

GREATER MANCHESTER FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

22 JUNE 2011

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**.

Following Internal Audit review, a Local Code of Corporate Governance supported by an Annual Statement of Assurance was developed and approved by Policy Committee on 28<sup>th</sup> August 2003 (based on the CIPFA/SOLACE Framework). A revised Local Code of Corporate Governance based on an updated CIPFA/SOLACE Framework was approved by Policy Committee on 31<sup>st</sup> January 2008. These documents allow 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.

Subsequent to approval by the Authority, the Statement of Assurance has 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**

During the last nine financial years Internal Audit have continued to review 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 2010/2011 include:-

- Assessment of revised Local Code of Corporate Governance.
- Further development of the Authority's risk management strategy and processes.
- Support of Risk Management arrangements.

- National Fraud Initiative facilitation
- IRS Data Performance Management
- Fraud and/or irregularity investigations.
- Material systems assessment (by key controls quality assurance verification, system development support, and detailed system reviews).
- Human Resources/Payroll system implementation
- Information Technology Policies

During 2010/2011, reports on Internal Audit Activities have been presented to Members of the Audit Committee on 1<sup>st</sup> December 2010 and 22<sup>nd</sup> June 2011 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 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.

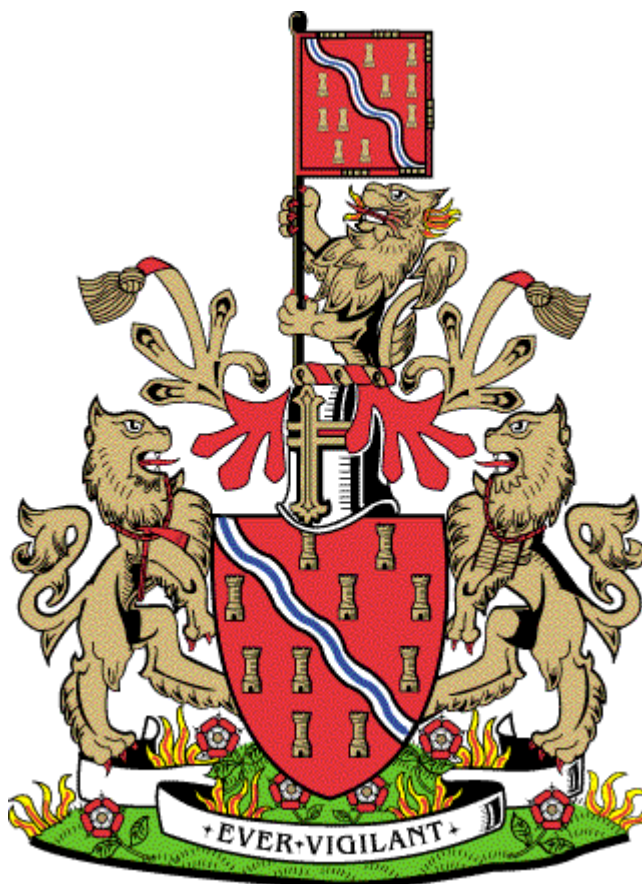
#### **5. Recommendations**

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 2010/2011.

Paul McKevitt  
Treasurer

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

Paul McKevitt  
(Proper Officer)  
03.06.11



## **ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2011**

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 2011**

### **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 and safeguard assets. 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 and 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 and Aims/Purpose and Aims**

The Authority's vision has been communicated to all stakeholders. The Authority's vision "*To make Greater Manchester a safer place by being a modern, community focused, and influential Fire and Rescue Authority*" is supported by transparent corporate objectives that are evidenced within its Integrated Risk Management Plan and Performance Plan (subsumed in 2010/2011 by the Corporate Plan), and associated plans including the Service Action Plan and departmental and Borough Command Action Plans.

Following consultation, from April 2011 the Authority has defined its core purpose as to "*protect and improve the quality of life of the people in Greater Manchester*" and finalised six key aims to support the achievement of this purpose, viz.:- prevention, protection, response, people, public value, and principles.

