



## **AGENDA ITEM: 10**

### **NORTH WALES FIRE AND RESCUE AUTHORITY**

**18<sup>th</sup> June 2012**

#### **ANNUAL GOVERNANCE STATEMENT**

**Report by Dawn Docx, Deputy Chief Fire Officer and  
Colin Everett, Clerk to the Authority**

#### **Purpose of Report**

- 1 To seek approval of the Annual Governance Statement prepared for year ending 2011-12.

#### **Background**

- 2 Changes made to the Account and Auditing (Wales) Regulations 2005 now require that the Authority's Annual Statement of Accounts contain a Governance Statement. This replaces the Statement of Internal Control (SIC) in the Statement of Accounts.

#### **Information**

- 3 The purpose of the Annual Governance Statement is to report publicly on the extent to which an Authority complies with its own code on an annual basis. The statement will include how effective governance arrangements in that year have been and on any planned improvements in the coming period.
- 4 At the Fire and Rescue Authority meeting on 21<sup>st</sup> March 2011, Members approved a Local Code of Corporate Governance against which it would measure its performance in the self-assessment exercise carried out at the end of each year to form the Annual Governance Statement.

- 5 The Authority's Local Code of Corporate Governance is based on a document entitled 'Delivering Good Governance in Local Government: Framework', produced by CIPFA and SOLACE, which sets out principles and standards aimed at helping Local Authorities to develop and maintain their own Codes of Governance and discharge their accountability for the proper conduct of business.
- 6 Officers of North Wales Fire and Rescue Service worked with their counterparts in Mid and West Wales and South Wales Fire and Rescue Services to produce a Code of Corporate Governance appropriate for all three Authorities. The resulting code is attached as appendix 1.
- 7 In carrying out the self-assessment review for 2011-12 officers reported no areas of major concerns in the governance arrangements for North Wales Fire and Rescue Authority. The Service had addressed the 4 key issues raised in the 2010-11 appropriately and 5 key but minor issues have been highlighted to be addressed during 2012-13.

### **Recommendation**

- 8 Members are requested to approve the Annual Governance Statement for 2011-12 (appendix 2 ).

# **NORTH WALES FIRE AND RESCUE AUTHORITY**



## **CODE OF CORPORATE GOVERNANCE**

## **NORTH WALES FIRE and RESCUE AUTHORITY**

### **CODE OF CORPORATE GOVERNANCE**

#### **Policy Statement**

North Wales Fire and Rescue Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, members and senior officers are responsible for putting into place proper arrangements for the governance of the Fire and Rescue Authority's affairs and stewardship of the resources at its disposal. To this end North Wales Fire and Rescue Authority has approved and adopted a code of corporate governance which is consistent with the principles and reflects the requirements of the CIPFA (Chartered Institute of Public Finance and Accountancy)/ SOLACE (Society of Local Authority Chief Executives and Senior Managers) Framework: *Delivering Good Governance in Local Government* together with associated guidance.

# THE CODE OF CORPORATE GOVERNANCE

## Introduction

Governance is about how local government bodies ensure that they are doing 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 cultures and values, by which local government bodies are directed and controlled through which they account to, engage with the community.

North Wales Fire and Rescue Authority recognise its responsibility as a public service organisation, to support these principles with Members and Officers acting in accordance with high standards of conduct.

These principles are reflected in the Authority's vision, mission statement and corporate aims which are set out below and which are regularly reviewed to ensure that they reflect the needs of our service and communities. The need for sustainability to be embedded within our organisation has been identified and this will be reflected in the way that individual objectives are managed locally.

The Authority's vision is emulated in its mission statement '*To make North Wales a safer place to live, work and visit*'.

In 2001 the Authority adopted a set of 5 corporate aims in order to achieve its mission statement:

1. To prevent accidental and malicious fires.
2. To protect people from being killed or injured by fire and other hazards.
3. To protect the community, businesses and the environment from being harmed by fire and other hazards.
4. To find ways to improve in order to meet the expectations of the community
5. To operate as effectively and efficiently as we can, making the best use of the resources we have available

Good governance flows from a shared ethos or culture, as well as from systems and structures. It cannot be reduced to a set of rules, or achieved fully by compliance with a set of requirements. This spirit or ethos of good governance can be expressed as values and demonstrated in behaviour.

