority Chief Executives (SOLACE). This describes the principles of good governance particularly as

¹ A further duty was laid on Fire and Rescue Authorities through the *Fire and Rescue National Framework 2012*, to produce a public facing *Statement of Assurance*. This duty will be carried out as part of the review of the Annual Report.

- 2.5 they apply to local authorities, drawing out these authorities' role in community leadership.
- 2.6 The framework identifies four key roles of a local authority as follows:
- To engage in effective partnerships and provide leadership for and with the community;
 - To ensure the delivery of high quality local services whether directly or in partnership or by commissioning;
 - To perform a stewardship role which protects the interests of local people and makes the best use of resources;
 - To develop citizenship and local democracy.
- 2.7 These four roles are to be borne in mind when considering the six core principles of good governance, as defined in the framework:
- Focusing on the purpose of the authority and on outcomes for the community, and creating and implementing a vision for the local area;
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles;
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - Taking informed and transparent decisions which are subject to effective scrutiny, and managing risk;
 - Developing the capacity and capability of members and officers to be effective;
 - Engaging with local people and other stakeholders to ensure robust public accountability
- 2.8 The framework recommends that governance arrangements are kept under review by:
- Considering the extent to which the authority complies with the principles and requirements;
 - Identifying systems, processes and documentation that provide evidence of compliance;
 - Identifying the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified;
 - Identifying the issues that have not been addressed adequately in the authority and consider how they should be addressed;
 - Identifying the individuals who would be responsible for undertaking the actions required and plan accordingly.
- 2.9 In carrying out these tasks, TWFA has followed CIPFA's detailed guidance which requires a comprehensive assurance gathering process. The Chief Fire

2.10 Officer can confirm that an audit (undertaken during January to April 2012) of this process confirmed the arrangements in place were good.

3 2012/2013 ANNUAL GOVERNANCE REVIEW

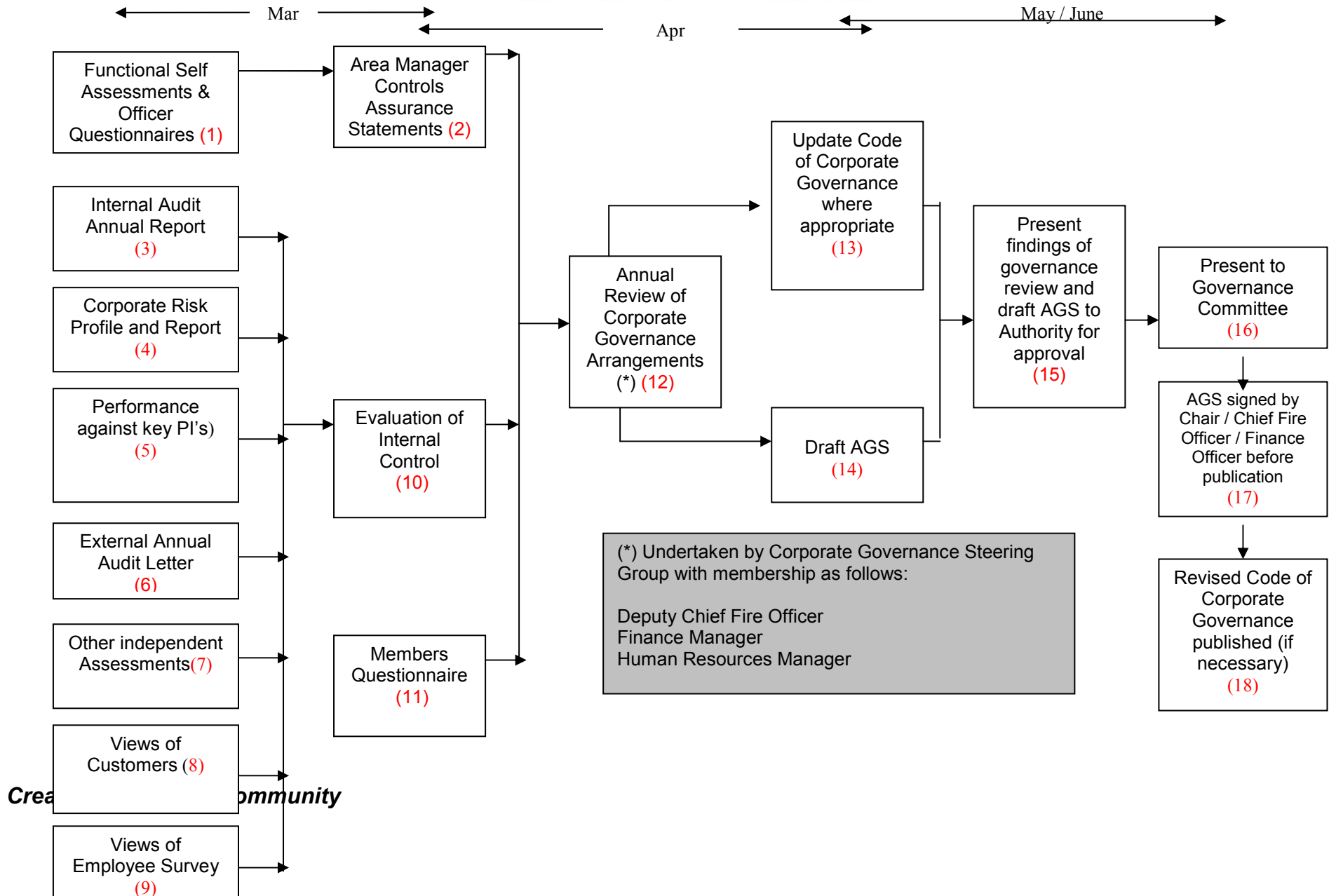
3.1 The review was undertaken by the Corporate Governance Steering Group whose membership is as follows:

