

# GREATER MANCHESTER FIRE AND RESCUE AUTHORITY

## AUDIT AND SCRUTINY COMMITTEE

20 JUNE 2012

### Subject: ANNUAL GOVERNANCE STATEMENT

#### Report of the Treasurer

#### 1. Background/Legislative Requirements

The ongoing issues faced by local authorities reflecting social, economic, and legislative change have led to new, diverse ways of working as opposed to traditional roles. The common theme running through all Government initiatives is the need for local authorities to review the various systems and processes they have in place for managing both their own internal affairs and also, more increasingly, their relationships with their expanding number of key stakeholders. Together these systems comprise **corporate governance**.

The Fire Authority's corporate governance arrangements are summarised in the Local Code of Corporate Governance, based on an updated CIPFA/SOLACE Framework which was approved by Policy Committee on 31<sup>st</sup> January 2008. Levels of compliance with the Code are reviewed each year by internal Audit to enable the Authority to measure its arrangements against the Local Code and identify areas where improvements are necessary as detailed in the Annual Statement of Assurance. This approach clearly demonstrates the current Authority position and proposed further remedial action to attain full compliance with the Local Code.

Combined with other formal assurances it also satisfies the legislative requirements (Accounts and Audit Regulations 2011 (4) ) to "*...conduct a review at least once in a year of the effectiveness of its system of internal control*" which then enables the production of the Annual Governance Statement as required by the legislation.

Subsequent to approval by the Authority, the Annual Governance Statement needs to be certified by the Chairman and County Fire Officer and Chief Executive and be published with the Authority's Statement of Accounts.

#### 2. Current Position

Internal Audit provide a continuous review of appropriate management and reporting arrangements to ensure that the Authority's approach to corporate governance is both adequate and effective in practice. Key reviews completed or supported by Internal Audit in 2011/2012 include:

- Assessment of revised Local Code of Corporate Governance.
- Support of Risk Management arrangements.
- Support of Operational Assurance planning and reporting arrangements.
- National Fraud Initiative facilitation
- Fraud and/or irregularity investigations.
- Material systems and Control Functions assessment (by key controls quality assurance verification, system development support, and detailed system reviews).
- Information Governance Policies

During 2011/2012, reports on Internal Audit Activities have been presented to Members of the Audit Committee on 1<sup>st</sup> December 2011 and 20<sup>th</sup> June 2012 with the latter report containing an “assurance opinion” as follows :-

*“.....assurance can be gained that the Authority is committed not only to properly managing its affairs but to striving to improve on its assurance arrangements. This is particularly evident in the key areas of risk management, service planning, performance management, and corporate governance. **In conclusion it is the opinion of the Treasurer that the Authority operates an effective overall internal control environment.**”*

However, the work performed by Internal Audit also highlights areas where improvements may be made so it is essential that the Authority continues to review and improve its assurance processes and does not become complacent as a result of this Statement of Assurance.

The control framework by which the Annual Governance Statement is prepared, outlining how the various assurance and control streams dovetail together, is presented in diagrammatic format at Appendix 1. This framework is based on guidance issued by the CIPFA Financial Advisory Network and has been amended only to reflect local organisational variations.

### **3. Proposals**

A draft Annual Governance statement is attached to this report. The Statement has been structured to :-

- Satisfy the requirements of the Accounts and Audit (England) Regulations 2011
- Comply with the stipulations of the Code of Practice for Local Authority Accounting (SORP ).
- Incorporate current CIPFA (Finance Advisory Network) and Audit Commission guidance and proper practice.
- Provide Members with proposed actions to continue to develop areas where additional improvements can be made.
- Build on the already successful disclosure arrangements

### **4. Conclusions**

The production and approval of the attached Annual Governance Statement, although now a statutory requirement, is effectively a continual enhancement of disclosure arrangements successfully introduced by the Authority in 2003.

The Authority has always produced a wider-ranging assurance statement on the Authority’s overall governance arrangements (detailing how the Authority conducts its business both internally and with its dealings with other parties) rather than simply satisfying the minimum statutory requirements for a Statement on Internal Control.

This statement clearly continues to outline the significant issues facing the Authority, which need to be effectively managed and highlights areas where protocols are being developed to improve compliance with the Authority's Local Code of Corporate Governance. The document is intended to demonstrate the Authority's commitment to maintaining the highest ethical standards and levels of corporate governance.

## **5. Recommendations**

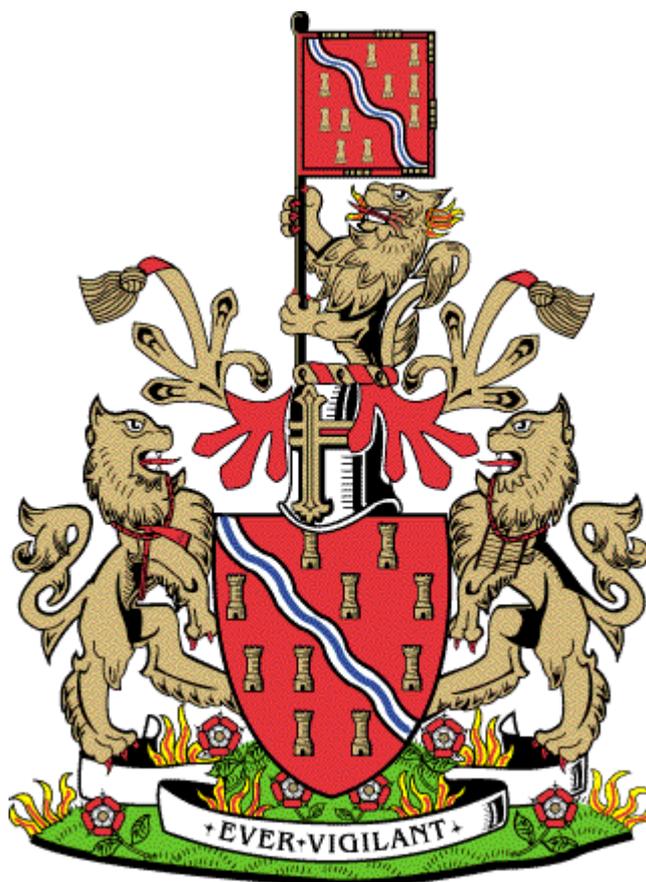
Members are asked to approve the Annual Governance Statement. Once approved, the Annual Governance Statement is to be signed by the Chairman and County Fire Officer and Chief Executive and included within the Authority's Statement of Accounts for 2011/2012.