Good governance builds upon the seven principles for the conduct of people in public life that were established by the committee on Standards in Public Life, known as the Nolan principles. Namely,

### **Selflessness**

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family or their friends.

### **Integrity**

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

### **Objectivity**

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

### **Accountability**

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

### **Openness**

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

### **Honesty**

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

### **Leadership**

Holders of public office should promote and support these principles by leadership and example.

A hallmark of good governance is the development of shared values which become part of the organisations culture, underpinning policy and behaviour throughout the organisation. These are in addition to legal compliance on issues such as equalities.

The code developed by North Wales Fire and Rescue Authority is divided into the six core principles identified by CIPFA/SOLACE, each of these have supporting principles, which translate into requirements that are reflected in the code adopted by the Fire Authority.

The six core principles are-

- focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- members and officers working together to achieve a common purpose with clearly defined functions and roles
- promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- developing the capacity and capability of members and officers to be effective
- engaging with local people and other stakeholders to ensure robust public accountability

The code adopted by the Authority takes the core and supporting principles and identifies what we will do to meet them and how we will demonstrate compliance.

| <b>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</b>  |  |   |
|---|--|---|
| <b>The principles of good governance adopted</b>  | <b>What we will do to meet them</b>  | <b>How we will measure compliance</b>   |
| <p>Focus on the purpose of the authority and outcomes for the community and creating and implementing a vision for North Wales:-</p> <ol style="list-style-type: none"> <li>1. Exercising strategic leadership by clearly communicating the Authority's vision for citizens and service users.</li> <li>2. Ensuring that users receive a high quality of service directly, or in partnership.</li> <li>3. Ensuring that the Authority make best use of resources and demonstrates excellent value for money.</li> </ol> | <ol style="list-style-type: none"> <li>1. Make and regularly review a clear statement of the Authority's purpose and vision as a basis for service planning</li> <li>2. Publish on an annual basis, a plan of intended activities and outcomes to improve services and the means by which performance against these objectives is to be measured.</li> <li>3. Publish a report on the Authority's activities, achievements and performance, including its financial performance and position.</li> <li>4. Develop and implement a forward financial plan in line with WAG requirements to ensure adequate resources are available to meet its intended plans and to deliver value for money.</li> <li>5. Develop plans to maintain optimum services in the event of disruption to service continuity.</li> </ol> | <ol style="list-style-type: none"> <li>1. Publish a clear statement of the Authority's vision, mission statement and values in its Risk Reduction and Improvement Plans.</li> <li>2. Publish an Annual Report and Improvement Plan with quarterly performance updates available.</li> <li>3. Publish an annual Statement of Accounts with regular budget monitoring reports to the Fire and Rescue Authority and Executive Group.</li> <li>4. Operate a process for recording and responding to complaints and comments and reporting thereon.</li> <li>5. Maintenance and regular testing of service continuity plans based on a risk assessment of threats to the Authority.</li> <li>6. Publish a partnership strategy</li> <li>7. Publish all external assessments of performance.</li> </ol> |



| <b>Principle 2 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles</b>  |  |  |
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| <b>The principles of good governance adopted</b>   | <b>What we will do to meet them</b>  | <b>How we will measure compliance</b>  |
| <p>Members and officers working together to achieve a common purpose with clearly defined functions and roles by:-</p> <ol style="list-style-type: none"> <li>1. Being clear about the functions and roles of the Authority, its committee's and officers.</li> <li>2. Ensuring that constructive and effective working relationships between Members and Officers and that the responsibilities of both groups are carried out to a high standard.</li> <li>3. Ensuring that the relationships between the Authority and the public are clear so each knows what to expect of the other.</li> </ol> | <ol style="list-style-type: none"> <li>1. Set out a clear statement of the respective roles and responsibilities of Members and Officers which clarify the delegations to officers.</li> <li>2. Establish a protocol to ensure effective communication between Members and Officers.</li> <li>3. Clarify the terms and conditions of employment, including the remuneration of Members and Officers and establish an effective mechanism for managing the process.</li> <li>4. Ensure that effective mechanisms for monitoring service performance are established.</li> <li>5. Ensure that the legal status and purpose of any partnerships are clear and that the roles and responsibilities of all partners are clear.</li> </ol> | <ol style="list-style-type: none"> <li>1. Maintain committee terms of reference for all committees.</li> <li>2. Maintain a scheme of delegations to the Officers.</li> <li>3. Maintain a scheme of standing orders and a Member/Officer protocol to manage Member/Officer interaction.</li> <li>4. Ensure all staff have up to date and relevant job descriptions.</li> <li>5. Continual reporting of performance assessment by Managers.</li> </ol> |