- Deputy Chief Fire Officer
- Finance Manager
- Human Resources Manager

3.2 The review followed the agreed methodology which comprises the following stages:

- Completion of Functional Self Assessments (covering all areas);
- Completion of Area Manager Controls Assurance Statements;
- Completion of a Members Questionnaire;
- Completion of an Officer's questionnaire;
- Detailed analysis and evidencing of internal control arrangements;
- Undertaking a Corporate Governance Steering Group Review Workshop;
- Preparation of an Action Plan to address any issues identified, including revision of the local Code of Corporate Governance as required;
- Drafting an Annual Governance Statement and Governance Review Report and presenting this to the Strategic Management Team;
- Presenting the Annual Governance Statement and Governance Review Report to the Governance Committee;
- Presenting the Annual Governance Statement and Governance Review Report to the Fire and Rescue Authority; and
- Chair of Fire and Rescue Authority, Chief Fire Officer and Finance Officer to sign Annual Governance Statement.

The above stages are set out diagrammatically below.



- 3.3 **Functional Self Assessments (1)** - Governance and control self-assessments were completed by all Area Managers. The self-assessments cover compliance with the existing Authority Code of Corporate Governance, as well as key internal control arrangements within each service, and require evidence to be cited in relation to each question, and any significant plans for improvement within their area to be recorded.
- 3.4 **Area Manager Controls Assurance Statements (2)** - Each Area Manager personally signed a Controls Assurance Statement having reviewed the information and views compiled through the self assessment process to come to an opinion on the governance arrangements and internal control environment within their areas of responsibility. The completed functional self-assessments and Controls Assurance Statements were then considered by the Corporate Governance Steering Group (The Group).
- 3.5 **Evaluation of Internal Control Arrangements (10)** - The Authority's internal control arrangements were assessed in line with guidance from CIPFA's Financial Advisory Network.
- 3.6 **Views of Elected Members (11)** - The views of all Elected Members were sought via a questionnaire. Responses were received from 8 Members (50% return) and these were considered by the Group.
- 3.7 **Annual Review (12)** - The Group considered all aspects of corporate governance and supporting documentation including the existing Code of Corporate Governance to identify the areas that need to be amended to bring the Code in line with the new framework. Consequently the Group were able to form a view on the adequacy of the Authority's overall governance arrangements for incorporation in the Annual Governance Statement. Members are asked to note that the process was subject to a review by internal audit this year who concluded that the arrangements in place were good.

4 FINDINGS OF THE CORPORATE GOVERNANCE STEERING GROUP

Functional Self Assessments and Area Manager Controls Assurance Statements

- 4.1 These were examined to ensure that all documents had been completed in full and to identify any issues of significance. It was noted that all Area Managers have identified some future plans for improvement to their governance and control arrangements. The future plans for improvement were summarised and issues highlighted to identify any which were significant in terms of the Authority's overall governance and control environment.

- 4.2 One major action which will affect the Authority's future performance is the implementation of the new command and control system which is being closely monitored utilizing the Authority's project management protocols.
- 4.3 In addition, a large proportion of the future plans for improvement related to tasks which are already ongoing, which are focused on delivery or which have already been included in existing service plans. Actions of this type are contained within our IRMP or Level 3 plans and as such have not been considered significant to the overall governance and control environment.
- 4.4 Newly identified actions resulting directly from the annual governance review, which have corporate significance, have been included in the revised Code of Corporate Governance as actions to be addressed.