Paul McKeivitt  
Treasurer  
7<sup>th</sup> June 2012

There are no Background Papers to this Report within the meaning of Section 100D of the Local Government Act 1972

Paul McKeivitt  
(Proper Officer)  
7.6.12





## **ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012**

Greater Manchester Fire and Rescue Authority is committed to the highest standards of corporate governance as outlined in this Annual Governance Statement.

Governance is about how bodies ensure that they do the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and culture and values, by which bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

A key aspect of governance is the requirement to put into place *“effective risk management systems, including systems of internal control”*.

This Annual Governance Statement supports the Authority’s Statement of Accounts and outlines how it manages its affairs to deliver high quality services and ensure that public money is effectively spent.

## **Annual Governance Statement for the year ended 31<sup>st</sup> March 2012**

### **1. Introduction/Background to the Annual Governance Statement**

The preparation of the Annual Governance Statement to support the Annual Statement of Accounts is a statutory requirement for local authorities. Its purpose is to demonstrate and evidence that there is a continuous review of the effectiveness of the Authority's internal control, performance and risk management systems. This allows an assurance on their effectiveness to be provided so that users of the accounts can be satisfied that proper arrangements are in place to govern spending, safeguard assets and maximise operational effectiveness. The process also enables the production of a corporate action plan to address any identified weaknesses.

CIPFA have confirmed that "proper practice" in relation to internal control is as detailed in the *Delivering Good Governance in Local Government* (CIPFA/SOLACE 2007) and this has statutory backing.

The Authority has always complied with the appropriate legislation and "proper practice" guidance resulting in a corporate disclosure statement that always met the current "proper practices" criteria. As such, the format of this years statement is not significantly different than the wider governance statement produced in previous financial years.

A description of the key elements of the Authority' assurance and internal control environment is detailed at Appendix 2.

### **2. Vision Values (Purpose) and Aims**

In April 2011 the Authority published a three year Corporate Plan that defined its core purpose as to "*protect and improve the quality of life of the people in Greater Manchester*". The Corporate Plan detailed six strategic aims to support the achievement of this purpose, viz:- prevention, protection, response, public value, people, and principles. The 2011-2014 Corporate Plan set out the Authority's initial planned actions in response to the Coalition Government's spending cuts and introduced a new risk based response approach.

As scheduled the Authority (following further extensive consultation with staff, partners, and communities) revisited the Corporate Plan and recast the detail for a further three year period to reflect priorities and funding reductions while continuing to "*protect and improve the quality of life of people within Greater Manchester*". The Corporate Plan continues to be supported by transparent corporate objectives with integration of the statutory Integrated Risk Management Plan, and associated plans including Directorate and Departmental plans.

The Authority's values (purpose) and aims continue to reflect legislative, national, regional, and local priorities.

### **3. Scope of Responsibility**

The Authority's governance framework comprises the systems and processes, the culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with, and supports its community. It enables the Authority to monitor the achievement of its core purpose and strategic aims and to consider whether these aims have led to the delivery of appropriate, cost effective services.

The Authority, through its elected Members and officers, 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, and used economically, efficiently, and effectively. In discharging this accountability, members and senior officers are responsible for putting in place proper arrangements for the governance of the Authority's affairs and the stewardship of the resources at its disposal.

To this end the Authority has approved and adopted a Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. Copies of the policy documents are available on our website.

This statement explains how the Authority has complied with the CIPFA/SOLACE Framework, identifying areas in which our governance arrangements can be strengthened. This statement also meets the requirements of regulation 4 (4) of the Accounts and Audit (England) Regulations 2011 in relation to the approval by Members of "*an annual governance statement, prepared in accordance with proper practices in relation to internal control*".

The Authority is committed to fulfilling its responsibilities in accordance with the highest standards of good governance, underpinned by the ethical behaviour of officers and Members.

The governance framework has been in place at the Authority for the year ended 31<sup>st</sup> March 2012 and up to the date of the approval of the statement of accounts.

### **4. Purpose of the System of Internal Control**

The Authority sets the overall strategy and policy and has put in place a well-defined organisational structure, with clearly understood lines of responsibility and delegation of authority to help ensure that strategies and policies are effectively implemented and adhered to.

The Corporate Leadership Team is ultimately responsible to the Authority for the system of internal control and reviewing its effectiveness. Any system of internal control can only provide reasonable assurance and not absolute assurance that all significant risks will be mitigated. The key issue is that risks, their potential for occurring and possible impact are identified. A conscious decision can then be made on how to prioritise and deal with those risks.

The system, therefore, is designed to effectively manage, rather than eliminate, the risks that are attached to the fulfilment of the Authority's purpose to "*protect and improve the quality of life of the people in Greater Manchester*". The fundamental internal drivers supporting the Authority's strategic aims are - prevention, protection, response, public value, people, and principles.

## **5. The Assurance Framework and Internal Control Environment**

The Authority's system of internal control (see Appendix 2) is based on ongoing management and review processes introduced to minimise the impact of risks to the achievement of the Authority's mission, aims and objectives. This system of internal control has been in operation in respect of the financial year ended 31<sup>st</sup> March 2012 and up to the date of approval of the annual report and accounts.

The Authority's internal control environment is fundamental to the operation of the assurance framework and is designed to manage risk to acceptable levels. It is not possible to eliminate all levels of risk of failure in respect of Authority aims and actions and accordingly can only provide reasonable but not absolute assurance of effectiveness.

In summary the Authority's Internal Control Environment includes:-

- A high level vision (core purpose) embedded in the service planning, delivery, risk management, and performance management frameworks.
- A Monitoring Officer responsible for ensuring the legality of Authority actions and supporting the Standards Committee.
- A Standards Committee (merged with Audit and Scrutiny from the 2012 municipal year) to promote and maintain high standards of conduct by the Members of the Authority.
- A hierarchical management structure governed by a Corporate Leadership Team responsible for overseeing the running of the fire service supported by a senior management Leadership Team responsible for the day to day management of their respective directorates. The above groups are supported by Borough Managers who are responsible for the delivery of all fire service activities to the people of their individual Borough.
- A developing Operational Assurance function to review operational aspects of the Service. Specific activities aligned to meet the future requirements of the Service. Areas of coverage include:-
  - The move to Peer Review.
  - Developing the Role of the Operational Assurance officer at Major Incidents.
  - Developing Colleagues.
  - Qualitative Analysis of Training.
  - Fatal/Serious Incident Procedure.