| <b>Principle 3 - Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</b>   |   |   |
|---|---|---|
| <b>The principles of good governance adopted</b>  | <b>What we will do to meet them</b>   | <b>How we will measure compliance</b>   |
| <p>Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour by:-</p> <ol style="list-style-type: none"> <li>1. Ensuring that Members and Officers behave in a way which represents the Authority's values.</li> <li>2. Ensuring that these values are put into practice and effective.</li> </ol> | <ol style="list-style-type: none"> <li>1. Establish and articulate the Authority's values to the public. Its staff and stakeholders.</li> <li>2. Demonstrate the application of these values in decision making and general behaviour.</li> <li>3. Adopt codes of conduct defining the standards and behaviour expected when working for or with the Authority.</li> <li>4. Maintain arrangements to ensure members and senior managers are not influenced by personal interests, bias or prejudice when making decisions.</li> <li>5. Maintain arrangements for reporting, investigating and dealing with occasions where standards fall below those expected.</li> <li>6. When working with partners, agree those values by which all parties to the partnership will operate.</li> </ol> | <ol style="list-style-type: none"> <li>1. Publication of vision, mission, values and objectives.</li> <li>2. Publish and operate codes of conduct for Members and Officers.</li> <li>3. Annually require Members and Senior Officers to complete declarations of interest and related party transaction returns.</li> <li>4. Maintain a standards committee to oversee Member standards and hear any complaints.</li> <li>5. Maintain a disciplinary process to deal with any breaches of the code of conduct for Officers.</li> <li>6. Maintain Authority and Standing Orders up to date.</li> <li>7. Maintain and publish a 'whistle blowing' protocol to enable concerns about behaviour to be reported in confidence.</li> <li>8. Maintain an Anti Fraud and Corruption Policy.</li> <li>9. Maintain a complaints and comments/compliments procedure and report results at least annually.</li> </ol> |

| <b>Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</b>   |  |   |
|--|--|---|
| <b>The principles of good governance adopted</b>   | <b>What we will do to meet them</b>  | <b>How we will measure compliance</b>   |
| <p>Take informed and transparent decisions which are subject to effective scrutiny and managing risk by:-</p> <ol style="list-style-type: none"> <li>1. Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive comments.</li> <li>2. Have good quality information, advice and support to ensure that services are delivered effectively and meet the needs of the community.</li> <li>3. Ensure that we are operating an effective risk management strategy.</li> <li>4. Ensuring that we operate within the legislative framework for the benefit of the community.</li> </ol> | <ol style="list-style-type: none"> <li>1. Maintain arrangements for recording the decisions of the Authority and the basis on which those decisions were made.</li> <li>2. Maintain arrangements for identifying and recording conflicts of interest by Members and Senior Officers and ensure that these do not affect the decision making process.</li> <li>3. Maintain arrangements whereby Members, staff, contractors, stakeholders and the public can raise concerns about the behaviour of anyone connected with the work of the Authority.</li> <li>4. Maintain effective arrangements for the independent internal audit of the Authority.</li> <li>5. Maintain an effective Standards Committee.</li> <li>6. Ensure that decision makers have sufficient appropriate information to take effective decisions, including professional financial and legal advice.</li> <li>7. Ensure that risk management is embedded into the culture of the Authority and that Members and Officers take account of risks in decision making.</li> <li>8. Work within the legislative framework available.</li> <li>9. When working in partnership, ensure that the same standards of good governance are applied to the partnership's activities.</li> </ol> | <ol style="list-style-type: none"> <li>1. Publish Authority minutes and reports on the web site.</li> <li>2. Maintain a publication scheme and comply with FOI requests within the stipulated timescales.</li> <li>3. Maintain a register of interests of Members and Senior Managers.</li> <li>4. Maintain a 'whistle blowing' protocol to enable concerns about behaviour to be reported in confidence.</li> <li>5. Reporting of annual internal audit plan and annual report to senior management and the Audit Committee.</li> <li>6. External Audit overview of Internal Audit arrangements.</li> <li>7. Publish Standards Committee minutes and reports.</li> <li>8. Publish and operate a Risk Management policy and strategy.</li> <li>9. Regularly report on the current status of strategic and business risks to the Fire and Rescue Authority.</li> </ol> |