Annual Internal Audit

- 4.5 The Group considered the Internal Audit Annual Report 2011-12, presented to the Governance Committee in June 2012. It was noted that using the cumulative knowledge and experience of the systems and controls in place, including the results of previous audit work and the work undertaken within 2011/2012, Internal Audit considered that overall throughout the Authority there continues to be an adequate internal control environment.
- 4.6 A review of partnership arrangements was undertaken and concluded that overall partnership arrangements are considered satisfactory and substantial assurance is given.
- 4.7 In addition, the annual national Audit Commission Fraud survey was completed and no cases of fraud had occurred during 2012/2013.
- 4.8 It was also noted that the Audit Commission had carried out an independent review of the effectiveness of Internal Audit arrangements, by reference to the CIPFA Code of Practice for Internal Audit, and concluded that the service continues to comply with the relevant standards.

Corporate Risk Profile

- 4.9 The Group considered the Corporate Risk Register, which is a live document regularly updated, monitored and managed by the Corporate Risk Management Group. Of the 20 corporate risks faced by the Authority, the following should be noted that the most significant (High priority) risks are:
1. Failure to effectively and safely deploy and manage operational staff and resources at incidents leading to staff and public being exposed to unnecessary risk.

2. Risk that spending and/or policy decisions of one of our partners has a negative impact on our collaborative work and therefore a detrimental impact on the communities that we serve.
 3. Risk that a spending decision of one of our partners has a detrimental impact on the delivery of some of our services, Safetyworks, Phoenix, Princes Trust, etc.
 4. Risk that further budget cuts will mean that we have to make decisions that will affect the delivery of front-line services from 2013/14.
 5. Inability to continue diversification of the workforce year on year results in the Authority not realising the benefits in terms of service delivery and community engagement and missed targets.
 6. Industrial unrest nationally and/or locally with regard to conditions of service (including on-going organisational change management programmes) results in industrial action and impacts on service delivery.
- 4.10 As well as the High risks, the Group particularly considered one of the medium risks- the risk that we do not realise the savings proposed in our IRMP, resulting in reduced financial resilience and potential impact on service delivery. Although not considered a high risk based upon effective mitigation, this risk will be closely monitored during the coming months and years. The Group noted that the Audit Commission's Annual Governance Report for 2011-12 indicated that "There is a good track record of managing to budget and delivering agreed savings plans".
- 4.11 The Chief Fire Officer has developed an action plan to manage and mitigate each risk. Where appropriate these actions have been included in the annual operating plans of the appropriate departments for action as necessary.

Performance management

- 4.12 The Group considered the Authority's performance management framework and actual performance against key indicators. It was noted that performance has continued to improve during the year and that this was borne out by the opinion of external auditors in the Annual Governance Report.
- 4.13 The Authority's performance management framework was considered with the main issues being:
- Continue to improve performance through a range of improvement activities and evaluation to target specific risks;

- Continue to improve understanding of performance and risk through partnership working to develop realistic targets and strengthen accountability at a local level;

Plans are in place to address all of the above issues and none are considered significant in terms of the Authority's overall governance and control arrangements.

External Auditor opinion

- 4.14 The Group considered the Annual Audit Letter and Annual Governance Report prepared by the Audit Commission covering 2011-12, which gives independent assurance of financial control and Value for Money (including financial resilience and the overall efficiency and effectiveness of the Authority).
- 4.15 The Audit Commission issued an unqualified conclusion on both financial arrangements and Value for Money, and identified no significant weaknesses in the Authority's arrangements for internal control. Their report included comments that:
- Financial plans are based on a realistic assessment of future funding levels, coupled with a clear commitment to delivering expenditure within budget whilst at the same time maintaining adequate levels of working balances and reserves.
 - The updated IRMP, associated action plan and corporate risk register demonstrate an understanding of the possible implications of reducing spend in terms of fire risk, and set out how this is being mitigated and managed
 - The Authority's costs per head of population have reduced significantly over the past 5 years

It is considered that the Annual Audit Letter gives reassurance that the Authority's overall governance and control arrangements are satisfactory.

Other external assessments

- 4.16 The Group examined the results of other external assessments over the past year. These include:
- ROSPA Gold accreditation for the seventh consecutive year
 - CIPD Diversity and Inclusion Award for the LGBT Network
 - Accreditation to British Standard 25999 for Business Continuity across all areas of the service. The Authority was the first FRA nationally to achieve accreditation to this standard

- Achievement of Excellent status under the Fire and Rescue Service Equality Framework, assessed through peer review
- Achievement of 28th place in the Stonewall Top 100 Employers Workplace Equality Index
- Better Health at Work Award
- CIPD Diversity and Inclusion Award for the Disability Employee Advisory Group

Although these assessments are not directly concerned with governance and internal control, they do require systematic arrangements to be in place for the criteria they are assessing, and as such the Group considered that they provide additional assurance as to the control environment in the Authority.

Views of customers

- 4.17 The Authority commissions an on-going 'After the Incident Survey', the latest results of which recorded scores of 100% overall user satisfaction with regard to the services we provide at both non domestic and domestic incidents. We also carry out satisfaction surveys on fire safety audits and our Home Safety Checks.