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

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

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 2011 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 vision "*To make Greater Manchester a safer place by being a modern, community focused, and influential Fire and Rescue Authority*" (from April 2011 updated by its purpose to "*protect and improve the quality of life of the people in Greater Manchester*"). The fundamental internal drivers supporting the Authority's aims are effective community leadership, high standards of corporate governance, and excellent service performance (from April 2011 :- prevention, protection, response, people, public value, 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 2011 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 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.

- Two Calls in 24 hours.
- Failure to Respond.

Work planning and reporting protocols are currently being introduced that will dovetail with the Internal Audit Officer and Member reporting timetable and further support statutory requirements.

- Comprehensive budget setting and monitoring framework with clearly defined guidelines and responsibilities with frequent reporting of performance to committee.
- 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 Committee.
- A Risk Management Strategy, framework and Corporate Risk Register approved and monitored by the Audit 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 Departmental Service 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 Committee (including independent non-elected Membership) to compliment the existing Finance and General Purposes 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.
- A Scrutiny Panel to review current and future initiatives across the service.
  - 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 (DTFS) 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 to develop financial strategy under 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 Head of Internal Audit's 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 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 for 2010/2011, Corporate Managers Assurance Statements have been introduced and 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 vision – *“To make Greater Manchester a safer place by being a modern, community focused, and influential Fire and Rescue Authority”* and the key priorities and supporting objectives to reflect community, regional, and national issues.

Following consultation, from April 2011 the Authority has defined its core purpose as to *“protect and improve the quality of life of the people in Greater Manchester”* and finalised six key aims to support the achievement of this purpose, viz.:- prevention, protection, response, people, public value, and principles.

Key objectives are consistently evidenced within planning documents including the Authority's Corporate Plan, Integrated Risk Management Plan, and associated plans including the Service Action Plan and departmental and Borough Command Action Plans.

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

*"I am satisfied that the Authority has adequate arrangements in place to;*

- *effectively manage its finances to deliver value for money*
- *govern itself and commission services that provide value for money and deliver better outcomes for local people*
- *manage its natural resources to meet current and future needs and deliver value for money."*

*"I have not identified any weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware."*

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

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 2010, 22<sup>nd</sup> June 2011). 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.

During the last nine financial years Internal Audit has continued to review appropriate management and reporting arrangements to satisfy itself that its 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 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 to review independently and report 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 Committee on 22<sup>nd</sup> June 2011.

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 use and place reliance on Internal Audit work, providing implicit confirmation that it meets all the required standards.

As reported to the Audit Committee on 22<sup>nd</sup> June 2011, 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 2010-2011. Significant reviews covered key systems implementation, core financial systems, performance data, 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.**

This opinion is supported by the independent review work performed by external agencies as follows:-

### **Audit Commission**

In 2006 the Audit Commission introduced several key changes in the way in which they reported their work to the Authority, viz:-

- The introduction of an annual governance report to present a draft audit opinion and also a VFM conclusion, and
- A change in style of the Annual Audit Letter to present only the high level results of the audit and inspection programme and the associated direction of travel assessment.

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 Committee during 2010/2011 as follows:-

- Annual Governance Report (29<sup>th</sup> September 2010)
- Annual Audit and Inspection Letter (including VFM Conclusion) (1<sup>st</sup> December 2010)
- “A New Approach to VFM Audit” (2<sup>nd</sup> March 2011)
- Audit Progress Report (2<sup>nd</sup> March 2011)
- 2010/2011 Audit Plan (2<sup>nd</sup> March 2011)

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 2010)

##### Financial Statements

*“The financial statements submitted for audit were of good quality, as were the supporting working papers.”*

##### Value for Money

*“I intend to issue an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.”*

*“I am satisfied that the Authority has adequate arrangements in place to;*

- *effectively manage its finances to deliver value for money*
- *govern itself and commission services that provide value for money and deliver better outcomes for local people*
- *manage its natural resources to meet current and future needs and deliver value for money.”*