| <b>Principle 5 - Developing the capacity and capability of members and officers to be effective</b>   |  |  |
|---|--|--|
| <b>The principles of good governance adopted</b>  | <b>What we will do to meet them</b>  | <b>How we will measure compliance</b>  |
| <p>Develop the capacity and capability of members and officers to be effective by:-</p> <ol style="list-style-type: none"> <li>1. Making sure that members and officers have the skills, knowledge, experience and resources they need to perform their roles.</li> <li>2. Developing the capability of individuals and groups to evaluate their performance.</li> <li>3. Encouraging representation from all sectors of the community which we serve.</li> </ol> | <ol style="list-style-type: none"> <li>1. Assess the skills required by Members and Officers, including the statutory officers, and continually develop these to enable individual roles to be undertaken effectively and efficiently.</li> <li>2. Regularly review the performance of committees and senior officers and implement plans for further development and training where necessary.</li> <li>3. Maintain arrangements to encourage all sections of the community to work for and with the Authority and contribute to the development of its policies and activities.</li> <li>4. When working with partners, ensure that the same principles are applied to the work of the partnership.</li> </ol> | <ol style="list-style-type: none"> <li>1. Operate a Staff Individual Development Review Scheme incorporating personal development and training requirements.</li> <li>2. Implement an annual Member training and induction programme and record attendance.</li> <li>3. Operate the national IPDS system for operational staff.</li> <li>4. Publish a communication and consultation strategy.</li> <li>5. Establish public and staff consultation process.</li> <li>6. Promote the fire service as a career opportunity.</li> </ol> |

| <b>Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability</b>  |   |   |
|--|---|---|
| <b>The principles of good governance adopted</b>   | <b>What we will do to meet them</b>   | <b>How we will measure compliance</b>   |
| <p>Engage with local people and other stakeholders to ensure robust public accountability by:-</p> <ol style="list-style-type: none"> <li>1. Engaging local people and stakeholders.</li> <li>2. Taking an active and planned approach to consultation with the public to ensure effective service delivery.</li> <li>3. Taking an active and planned approach to meet responsibilities to staff.</li> </ol> | <ol style="list-style-type: none"> <li>1. Set out clearly the Authority's key accountabilities and the means by which these will be reported.</li> <li>2. Maintain arrangements for communicating and consulting with all sections of the public and key stakeholders about the Authority's policies and services.</li> <li>3. Maintain processes to consult with staff and their representatives.</li> <li>4. Ensure that feedback from the consultation process is incorporating into the development of future performance plans.</li> <li>5. Publish an annual performance plan with quarterly performance updates setting out plans and performance, including financial performance.</li> <li>6. Ensure that all Authority meetings and reports are accessible to the public except where legislation requires confidentiality to be preserved.</li> <li>7. When working with partners ensure that the same principles are applied to the work of the partnership.</li> </ol> | <ol style="list-style-type: none"> <li>1. Publish and deliver a Combined Improvement and Risk Reduction Plan.</li> <li>2. Meet regularly with union representatives to consult on both key policy and service delivery changes.</li> <li>3. Identify in Authority reports where the results of consultation have influenced policy decisions.</li> <li>4. Copies of annual reports, the Improvement and Risk Reduction Plan made available on the web site and libraries.</li> <li>5. All Authority meetings open to the public, and all reports and minutes available via the internet. Other documents to be made available under FOI provisions.</li> <li>6. Include clear accountability and communication provisions within all partnership agreements.</li> </ol> |

### **ANNUAL GOVERNANCE STATEMENT 2011-12**

#### **Scope of Responsibility**

North Wales Fire and Rescue Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework, *Delivering Good Governance in Local Government*.