Views of Employees

- 4.19 The Authority undertakes a survey of the views of employees in relation to a range of issues on a regular basis. The latest employee survey undertaken during September / October 2012 indicated that:
- The majority of staff (84%) are satisfied with their current role, are treated fairly at work and are encouraged to take responsibility.
 - 88% of staff think the Authority provides value for money, 47% thinks the Authority minimise bureaucracy and 61% believe it has a 'blame free' culture.
 - 66% of staff have regular team meetings where they are given the opportunity to speak and find out what is happening in their department. 33% of staff feel that communications have improved since the previous survey.

Information Governance

- 4.20 As a result of the most recent information governance audit six actions were agreed, all of which have been fully implemented. A data handling audit was undertaken in 2012 resulting in four improvement actions, two of which have now been completed.

Members and Officer Questionnaires

4.21 A questionnaire issued to Members asked whether they felt that statements made in the existing Code of Corporate Governance were being met. All of the respondents were in full agreement that the statements in the Code were being met. Members also made the following observations:

- Members feel that the Service demonstrates openness and integrity in all its dealings and encourages scrutiny by partners and service users.
- Members believe that their affiliations with stations have developed their knowledge and understanding of their local communities and expectations of them in terms of service delivery.
- Members feel that the on-going member development programme provides the necessary training to ensure they develop the appropriate skills required to undertake their role on the Authority.
- Officers felt that risk management process is fully embedded within the organisation.
- Officers feel that through Role maps, Job Descriptions, Code of Conduct and Standing orders & Financial Regulations that roles and functions are clearly defined.
- Officers believe that informed and transparent decisions are made and that scrutiny is undertaken by various committees within the Authority including the Governance Committee and the Policy & Performance Committee to ensure this is the case.
- Members believe that there is an effective risk management process in place which is supported by the Integrated Risk Management Plan.
- Members feel that constructive working relationships exist between members and officers and there is clarity and understanding regarding their respective roles.
- Members believe that the committee structure provides a level of scrutiny and there is also a positive culture of challenge within the organisation.
- Members believe that there is a clear, consistent vision that is understood throughout the organisation.

5 UPDATES TO THE CODE OF CORPORATE GOVERNANCE

- 5.1 It was also considered whether any updates or revisions to the Code of Corporate Governance are required, and agreed that the Code should be revised based upon the current SOLACE/CIPFA framework and guidance, “Delivering Good Governance in Local Government”. An updated Code is attached at Appendix A for consideration and approval by Members.

6 6. ANNUAL GOVERNANCE STATEMENT

- 6.1 The Annual Governance Statement has been drafted taking into account the findings of the annual governance review. The review has found that only minor improvements are needed to the control environment in a small number of areas. The Annual Governance Statement is attached at Appendix B for consideration and approval by Members.

7 CONCLUSION

- 7.1 The Authority has robust and effective governance and internal control arrangements in place. The views elicited during the review from Members and all senior managers across the Authority demonstrate that the principles of good governance are embedded, and independent assurance has been provided on all areas required, as well as some areas not specifically required.
- 7.2 The review has not identified any weaknesses that would need to be highlighted in the Authority’s Annual Governance Statement.
- 7.3 A small number of actions have been identified to further develop governance and control arrangements, as detailed in the action plan attached at Appendix C.

8 RISK MANAGEMENT

- 8.1 The annual governance review provides a comprehensive assessment of the organisation’s systems of control as referred to in section 3. The Authority’s Corporate Risk Profile is used to inform this assessment.

9 FINANCIAL IMPLICATIONS

- 9.1 All financial implications by virtue of this review are contained within existing budgetary headings.

10 EQUALITY AND FAIRNESS IMPLICATIONS

10.1 There are no equality and fairness implications in respect of this report.

11 HEALTH AND SAFETY IMPLICATIONS

11.1 There are no health and safety implications in respect of this report.

12 RECOMMENDATIONS

12.1 The Authority is requested to:

- a) Consider and comment upon the revised Code of Corporate Governance;
- b) Consider and comment upon the Annual Governance Statement;
- c) Receive further reports as appropriate.

BACKGROUND PAPERS

The under mentioned Background Papers refer to the subject matter of the above report:

- CIPFA/SOLACE Guidance - 'Delivering Good Governance in Local Government'
- Audit Commission: Annual Audit Letter and Annual Governance Report 2011-12
- Internal Audit Annual Report as presented to Governance Committee June 2012
- After the Incident Survey 2012
- Employee Survey 2012
- Quarterly performance reports to Policy and Performance Committee
- BSI 25999 (Business Continuity) accreditation report
- Stonewall Top 100 Employers index and report
- ROSPA Gold Award documentation