Work planning and reporting protocols have been introduced that dovetail with the Internal Audit Officer and Member reporting timetable and further support statutory assurance reporting requirements.

- A comprehensive budget setting and monitoring framework with clearly defined guidelines and responsibilities with frequent reporting of performance to the Policy, Resources, and Performance committee.
- Financial Procedures which set out the arrangements for managing all financial transactions and ensuring they are promptly and properly accounted for.
- An Internal Audit function that consistently meets all professional standards (as assessed by the Authority's external auditor) supports the Authority in the achievement of its improvement agenda and has responsibility for the continual review of major financial controls and the wider internal control environment.
- A local Code of Corporate Governance that is reassessed annually by Internal Audit with compliance and progress reporting to the Corporate Leadership Team and the Audit and Scrutiny Committee.
- A Risk Management Strategy, framework and Corporate Risk Register approved and monitored by the Audit and Scrutiny Committee and Authority. The framework demonstrates that risk management arrangements are robust and embedded within the service planning and decision making processes of the Authority. Regular risk management reports are presented to the Audit Committee outlining key risks (and their relevant movements).
- Published Anti-Fraud and Corruption Strategy, Whistleblowing Policy, and Fraud Prosecution Policy to ensure correct reporting and investigation of suspected fraudulent activities.
- A comprehensive performance management framework with clearly defined performance management targets, that measures financial and other performance data linked to the Authority's key objectives.
- An ICT Strategy covering a defined time period and structured under the key areas of Infrastructure, Application systems, and Management systems. The Strategy contains a range of work plans that are reviewed in line with the requirements of the IRMP and Directorate and Departmental Plans. Monitoring is via an ICT Strategy Working Group who meet periodically to consider existing projects and the requirement for new ICT systems.
- Personal Review Programme dovetailed with well publicised human resources policies, associated procedures, induction processes, and Codes of Conduct designed to ensure that staff are appropriately skilled to deliver the Authority's aims and objectives and conduct themselves in a proper manner.
- An Audit and Scrutiny Committee (including independent non-elected Membership) to compliment the existing Committee responsibilities and oversee the work of the Internal and External Audit functions and provide independent assurance of the effectiveness of:-

- a. The governance arrangements of the Authority and its services.
  - b. The Authority's risk management framework and the associated control environment.
  - c. The Authority's financial management framework processes and the way this relates to the performance of individual services and the Authority as a whole.
- Regular Briefings for Members of the Authority on all significant financial, operational, and strategic decisions.
  - A Responsible Financial Officer supported by statute, to ensure the effective administration of the financial affairs of the Authority.

The Authority has a Service Level Agreement with Wigan MBC and its Director - Corporate Services has been designated Treasurer by the Authority as the responsible officer under Section 73 of the Local Government Act 1985 and Part VII of the Local Government Finance Act 1988 for the proper administration of its financial affairs.

The Director of Finance and Technical Services (DFTS) has delegated responsibilities in relation to the financial administration and stewardship of the Authority. The DTFS is a member of the Corporate Leadership Team and reports to the County Fire Officer.

The distinctive roles reflect the position of the Treasurer as accountable to the Authority and its Members, and the DTFS role in reporting directly to the CEO and to CLT.

It is considered that this approach does meet best practice as determined by CIPFA guidance in that the CFO is a key member of the Authority in ensuring accountability and developing financial strategy, with delegated authority to the Director of Finance and Technical Services to resource, implement and monitor financial strategy via CLT and the Authority. The CFO has direct and independent access to the CEO and the Leader of the Authority on all financial and governance related matters.

## **6. Review of Effectiveness**

The Authority has a statutory responsibility to conduct, 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 Committees and management with responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's Annual Report, Operational Assurance Annual Report, and also work completed by external inspectorates.

The effectiveness of the Authority's system of internal control is demonstrated by a range of independent procedures and protocols, including:-

- Corporate Leadership Team procedures and associated management action
- Financial Procedures and Financial Management reporting
- Performance Management reporting
- Committee reporting
- Monitoring Officer
- Risk Management
- Standards Committee and Annual Report
- Codes of Conduct
- Operational Assurance
- Internal Audit

In order to help maintain consistent and appropriate standards of governance across the Authority, and to enhance the process for the compilation of the Annual Governance Statement, Corporate Managers' Assurance Statements have again been completed by all members of the Leadership Team.

The Assurance Statement is a self assessment to assist managers to annually review the quality of the governance arrangements around the service areas for which they are responsible. The completed statements have identified several areas at an operational level where further action is required to improve governance within the Authority. Appropriate action to address the issues has been agreed.

Collectively, these form the basis of the Authority's governance arrangements and are further validated by independent assessments from various external agencies, viz.:-

- External Inspectorate
- External Audit

### Corporate Leadership Team

The Authority is led at officer level by the County Fire Officer and Chief Executive with the support of eight senior managers with departmental or operational responsibilities who collectively form the Corporate Leadership Team. The Corporate Leadership Team is supported by a senior management Leadership Team responsible for the day to day management of their respective directorates.

The Corporate Leadership Team, in conjunction with Members, is responsible for the development of the Authority's core purpose to "*protect and improve the quality of life of the people in Greater Manchester*" as supported by six strategic aims to deliver this purpose, viz.:- prevention, protection, response, public value, people and principles.

Key objectives are consistently evidenced within planning documents including the Authority's Corporate Plan, (Integrated Risk Management Plan), and associated plans including Directorate and Departmental Plans.

The success of the Authority's management and internal control arrangements is demonstrated in the key messages within the current (2010/2011) Annual Audit Letter and associated Annual Governance Report viz.:-

*"Financial governance at the Authority is good. The Corporate Leadership Team clearly understands the significant and rapidly changing financial management challenges and risks facing the Authority and is taking appropriate action to secure a stable financial position. The Corporate Leadership Team is actively involved in business decisions leading the promotion and delivery of good financial management."*

*"The Authority provides constructive scrutiny and challenge on financial matters to ensure arrangements remain robust and fit-for-purpose. Members scrutinise and challenge financial performance effectively, holding officers to account."*

*"The Authority has implemented a comprehensive strategic and operational review process, which includes reviews of services the Authority provides and options how they should deliver the Service."*

*"Financial monitoring and forecasting is fit-for-purpose, helping to ensure a clear link between the budget, in-year forecasts and actual year-end position. The Authority has a good record of operating within its budget."*

*"The Authority has continued to strengthen the integration of its financial and operational planning processes. While the achievement of £1.8m efficiency savings in-year was result of a well managed focus on finances, the Authority also delivered on a number of key operational targets."*

*"Arrangements in place have proved robust in recent years and should serve the Authority well as a platform for significant change."*

*"My audit has not identified any weakness in internal control that might result in a material error in your financial statements."*

The Authority's governance arrangements are supported by the continuous review work performed by the Internal Audit and Operational Assurance sections.