This statement explains how the Authority has complied with the code and also meets the requirements of the Accounts and Audit (Wales) Regulations 2005 as amended in relation to the publication of a statement on internal control.

#### **The Purpose of the Governance Framework**

The Governance Framework comprises of the systems and processes, and the culture and values, by which the Authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The Authority's system of internal control is based on an on-going process designed to:

- identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives;
- to evaluate the likelihood of those risks being realised;
- evaluate the impact should they be realised, and;
- manage them economically, efficiently, and effectively.

The Governance Framework has been put in place at the Authority for the year ended 31 March 2012 and up to the date of approval of the annual report and statement of accounts.

## Appendix 2

### **The Governance Framework**

The Governance Framework describes the key elements of the systems and processes that comprise the Authority's governance arrangements in accordance with the six principles of corporate governance included in our code and include:-

- Focus on the purpose of the Authority and outcomes for the community and creating and implementing a vision for North Wales.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting the values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Take informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Develop the capacity and capability of members and officers to be effective.
- Engage with local people and other stakeholders to ensure robust public accountability.

### **Review of Effectiveness**

The Authority has the responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. The review of effectiveness is informed by the work of Executive Group and its officers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Auditors annual report and also by comments made by external auditors and other reviews undertaken.

As the provider of Internal Audit services to North Wales Fire and Rescue Service, Conwy County Borough Council Internal Audit section provide the Authority through its Audit Committee an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements.

The Audit Committee receive regular reports from the internal auditors on their progress against the annual audit plan which provides details on the assurance levels that can be placed against the various systems and processes in place.

In maintaining and reviewing the effectiveness of the Authority's governance arrangements the following has been considered:-

## Appendix 2

### 1. The Authority operates a committee structure covering the key areas aligned to its strategic objectives, with agreed Terms of Reference as:-

#### The Fire and Rescue Authority

The Fire and Rescue Authority is made up of 28 elected members from the 6 Unitary Authorities covered by the Fire and Rescue Service area in accordance with the North Wales Fire Service (Combination Scheme) Order 1995.

The role of the Authority is defined with its Standing Orders:

- To perform all the duties and responsibilities of a Fire and Rescue Authority in accordance with appropriate legislation and regulations, in particular the **Fire and Rescue Services Act 2004**, and the **Regulatory Reform (Fire Safety) Order 2005** - which came into force on 1 October 2006, and the **1995 Combination Scheme**.
- To agree the annual service plans the revenue and capital budgets and the contribution for the constituent councils.
- To monitor the revenue and capital budgets and deal with any significant variations, including decisions on any supplementary contributions.

The full Authority meets four times per year in March, June, October and December and considers such topics as service plans, routine business matters, budgets and spending, and to take or approve policy decisions as appropriate. Extraordinary meetings of Authority can be called at any time if urgent business requires to be transacted.

The Chair and Vice-Chair are elected at the Annual Meeting held in June.

The Authority's correct functioning is further supported by its Clerk and Treasurer. Meetings are open to the public, and records of the Authority's transactions are available from the Authority's website.

#### The Executive Panel

The Executive Panel has a varied role dealing with such topics as the appointment of senior officers, examining the detail of improvement and financial plans, dealing with certain audit matters and with policy and constitutional issues as the need arises.

It usually deals with responses to consultation papers and other policy developments, and makes recommendations to the Fire and Rescue Authority on its key policies including the Risk Reduction Plan. The Panel usually deals with senior appointments by setting up a special sub-committee for the purpose.

The Panel's Terms of Reference were set in 2001 and are reviewed as and when required. It consists of the Chair and Vice Chair and two members from each constituent authority (fourteen members in total). It is chaired by the Chair or, in his or her absence, the Vice-Chair. It meets four times a year, between each meeting of the Fire and Rescue Authority, although additional meetings may be held depending on workload.



## **Appendix 2**

### Audit Committee

Following a constitutional review, it was agreed at the December 2008 Authority meeting that an audit committee be appointed with effect from the 2009/10 municipal year.