*I am satisfied that, in all significant respects, Greater Manchester Fire and Rescue Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.*

##### Internal Control

*I have not identified any weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.*

## Annual Audit and Inspection Letter (December 2010)

### VFM Conclusion

*"I issued an unqualified conclusion stating that the Authority had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources. My detailed findings are contained in my Annual Governance report presented to Members at the 29 September 2010 Audit Committee."*

*"In overall terms I found that the Authority had made improvements to its arrangements in the 2009/10 financial year; in particular in relation to its understanding of costs and performance and use of natural resources."*

### Managing Finances

*"The Authority continues to manage its finances to deliver value for money for residents."*

*"The 3 year financial plan and capital programmes links directly to strategic aims. GMFRA's planning cycle, Corporate Plan and Integrated Risk Management Plans are fully integrated. All revenue and capital schemes are supported by robust business cases, which outline contribution to corporate priorities."*

### Governing the Business

*"I concluded the Authority successfully commissions services that provide value for money and deliver better outcomes for the people of Greater Manchester."*

*"GMFA has promoted and demonstrated the principles and values of good governance, through its annual review of governance, its adoption of good practice corporate governance principles. Governance arrangements are established for all partnerships including classification of activity, need from GMFA involvement and evaluation."*

### Managing Resources

*"The Authority manages its physical assets to meet current and future needs in a sustainable way."*

Areas where the Authority recognises Audit Commission comments and is seeking to make improvements included:-

Annual Audit Letter

*“To manage the impact of reducing government funding the Authority will need to make best possible use of the resources available. This will require increased productivity, achieving better output from more limited resources, to enable the Authority to continue to satisfy local needs. This will involve challenging aspects of the business and taking actions to make sustainable efficiencies, which may involve significant changes to the way the Fire and Rescue Service is managed and delivered.”*

**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 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**

No significant internal control issues have been identified. 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 remains 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 opinion of the Treasurer as detailed above, we are satisfied that the Authority’s internal control/corporate governance 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 Paul Shanon, 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.

- An area of ongoing development is that of Partnerships. The outcome of the Borough Review and Fire Safety Refresh projects has resulted in a number of changes and developments to the way partnerships are managed and controlled.
- The production of an Annual Performance report which is currently being drafted to report on performance targets contained within the Corporate Plan 2010/2011. The draft report will be presented to the Corporate Leadership Team in May 2011 and will be taken to the Authority meeting in June 2011 for approval. The Annual Performance report will also include indicators for complaints and satisfaction surveys.
- In addition to the monthly meetings of the Corporate Leadership Team, separate meetings are to be held on a quarterly basis focusing on finance and performance planning and risk. The meetings will align with reporting cycles for financial information and performance date.
- A single document covering Value for Money, the Medium Term Financial Strategy and Budget Book will be published during May 2011 and will be supplemented with a Summary Financial Strategy document.
- Over the last 2-3 years, we reported that opportunities for sponsorship were being reviewed by Officers and a specific policy was being developed as a supplement to the Financial Regulations. As a result of a delay in progressing and implementing a new structure in the team, this has not yet been completed. A new deadline of September 2011 has been agreed.

#### Principle 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles.

- Review of '*The Scheme of Functions Delegated to Chief Officers.*' At the meeting on the 14<sup>th</sup> October 2010, the Policy Committee agreed that a full review of the document should be undertaken. At its meeting on the 14<sup>th</sup> April 2011, Members were asked to determine the Authority's committee structure, size, terms of reference and schedule of meeting for the 2011/2012 Municipal Year. As a result, Committee terms of References will need to be updated in consultation with Group Leaders to reflect the decisions made by Members and the roles of the Chair and Vice Chair within the committee structure will need to be determined.