The Internal Audit remit is under continual review to reflect and support the legislative requirements of the Section 73 (Local Government Act 1985) Officer, the required professional standards, the revisions to the responsibilities of external audit, and the key priorities of the Authority. The detailed remit of Internal Audit is revised as necessary through the Audit Committee who approve all Internal Audit Plans and receive reports on Internal Audit Activities (1<sup>st</sup> December 2011, 20<sup>th</sup> June 2012). The latter report is contained within the Annual Report for the Section which, in accord with the Accounts and Audit Regulations, provides an annual review of the Service and demonstrates that a high quality and effective Internal Audit service is provided.

As previously reported to Members, the remit of Internal Audit is no longer restricted to financial systems and associated controls. A significant proportion of the Annual Audit Plan is focused on providing assurance that operational and strategic risks are effectively managed to ensure the Authority's vision (core purpose) is achieved and quality services provided.

Internal Audit continues to review appropriate management and reporting arrangements to provide assurances that the Authority's approach to corporate governance and internal control is both adequate and effective in practice.

The County Fire Officer and Chief Executive and the Treasurer have been given the responsibility for overseeing the implementation and monitoring the operation of the Local Code of Corporate Governance, reviewing the operation of the local code in practice, and reporting annually to the Audit and Scrutiny Committee on compliance with the local code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

In addition, the Treasurer (or his nominated officer) is responsible for reviewing independently and reporting to Members annually, to provide assurance on the adequacy and effectiveness of the Code in practice and the extent of management compliance with it. This report was reported under separate cover to the Audit and Scrutiny Committee on 20<sup>th</sup> June 2012.

Significant Internal Audit reviews on governance arrangements, risk management, internal control validation, and system development/implementation have been completed during the financial year and reported accordingly. In all these areas the Authority has shown significant improvement in accordance with agreed action plans (Local Code of Corporate Governance, External Audit reports).

Good working relations exist with Management. All Internal Audit reports are issued to the Deputy County Fire Officer and all recommendations are appropriately monitored by a quarterly working group meeting to ensure that internal audit recommendations to improve control procedures are agreed and implemented promptly.

The Audit Commission has completed reviews of Internal Audit work and although formal reports have not been issued to confirm that professional standards are maintained, they have continued to review and utilise Internal Audit work to inform their assessment of the control environment and feed into their VFM conclusion. This provides implicit confirmation that the Internal Audit work meets all the required standards.

As reported to the Audit Committee on 20<sup>th</sup> June 2012, the Internal Audit assurance opinion on the Authority's overall control environment is based on the reviews completed (and Management actions taken) as part of the Internal Audit Plan in respect of 2011-2012. Significant reviews covered key systems implementation, core financial systems, operational assurance, and a continuing assessment of key issues and corporate governance measures.

Particular relevance is placed on an external assessment of this work as undertaken by the Audit Commission in support of their statutory reviews (see comments below).

On the basis of the above, assurance can be gained that the Authority is committed not only to properly managing its affairs but also to striving to improve in respect of all governance related aspects of its functions. This is particularly evident in the key areas of risk management, performance management, service planning, and corporate governance. **In conclusion it is the opinion of the Treasurer that the Authority operates an effective overall internal control environment.**

### **Operational Assurance**

The annual Operational Assurance Audit Plan sets out the audit activities for both the Operational Assurance (OA) Department and Borough based Officers for the year. The Plan reflects the continued development of the OA Department to meet the changing needs of the Service, by adopting a risk based' approach to undertaking audit activities and progressing the resultant outcomes. This approach ensures resources are targeted efficiently and effectively in order to ensure:

- a) The Service has a safe, well trained and competent workforce capable of meeting the demands placed upon them
- b) The Emergency Response element of the Service is effectively working to achieve the Services purpose and aims set out in the Corporate Plan.

The Service has been undertaking formal audit and review of its operational based activities since May 2005. In support of this work a comprehensive suite of audits have been developed and continually refined:

- i. **Operational Incident Audit** – Provides assurance that operational activities are being undertaken in accordance with standard operating procedures, policies and guidance
- ii. **Training Audit** - Provides assurance that operational personnel are undertaking watch based training in accordance with standard operating procedures, policies and guidance
- iii. **Exercise Audit** - Provides assurance that a range of large and complex training exercises are being undertaken in accordance with the Corporate Exercise Policy and Guidance Document
- iv. **Standards Audit** – Provides a comprehensive review of the 'standard' to which a range of 'day to day' station based activities are being undertaken. Areas assessed during a Standards Audit include:
  - Operational Preparedness
  - Training and Development
  - Prevention Activities
  - Station Work Routines
  - Documentation / Administration
  - Health and Safety

- v. **Evening Work Routine Audit** – Provides assurance that station based personnel are working in accordance with the 'Policy Guidance on the Planning and Management of Work Routines'\*
- vi. **Thematic Audit** – A programme of themed audits agreed with the Director of Emergency Response (DER) and the Leadership Team (LT), based upon areas of organisational risk and/or opportunity.

The Audit Plan ensures that the annual availability of the OA Team is fully accounted for and allocated in accordance with a risk based approach and sets out 'when and how' the planned activities are to be undertaken within the year, including clear targets and milestones against which delivery is measured.

To support the achievement of the Service Delivery Goals the OA Team members undertake audit and review of activities across a wide range of operational incidents including:

- Water incidents
- Special service incidents
- All incidents where persons are reported
- Road Traffic Collision incidents involving multiple vehicles or confirmed persons trapped
- Confirmed acetylene incidents
- All fatal (and possible fatal) fires
- Other 'significant' incidents

The term 'Core Audits' is applied to a range of basic audits (Standards, Training and Evening Audits) that are primarily focused upon activities and standards on fire stations. Since 2010 responsibility for completion of core audits has been devolved to Borough level with a requirement that all Station Managers will complete an average of one core audit per month, set as an annual target.