The Committee has four primary roles of governance audit and scrutiny, financial and resource management audit and scrutiny, risk management and assurance audit and scrutiny and performance audit and scrutiny.

The Committee's membership consists of all non-executive panel members and meets a minimum of twice per year. The Chair and Vice Chair are appointed from different constituent authorities in the interests of representations of the communities of North Wales.

### Standards Committee

The Standards Committee was established in accordance with the requirements of the Local Government Act 2000 and its Terms of Reference were set in 2003. Its duties include the consideration of complaints against Authority members referred to it by the Ombudsman and the granting of dispensations. It also advises the Authority on issues to do with standards.

The committee consists of 6 members, four of whom are independent. The Fire and Rescue Authority representatives on this Committee cannot be an office holder on the Authority. The Chair and Vice-Chair are drawn from the independent members. The committee has to meet at least once a year, but may meet more frequently if necessary.

## Appendix 2

### **2. Included within the day to day management of the organisation are a number of key structures in place designed to maintain and review effectiveness of systems:**

#### The Executive Group (Officers)

This strategic group consists of the Chief Fire Officer, Deputy Chief Fire Officer and 3 Assistant Chief Fire Officers who meet every six weeks to review standing items including performance, risk and financial management and development of internal policy and procedures.

#### Financial Management

Robust arrangements are in place to ensure that the Authority's financial management is sound, approved budgets are realistic and affordable and supported by effective expenditure monitoring systems in order to provide information to all levels of the organisation for decision making. These arrangements include:

- The Fire and Rescue Authority annually reviews and approves a 3 year medium term financial plan for both revenue and capital, which has been developed and informed by officers, in consultation with heads of departments and links with the strategic objectives. It enables the Service to have a short, medium and long term approach to both revenue and capital planning.
- The Fire and Rescue Authority receives quarterly budget monitoring reports, and the Executive Group reviews the budget in detail every 6 weeks;
- In addition, an officer led budget monitoring group meets regularly with all heads of department to discuss their progress to date against their departmental plans and their devolved budgets, in order to ensure any deviation from agreed targets is highlighted as soon as possible and action can be taken.
- There is a clear segregation of responsibilities between the management accountancy function, undertaken in Fire Service headquarters and the financial accountancy function, which is undertaken through the Service Level Agreement (SLA) with Conwy County Borough Council.

#### Performance Management

The Authority is committed to continuously developing its performance management framework and has implemented important components of a framework. It realises that this is an ever developing area and are confident of continuing to make progress in this area. In doing so, the following arrangements are in place:

- The Service's strategic objectives are formally set by the full Fire and Rescue Authority and published following a 12 week consultation period in the Combined Risk Reduction and Improvement Plan. Reports on progress in delivering these strategic objectives are routinely considered at Fire and Rescue Authority meeting and by the Executive Group.

## Appendix 2

- Through planning discussions between heads of departments/functions and the relevant Executive Group member, these high-level objectives are translated into departmental plans and strategies that define in more detail how they will be achieved within expected timescales and with allocated budgets. Final approval and regular monitoring of the delivery of these plans is the responsibility of the Deputy Chief Fire Officer (DCFO), who has the senior management responsibility for both Finance and Corporate Planning. Regular meetings with the Performance and Budget Monitoring group allow focus in greater detail on the progress of the delivery of planned actions.
- Business planning arrangements have been revised in 2011/12 and Improvement Objectives have been set that include detailed descriptions of the actions it is planning, expected outcomes and the measures it will use to determine success. New Business Planning templates and review processes have been introduced to strengthen accountability and ensure actions are delivered.
- Throughout the year the Service collects and monitors a suite of performance indicators. Routine reports of activity and performance compared to previous years are considered by the Executive Group (6 weekly) and the Executive Panel (quarterly) to monitor progress; Consideration of these reports can trigger further investigation of specific issues or corrective action being taken if activity or performance levels are off target or cannot be explained (e.g. by prevailing weather conditions). All Fire and Rescue Authority reports are available on the Service's website.
- Following the Wales Audit Office's finding in the Annual Improvement Report (January 2012 paragraph 13) the Authority acknowledges that there may have been much reliance on national strategic indicators in the past rather than on a full suite of balanced measures to measure achievement of Improvement Objectives and seeks to address this issue in 2012/13 to provide a balanced evaluation and reporting of performance in its future arrangements in order to demonstrate its performance to local citizens.
- Data feeding into outcome-based National Strategic Indicators and other Core Indicators set by the Welsh Government (WG) is routinely collected, checked, analysed, submitted to the WG and reported publicly throughout the year. The WG also publishes much of this information on its own websites.
- Strategic Indicator data are audited annually by the Wales Audit Office. Effective performance management is further supported by local measures and indicators with associated targets where relevant.
- Incident data is collected and quality assured internally before being submitted via a new (2009) web-enabled Incident Reporting System (IRS) to the UK Government. Internal electronic systems similarly store data on, for example: fire safety and prevention activity; and financial information.