- The Deputy Clerk and Authority Solicitor confirmed that amendments to '*The Scheme of Functions Delegated to Chief Officers*' will flow from the review detailed above and suggested revisions will be presented to the Authority Annual meeting.
- The establishment of a People Management Board with responsibility for dealing with 'hot topics' as well as a number of HR KPIs. The Board meets on a monthly meeting and is comprised of senior representatives from the Authority. A draft Terms of Reference exists and will be finalised over the next few months.

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

- Asset Management Plans did not form part of the last annual review of Corporate Governance policies. The Asset Management Plans are driven by the requirements in the Integrated Risk Management Plan (IRMP) and as the Authority were in the process of consulting on the IRMP, which is a fundamental change to current ways of working, the implications will be captured in a specific review of the Asset Management Plans. Now that the Corporate Plan 2011 – 2014 has been approved by Members, the Asset Management Plans can be assessed and revised as required, with a view to presenting them to the Policy meeting in July 2011.

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

- The Authority's Strategic Business Continuity Management Plan is currently being reviewed and updated to cover Industrial Action events. The intention is to take the draft document to the Corporate Leadership Team for approval within the next month. The final Plan will then be taken to Authority members for approval.
- Last year, we reported that Committee reports did not include as standard, a section for commenting on risks/implications/alternative options. The Deputy Clerk and Authority Solicitor had agreed to review of format of committee reports and were looking at a number of examples. The Deputy Clerk and Authority Solicitor confirmed that this is expected to be completed by June 2011.

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

- A programme branded Total Immersion which was designed and introduced to ensure that leaders and managers in the organisation, as a result of internal re-organisation, were equipped with the knowledge and tools to fulfil their roles and meet organisational challenges going forward. This programme has now been completed for Area Manager, Group Manager and Station Manager levels.
- The Induction Process for new employees has been reviewed and is currently in draft. Although it is noted that the Authority are not recruiting any firefighters, staff who move around within the Authority may need to go back through the Induction process.
- People Development modules within the i-Trent system are currently being developed. Once introduced, this will improve processes surrounding training and development activities. The module will bring in the use of automated training records using assessment results and performance management process and documentation.
- The three year strategy for the directorate, the People and Organisational Development Strategy 2011 – 2014, is currently being drafted together with the directorate plan for 2011 - 12 and is expected to be finalised within the next three months. The Strategy is aligned to the Authority's Corporate Plan 2011 – 2014 and will include detailed actions and targets.

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

- In 2008, we reported that the Draft Corporate Communications Strategy and Departmental Action Plan January 2008-January 2011 had been reported to the Brigade Management Team and was due to be formalised at the end of June 2008. The Authority had recognised the need to review its Corporate Communications function and this review was due to commence in late March 2009 and was expected to be complete by early July 2009. The review was put on hold as the Director of Corporate Communications was vacant and was subsequently filled in October 2010.
- A Director of Corporate Communications has been appointed, a review of the Corporate Communications function has taken place and the outcome of the review was reported to Human Resources Committee on 28<sup>th</sup> April 2011. Now that the outcome of the review has been reported, plans are in place for the newly established team to develop the Corporate Communications Strategy 2011-2014.
- We can also confirm that a Consultation and Engagement Officer has been appointed and has responsibility for reviewing and revising the Consultation Strategy in conjunction with the newly appointed Director of Corporate Communications. Once revised, this will be approved by the Corporate Leadership Team.

## **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**

### **Pension Overpayment**

The National Fraud initiative data matching identified a potential overpayment in respect of a widow's pension. Investigations confirmed that on the death of her husband a widow's pension was correctly enacted unfortunately the pension payments in respect of the deceased pensioner remained in payment.

This issue highlighted some procedural and system issues which have since been changed which resulted in a significant overpayment. Appropriate recovery arrangements have been made and the Authority will not incur a financial loss.

## **Employment Matters**

### **Training Costs**

The press reported criticism of the Authority by the FBU, who linked reductions in firefighters and civilian posts and potential £19m government grant reductions to a training course run at a local hotel costing £82k.