Each Borough is assigned a core audit requirement, proportional to the number of Station Managers and the type of crewing e.g. wholetime, or non-wholetime. The type of crewing employed at a station is significant, as no evening audits are required at non-wholetime stations. The reporting process for core audits forms an integral part of the respective Area Managers' performance meetings.

The volume of core audits undertaken across the service makes it impractical for OA to ensure that all audits are being conducted to the required standard. Therefore a 10% 'dip sample' of completed audits is undertaken to monitor this area and assess the degree of compliance. In addition to 'dip sampling' OA undertake targeted audits in response to any concerns identified through the conventional environmental scanning processes.

The OA Department coordinate and audit all Corporate Exercises undertaken by GMFRS and where resources allow, also audit any joint exercises taking place within neighbouring Fire and Rescue Services. These activities provide the Service with assurance that:-

- a) The required range of training exercises is being undertaken in accordance with the Corporate Exercises Policy and Guidance Document.
- b) Personnel are working in accordance with standard operating procedures, policies and guidance, within the training environment.
- c) Learning opportunities are being maximised through support of collaborative working and Peer Review activities etc.

An annual programme of prioritised thematic audits is agreed with the Director of Emergency Response. Thematic audits are based upon specific areas of operational risk and/or opportunity identified within the Emergency Response arena, through utilisation of the Environmental Scanning Process to review all available sources.

A thematic audit will typically involve detailed research and analysis of a subject matter, in order to provide the Leadership Team with an informed report, for due consideration and subsequent action as appropriate.

Reviewing workplace activity is an effective means of improving performance and therefore it is the aim of GMFRS to review operational activities on a regular basis. This activity is managed by the OA Department and achieved by undertaking debriefs following all operational incidents and training activities at which improvement opportunities, or successes have been recognised. The OA Department is also responsible for coordinating and utilising the feedback gathered through this process.

The identification, capture and progression of risks to the operational function of the Service is pivotal to the role of the OA Team and supporting processes to provide this have been developed over a number of years. For 2012/13 OA has revised its existing risk management process to ensure it accords with the Corporate Model, specifically the new OA process incorporates:

- More effective prioritisation of risk
- Better use of Departmental, Directorate and Corporate Risk Registers
- More consistent utilisation of PNR forms (Potential New Risk)
- Identification of a Single Point of Contact (owner) within the receiving department
- The contents of the OA Risk Registers to be a standing item at all future meetings of the Operational Risk Control Group (ORCG), where all unresolved items will be discussed
- The actions and outcomes from the ORCG meeting to be captured within an Action Summary and used to inform the Leadership Team (LT)
- Harmonised reporting to Audit and Scrutiny Committee of the Fire Authority, in line with Internal Audit

The Emerging Themes Register has been an inherent part of the operational auditing process since 2005. The register is maintained by OA and acts as a 'catch all' for issues identified during the range of activities undertaken by the team and through the environmental scanning process.

An OA '*Departmental* Risk Register' has been developed to ensure OA are closely aligned to corporate risk management procedures. This register is utilised to document and progress more significant risks, captured within the Emerging Themes Register and requiring resolution at a higher level (Directorate or Corporate).

The purpose of the ORCG is to act as a cross-organisational control group to help manage “risks” likely to affect operational activities. The ORCG work to effectively resolve identified risks from a number of sources, including any unresolved items on the OA Department.

The OA risk register sits as a standing item on the ORCG agenda at its bi-monthly meetings, where representatives from the key support departments work to find resolution. Those risks which the ORCG are unable to resolve, or where the issues are considered to be beyond the authority of the ORCG, are placed on the appropriate Corporate or Directorate risk register and communicated to the ‘Consultation, Research and Assurance Group’ (CRAG) and Leadership Team.

ORCG maintain an action summary detailing progress against all identified risks and forms part of the OA reporting process to the Fire Authority Audit and Scrutiny Committee.

On the basis of the above, assurance can be gained that the Authority has robust active and reactive operational monitoring processes in place, which identify, record and progress resolution of operational areas for improvement. We will continue to refine those processes to further improve cross departmental working and the subsequent effectiveness of dealing with the issues identified through monitoring.

The above officer assurance opinions are supported by the independent review work performed by external agencies as follows:-

### **Audit Commission**

In December 2010 the Audit Commission revised its VFM methodology with the statutory conclusion being based on two criteria specified by the Audit Commission, viz.:-

- *“The organisation has proper arrangements in place for securing financial resilience.*
- *The organisation has proper arrangements for challenging how it secures economy, efficiency, and effectiveness.”*

The above conclusion being supported by risk-based work focussing on the robustness of the Authority’s arrangements relating to financial governance, strategic financial planning and financial control.

Appropriate External Audit reports were presented to the Audit and Scrutiny Committee during 2011/2012 as follows:-

- Annual Governance Report 2010/2011 (28<sup>th</sup> September 2011)
- Audit Committee Update-Audit 2010/2011 (28<sup>th</sup> September 2011)
- Annual Audit Fee Letter (28<sup>th</sup> September 2011)
- Scheme of Members Allowances: Recommendations of the District Auditor (28<sup>th</sup> September 2011)
- Annual Audit Letter (including VFM Conclusion) (1<sup>st</sup> December 2011)
- Audit Committee Update-Audit 2011/2012 (1<sup>st</sup> December 2011)
- Audit Plan GMFRA Audit 2011/2012 (29<sup>th</sup> February 2012)
- Audit Committee Update-Audit 2011/2012 (29<sup>th</sup> February 2012)
- Audit Committee Update-Audit 2011/2012 (18<sup>th</sup> April 2012)

The opinions within the above reports continue the previous years' trends and again commented positively on the Authority's internal control and performance frameworks as outlined below: -

#### Annual Governance Report ( September 2011)

##### Financial Statements

*"The quality of the financial statements and the supporting working papers were good."*

##### Value for Money

*"I plan to issue an unqualified conclusion confirming that the Authority has proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources."*

*"Overall arrangements are operating effectively. The Authority continues to identify and deliver improvements in economy, efficiency, and effectiveness. The Authority has further developed work on understanding of costs and performance; internal control and assert management."*

##### Internal Control

*"My audit has not identified any weakness in internal control that might result in a material error in your financial statements."*

#### Annual Audit and Inspection Letter (December 2011)

*"I issued an unqualified value for money conclusion on 30 September 2011 confirming that the Authority has proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources."*

*"The Authority continues to have effective financial planning processes. The medium term financial plan is soundly based and has clear links to underlying efficiency plans. In 2010/11 the Authority identified that significant savings were required and developed an effective strategy to deliver the savings."*

*"Looking ahead the Fire Authority faces a tough period as it makes further reductions in its budget. Meeting the challenges will require continued effective leadership and close control of costs."*

### **7. Significant Partnership Assurances**

The Statement of Recommended Practice (SORP) 2006 places an additional responsibility on Authorities in that their Statement on Internal Control should embrace controls over group activities where an Authority undertakes significant activities through a group. The "proper practices" guidance has extended this responsibility to controls over partnerships considered by the Authority to be significant i.e. have a detrimental effect on the Authority if the partnership failed.