## Appendix 2

- In addition, the Service participated once more in a reciprocal process of Operational Assurance of Service Delivery between the three Welsh fire and rescue services. The Key Lines of Enquiry in 2011-12 were around Control and Operations. Having completed a self-assessment, the Service invited a team from the other two Welsh FRS's to undertake a peer review and to make improvement recommendations based on their findings.

### Risk Management and Business Continuity Planning

The Executive Group is responsible for the high level corporate risk register, for its development and its review.

In addition the Authority has published a Business Continuity Management policy. As part of the Combined Improvement and Risk Reduction Plan 2010-11 to 2012-13 the Service will ensure that the business continuity arrangements are comprehensive and secure. To do this the Service will promote renewed emphasis on progressing plans and continuously developing new ones and giving equal importance to corporate and operational business continuity management to ensure that no area has been overlooked and that recovery plans are robust.

To do this the Service will:

- have clearly defined and allocated responsibility for Business Continuity Management within the Service.
- develop a programme of testing and exercising to check the validity of existing plans.

Specifically, in 2012-13, the Service will be:

- Continuing to develop individual functional business continuity plans with associated testing and exercising plans.
- Continuing to develop the service's overall resilience to disruption, including from actual or threatened industrial action.
- Securing an SLA with an Occupational Health Service provider.
- Developing workforce succession planning and introducing career development Pathways.
- Continuing to develop and plan for the All-Wales (Control) Resilience project.
- Integrating the Service's BCM arrangements with the WG's Climate Change Adaptation reporting requirements.
- Improving the resilience of workforce management by increasing flexibility.

## Appendix 2

### Combined Risk Reduction and Improvement Plan

Through a formal process of developing an annual Improvement and Risk Reduction Plan containing the Fire and Rescue Authority's strategic objectives, Members and Officers consider a range of relevant information, such as:

- past performance levels and activity levels;
- anticipated future challenges and changes;
- known risks from previous and new risk assessments;
- recommendations from external audit reports, internal audit reports, self-assessments and peer reviews; and specific inspectorates (e.g. Health and Safety Executive) and bodies (e.g. Welsh Language Commissioner).

Both Corporate Risks and Community Risks are considered in an integrated way during this process.

In October 2010, the Authority published its Combined Improvement and Risk Reduction plan under new statutory guidance issued following the introduction of the Local Government (Wales) Measure 2009. This plan contained a retrospective account of performance in 2009-10, an account of the current years' service plans and the seven Improvement Objectives set by the Authority for 2011-12. Further objectives were then developed as a direct consequence of the Authority's decision in December 2010 to freeze the annual budget at £32 million from 2011-12 until 2013-14.

During 2011 Welsh Government officials sought to introduce interim arrangements to move the Improvement Plans publication date forward by 3-6 months to more effectively align their production with financial planning cycles, but the necessary consent to make the changes could not be obtained in time for the 2012-13 year.

Given that Fire and Rescue Authorities are required to set improvement objectives every year, this does not mean that the objectives have to change every year or be deliverable within one year.

The Authority's Executive Panel therefore resolved at its May 2011 meeting that in view of:

- the broad scope of the existing objectives already in the 2011-12 Improvement and Risk Reduction Plan;
- the need to allow time to consolidate existing objectives at a time of increasing pressure from reducing budgets;
- the unexpectedly tight timescales for publishing the 2012-13 plan by the end of October 2011 rather than the end of March 2012; and
- the Welsh Government's decision to defer the production of a new Fire and Rescue National Framework, leaving the existing 2008-11 Framework in place for the time being;

the Authority should carry forward the same objectives to 2012-13 as it had already adopted for 2011-12. The full Authority ratified this approach at its meeting in June 2011, and approved the 2012-13 improvement objectives at its meeting in October 2011.