The Authority's statement in response advised that the course was part of the "total Immersion" programme, developed following a major restructure of the organisation which had already created savings of £2.3M. It was essential to train and develop managers to address future challenges, not least given the major reduction in the numbers of officers. It was further reported that the course could not be run from Authority premises and had it been done at the Fire Service College, would have cost significantly more. It was clearly necessary to remove the officers from their day job and the programme needed to be run as quickly as possible to ensure that the officers involved could get up to speed with their new positions and new and enlarged responsibilities in an efficient manner.

### **Employment Tribunal- Officers' Conduct (Rest Facilities)**

Subsequent to the introduction of reclining chairs to replace beds in all Authority fire stations the Authority recognised that there were issues regarding the implementation and enforcement of the policy across the service and additional guidance was issued.

In February 2008 a fire-fighter sent an email to a number of personnel including all Watch Officers using the Authority's email system. The email contained assertions about senior management, the suitability and fitness for purpose of the rest facilities for operational fire-fighters, and accusations of bullying. The email sought support for a personal injury claim brought by the fire-fighter.

Both the act of sending of the email and the content of the email were in breach of the Authority's email policy. At a disciplinary hearing held in June 2008 the hearing officer concluded that the employee's actions were in breach of the implied term of mutual trust and confidence and an act of gross misconduct. The employee was dismissed. The Appeals Sub-Committee heard the employee's appeal in September 2008. Members dismissed his appeal.

The employee complained to an Employment Tribunal and following a hearing lasting 4 days in June and September 2009, a judgment was issued in November 2009. The Employment Tribunal found that the dismissal was an unjustified interference with the employee's right to freedom of expression under Article 10 of the Human Rights Act and that the dismissal was unfair.

The Employment Tribunal fixed a date to determine remedies i.e. re-instatement, re-engagement and/or compensation, for 10 June 2010. At the hearing the employee abandoned his claim for re-instatement. His losses (earnings and pension losses) were agreed at £80k. The Employment Tribunal made an Order dismissing the proceedings on compliance with the terms of settlement.

## **Operational Issues**

### **"Missed Body" Tragedy**

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.

The incident was investigated by the Authority's Fire Investigation Team and other agencies to establish the circumstances of the fire and response. In addition, the Authority immediately referred the incident to Lancashire Fire & Rescue Service to review/oversee the investigation to ensure independence and impartiality.

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.

This incident remains subject to on-going investigation by the Coroner and, as such, no additional information can be published at this stage.

## **FiReControl**

FiReControl was a national project intended to create a national network of nine Regional Control Centres to replace the existing 46 separate control rooms throughout the country. The government has previously contracted to provide the necessary fire control network at the regional centres.

There were ongoing national delays meaning that the project would never be fully live until 2012 or 2013 and these delays and associated costs resulted in ongoing media interest. However, in early 2011 the project was stopped and a consultation paper issued about a range of alternative options. The Service has kept Members informed of the position as it has developed and its likely impact both nationally and regionally.

At the time of this statement, Greater Manchester remains committed to a collaborative approach to Control, although this is subject to a satisfactory Business Case.

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 it's 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.

APPENDIX 2

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.

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

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

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

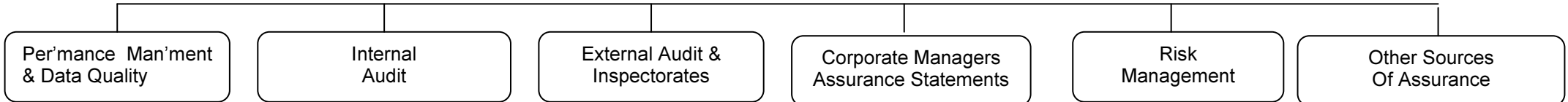
**Risk Management Advisory Group**

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

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

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

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**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**

- Interim and Annual reports to Audit Committee
- Head of Internal Audit opinion expressed in annual reports to Audit Committee
- Operates under terms of reference
- Strategic & annual plans, Audit Committee approved
- Risk-based plan

**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

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