At this time the Authority is satisfied that it does not need to formally review assurance arrangements in its significant partnerships due to them either being public sector bodies with their own reported assurance/governance arrangements or the Authority's financial commitment not being significant enough to justify such an assurance.

## **8 Significant Internal Control Issues**

One significant internal control issue has been identified during the year involving creditor payments. This issue has been fully addressed by the Authority by the immediate introduction of enhanced system and managerial controls and is detailed in Appendix 1 (Significant Control Issues).

The recent review by Internal Audit re-assessed each component of the Local Code, and concluded *“Greater Manchester Fire & Rescue Authority’s position against the local code of corporate governance is still considered to be strong and has further developed in key areas. There are some areas where further detailed work is being carried out to ensure full compliance with the code.”*

A summary of progress and further agreed action is included at Appendix 1. It also highlights some sensitive areas within the public arena that the Authority is addressing and which provide practical illustrations of the Authority's continued commitment to effective governance.

On the basis of the opinions of the senior officers as detailed above, we are satisfied that the Authority's internal control, corporate governance, and operational assurance arrangements are adequate and are operating effectively. We are satisfied that the enhancements identified will further improve our governance and internal control arrangements. We will assess their implementation and the effectiveness of dealing with the issues outlined as part of the formal risk management process.

Signed: .....

Councillor David Acton, Chairman of Greater Manchester Fire and Rescue Authority & Steve McGuirk, County Fire Officer & Chief Executive on behalf of the Members and Senior Officers of Greater Manchester Fire and Rescue Authority.

Date: .....

## **Corporate Governance Annual Statement of Assurance**

Areas where improvement work is ongoing include:-

Principle 1 Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.

### **Partnerships**

The Head of Protection has confirmed that a number of developments are currently underway:

- Scanning, Analysis, Response, and Assessment (SARA) training and awareness has been made available across the organisation to Station Manager and support staff equivalent levels. Within the Prevention and Protection Directorate this has also included all Community Safety Managers, Community Safety Team Leaders and Community Safety Advisors. The roll out of training to other Emergency Response staff has been incorporated into the Organisational Training Needs Analysis for 2012/2013;
- The partnerships register still exists, however now that SARA is 'live' Community Safety Managers will be tasked with transferring relevant information into the new system;
- The Partnership Framework document will be reviewed and refreshed during the current year.

### **Establishment of Performance Indicators aligned to the Corporate Plan 2012 - 2015**

The Head of Planning and Performance has confirmed that a gap analysis exercise has been undertaken around delivery goals and key performance indicators. The review has highlighted that a number of goals could be evaluated more effectively and as a result, further key performance indicators and measures will be reported to Members on 6<sup>th</sup> September 2012 as part of the Corporate Plan Quarter One Performance Reporting in 2012/2013.

Principle 3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

### **Asset Management Strategy and Asset Management Plans**

During our mid-year review, the Deputy Director of Finance and Technical Services confirmed that the Asset Management Plans were due to go to the September 2011 meeting of the Policy, Resources and Performance Committee for approval.

The Deputy Director of Finance and Technical Services confirmed that this did not happen as all key documents that underpin the Asset Management Strategy have been in the process of being developed following the consultation exercise. These include the Corporate Plan, Operational Strategy and Prevention and Protection Strategy.

As all key documents are now finalised, the Asset Management Plans are being refreshed. A summary overarching principles paper will be presented to the Corporate Leadership Team and then to the Policy, Resources and Performance Committee later at their September 2012 meeting.

### **Information Security**

Policy and procedures are in place to protect data, however, recent self-assessment against the LGA Data Handling Guidelines good practice framework has identified areas for improvement and the remedial action to be taken. Internal Audit are currently examining controls in place.

### **Business Continuity Management Arrangements**

The Contingency Planning and Business Continuity Manager confirmed that a separate plan (Operation County Guard Plan) has been created and key elements tested to cover all necessary actions for the recruitment and training of a uniformed workforce within the timescales contained within industrial action legislation.

The ownership of the Operation County Guard Plan falls under general business continuity management and as such, will be included to the generic suite of business continuity management documentation as amendments are completed during the 2012/2013 Action Plan for the Contingency Planning Unit.

Principle 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

### **Risk Management**

A web-based system has recently been developed to streamline the processes around corporate planning, risk management, performance measurement and reporting. The system will clearly link development and delivery goals to performance measures and/or activities and will also feed into the risk management process.

The system is currently being tested and is expected to be implemented September 2012.

### **Review of format of committee papers**

The Deputy Clerk and Authority Solicitor confirmed that a review of the format of committee papers has been undertaken and a revised format will be implemented from the Annual General Meeting of the Authority in June 2012. The guidance notes on how to prepare a committee paper have also been updated and circulated,

Principle 5 Delivering the capacity and capability of officers and members to be effective.

**Review of the Induction process**

The Director of People and Organisation Development confirmed that a draft induction process had been developed but had not been fully implemented due to the recruitment freeze and other resourcing issues. Work has, however, recommenced and the actions are captured within the new People and Organisation Development Directorate Plan 2012/2013.

**Review of the Employee Training and Development Policy and Procedures**

The Director of People and Organisation Development confirmed that an overarching Training and Development policy together with a range of supporting procedures have been developed and shared with the organisation's Leadership Team for comment on 13<sup>th</sup> April 2012. The policy will be taken to the Emergency Response Committee for approval on 12<sup>th</sup> July 2012.

Principle 6 Engaging with local people and other stakeholders to ensure robust public accountability.

**Communications Strategy**

In the absence of the Director of Corporate Communications, the Corporate Communications Manager confirmed that a draft strategy has been produced and most aspects of that have been written into the Directorate Plan. The strategy itself is expected to be finalised when the Director of Corporate Communications returns from maternity leave in June 2012.

**Consultation and Engagement Strategy**

The Strategy has been circulated within the Corporate Planning and Intelligence team for comment and input and is due to be presented to the Corporate Leadership Team in June 2012 as a draft. The Strategy is then expected to go to Members for comment within the same quarter.

The Strategy is expected to undergo further consultation during quarter 2 with the intention of the document being approved and the implementation process commencing at the end of September 2012.

**Significant Internal Control Issues**

Creditor Payments

A recent fraudulent attempt to redirect payments to a bogus bank account has been identified, however, the Authority has suffered no financial loss. On 25th May 2012 the Authority identified that a significant financial payment (via Bacs) to a key contractor had been diverted to a bogus bank account.

The bank account details had been changed by the Authority on 26th April 2012 following the receipt of what appeared to be a genuine request to change bank account details from the contractor.

The Authority immediately contacted the Head of Finance Division and Internal Audit Manager at Wigan Council Service and the Police. Discussions via the Authority's bank immediately established that although the Bacs transmission had been transacted the bogus bank account had actually been closed and the funds were subsequently returned to the Authority.

This issue arose because a key process was not sufficient for the current economic climate and the disclosure requirements imposed on the Authority. Interim enhanced system and managerial controls have now been introduced to prevent a recurrence. In addition the National Anti Fraud Network have been contacted and a nationwide bulletin will be issued. Detailed internal investigations are ongoing at this time.

### **Other Significant Issues**

A range of internal control issues, involving the Authority, some attracting significant public interest have occurred during the financial year. All the issues have been recognised as major risks to the Authority and are/will be included in the Strategic Risk Register which outlines the mitigating actions along with providing a high level mechanism to monitor the effectiveness of the actions being taken.

A précis of the issues with the remedial action taken/scheduled is detailed below, viz.:-

### **Financial Control Issues**

#### **Economic Downturn/Financial and Service Delivery Issues**

A range of articles have been reported in the media stemming from the continuing economic/fiscal downturn, the impact of Coalition Government actions particularly in respect of funding, and the Authority budget position. The articles generally concerned the ongoing impact of the Government funding cuts and the effect on Authority finances, jobs and service provision. Key articles included:

*July 2011 – “Union Says 250 Firefighters Now Facing The Sack – Twice As Many As Predicted”*

*July 2011 – “Budget Cut Fears Over Fire Cover”*

*October 2011 – “Changes To Fire Stations Mark Best Use Of Our Resources, Say Chiefs.”*

*October 2011 – “Greater Manchester Fire Cuts “Have Associated Risks”, Chief Says.*

*January 2012 – “Fire Crews Stretched To Limit”*

*January 2012 – “Firefighters Hit The Streets To Fight Cuts”*

The Authority's consistent response to these issues is that it has prepared promptly for the financial downturn and addressed all issues in a structured way with the ongoing intention of continuing to protect and improve the quality of life of people within Greater Manchester. This action as part of the Authority's financial planning and management processes has been consistently endorsed by the Audit Commission, viz:

- *"The Authority has implemented a comprehensive strategic and operational review process, which includes review of services the Authority provides and options how they should deliver the Service."*
- *"The Authority faces a tough period as it makes further reductions in its budget. Arrangements in place have proved robust in recent years and should serve the Authority well as a platform for significant change."*

## **Members Issues**

### **Chairman's Expenses**

A series of headline press articles were published in August and September 2011 following the identification of expenses claimed by the then Chairman of the Authority. The issue arose because the period of the claim (three years) was outside of the Authority scheme that required claims to be submitted within 4 months of the expenditure being claimed allied to the value of the claim (£20,442). The claims were genuine travel expenses legitimately incurred and the Authority confirmed that the *"claims are all within the rules and auditable."*

A referral was also made to the District Auditor (Audit Commission) who completed an independent review of the actual claim submission and also the control processes operated by the Authority.

On 16<sup>th</sup> August the Chairman notified his intention to stand down as chair from 8<sup>th</sup> September due to *"a loss of confidence in me from AGMA Leaders"*.

### **Members Allowances**

Following the above referral the Audit Commission made several recommendations to strengthen the control processes around the submission, approval, and payment of Members Allowances. Particular emphasis was placed on authorisation process in respect of late claims and the actual booking of travel by the Authority on behalf of Members. All recommendations were agreed by the Authority.

## Operational Issues

### Crewing Arrangements

Several press reports detailed concerns that the Authority were seeking to employ temporary (retired) firefighters as a contingency measure to cover potential strike action. The FBU reported concerns at a “risk to public safety”. The Authority response was to outline that a plan for the worst case scenario (all firefighters on strike) had to be made to provide the best service possible to the public.

The Authority’s proposals involved recruiting a team of 96 temporary firefighters to man 21 fire engines at key locations to respond to life-threatening emergencies only.

Throughout the process the Authority maintained its legal responsibility to prepare for potential strike action by its employees and prepare appropriate contingency plans to provide the most effective operational cover possible.

### “Missed Body” Tragedy

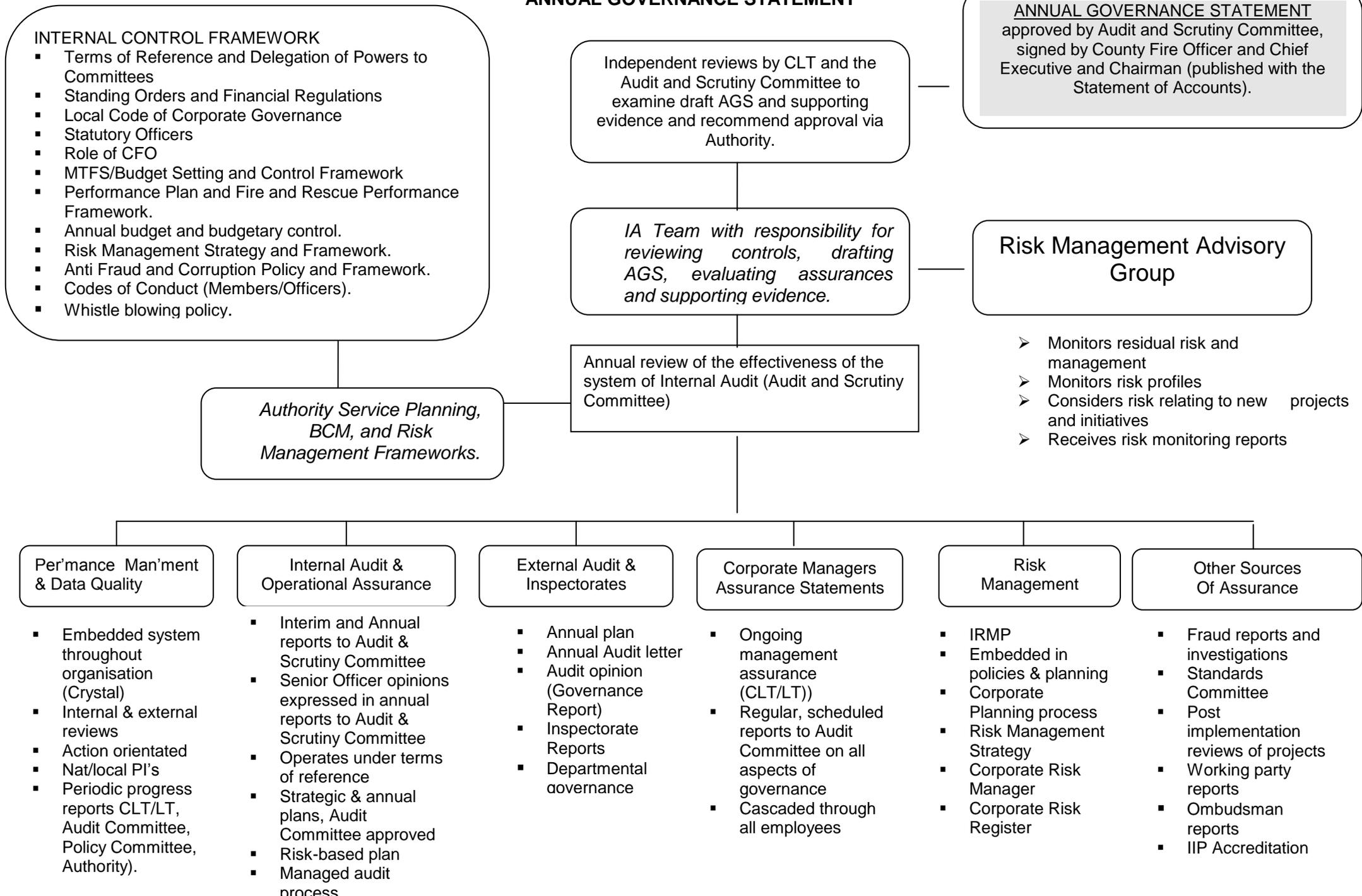
As reported in last year’s AGS, on 15 July 2010, the press reported the unfortunate death of a member of the public in a house fire in Eccles. The incident had been attended by two fire crews who failed to locate the person when a house was initially searched. The person was subsequently located and attempts made to revive the individual prior to transfer to Salford Royal Hospital. However, he was declared dead a short time later.

Further press reports in March and April 2011 reported that, following the investigation, disciplinary action was taken against all eight firefighters who attended the incident resulting in two dismissals (one reinstated on appeal), one demotion and one written warning.

Additional press coverage occurred in February 2012 following the Inquest that returned a verdict of accidental death. The Coroner was satisfied that the Authority *“had updated their policies and training to prevent a further incident.”*

The Authority’s governance and risk management arrangements enable it to deal openly and effectively with situations such as those highlighted above. The nature of the organisation means that there will always be difficult situations to deal with, but its internal control mechanisms ensure that actions are taken appropriately and promptly, and it is openly accountable for those actions. This is a major strength of the Authority and a significant factor in its continuing improvement journey.

**ANNUAL GOVERNANCE STATEMENT**



**INTERNAL CONTROL FRAMEWORK**

- Terms of Reference and Delegation of Powers to Committees
- Standing Orders and Financial Regulations
- Local Code of Corporate Governance
- Statutory Officers
- Role of CFO
- MTFs/Budget Setting and Control Framework
- Performance Plan and Fire and Rescue Performance Framework.
- Annual budget and budgetary control.
- Risk Management Strategy and Framework.
- Anti Fraud and Corruption Policy and Framework.
- Codes of Conduct (Members/Officers).
- Whistle blowing policy.

*Authority Service Planning, BCM, and Risk Management Frameworks.*

Independent reviews by CLT and the Audit and Scrutiny Committee to examine draft AGS and supporting evidence and recommend approval via Authority.

*IA Team with responsibility for reviewing controls, drafting AGS, evaluating assurances and supporting evidence.*

Annual review of the effectiveness of the system of Internal Audit (Audit and Scrutiny Committee)

**ANNUAL GOVERNANCE STATEMENT**  
approved by Audit and Scrutiny Committee, signed by County Fire Officer and Chief Executive and Chairman (published with the Statement of Accounts).

**Risk Management Advisory Group**

- Monitors residual risk and management
- Monitors risk profiles
- Considers risk relating to new projects and initiatives
- Receives risk monitoring reports

**Performance Management & Data Quality**

- Embedded system throughout organisation (Crystal)
- Internal & external reviews
- Action orientated
- Nat/local PI's
- Periodic progress reports CLT/LT, Audit Committee, Policy Committee, Authority).

**Internal Audit & Operational Assurance**

- Interim and Annual reports to Audit & Scrutiny Committee
- Senior Officer opinions expressed in annual reports to Audit & Scrutiny Committee
- Operates under terms of reference
- Strategic & annual plans, Audit Committee approved
- Risk-based plan
- Managed audit process

**External Audit & Inspectorates**

- Annual plan
- Annual Audit letter
- Audit opinion (Governance Report)
- Inspectorate Reports
- Departmental governance

**Corporate Managers Assurance Statements**

- Ongoing management assurance (CLT/LT))
- Regular, scheduled reports to Audit Committee on all aspects of governance
- Cascaded through all employees

**Risk Management**

- IRMP
- Embedded in policies & planning
- Corporate Planning process
- Risk Management Strategy
- Corporate Risk Manager
- Corporate Risk Register

**Other Sources Of Assurance**

- Fraud reports and investigations
- Standards Committee
- Post implementation reviews of projects
- Working party reports
- Ombudsman reports
- IIP Accreditation