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Since that time, the Welsh Government has consulted on a change of date of publication of FRA Improvement Plans, from as soon as reasonably practicable after 30 September to as soon as practicable after 31 December of the year prior to the financial year to which the plan applies. This proposal is intended to bring improvement planning more closely in line with financial planning.

Performance against the previous year's objectives will be reported in accordance with Section 15 of the Local Government (Wales) Measure 2009 – i.e. by 31 October in the year following the year to which the information relates.

### ICT Steering Group

An external review of the ICT department led to the formation of the ICT Steering Group. It is chaired by Principal Officer with the reference for ICT and also includes the Deputy Chief Fire Officer and the other two Assistant Chief Fire Officers as well as the ICT Manager. Its terms of reference include:

- Responsibility for the definition of Service ICT policies and procedures including the security policy.
- Monitoring the deployment and implementation of ICT Policy and the performance of ICT within the Service
- Development of the ICT strategy and responsible for reviewing and accepting business cases for ICT investment from various departments.
- Responsibility for the review and approval of major ICT procurements and overseeing the implementation of major ICT projects.

## Appendix 2

### **3. In addition to its internal committee structures and day to day management the Service is also subject to external review of its key systems in order to ensure the effectiveness of its systems:**

#### Internal Audit

Section 151 of the Local Government Act 1972 implies the need for an Internal Audit function, which requires authorities to “make arrangements for the proper administration of their financial affairs.” The Accounts and Audit Regulations (Wales) 2005 specifically requires that “a relevant body shall maintain an adequate and effective system of internal control in accordance with proper internal audit practices.”

The Authority outsources its Internal Audit function to Conwy Council Borough Council as part of its Treasury and Financial Services SLA. The Service, which is independent in its planning and operation, complies with CIPFA’s Code of Internal Audit Practice and is designed to give assurance that the Authority maintains adequate systems of internal control and makes recommendations on the ways to enhance these where it feels necessary.

The Head of Audit Services has direct access to the Chief Fire Officer, all levels of management and elected members.

The Internal Audit service is delivered on the basis of a needs assessment, a risk based approach to determining the needs of the Authority at the start of each year and detailed in operational plans which are presented to the Audit Committee on an annual basis for approval.

At the Fire and Rescue Authority Meeting on 18<sup>th</sup> June 2012 a ‘Summary of Internal Audit Activity for 2011/12’ was presented showing the work undertaken during that year, along with the Draft Audit Plan for 2012/13.

During 2011/12 the Internal Audit department completed 58 days of review, which were spent undertaking 5 audits in the following areas:

| Auditable Area                              | Critical | Major    | Moderate  | Minor    | Total     | Agreed by Mgmt        | Audit Opinion |
|---|----------|----------|-----------|----------|-----------|-----------------------|---------------|
| Retained Stations – Ynys Mon and Gwynedd    | 0        | 0        | 4         | 4        | 8         | 8                     | Satisfactory  |
| Fleet Management                            | 0        | 0        | 4         | 2        | 6         | 6                     | Good          |
| Final Account – Rhyl Community Fire Station | 0        | 0        | 4         | 0        | 4         | 4                     | Satisfactory  |
| Special Investigation                       | N/A      | N/A      | N/A       | N/A      | N/A       | N/A                   | *N/A          |
| National Fraud Initiative                   | 0        | 0        | 0         | 0        | 0         | 0                     | Good          |
| <b>Totals</b>                               | <b>0</b> | <b>0</b> | <b>12</b> | <b>6</b> | <b>18</b> | <b>18</b>             |               |
|   |          |          |           |          |           | <b>Good</b>           | <b>2</b>      |
|   |          |          |           |          |           | <b>Satisfactory</b>   | <b>2</b>      |
|   |          |          |           |          |           | <b>Adequate</b>       | <b>0</b>      |
|   |          |          |           |          |           | <b>Unsatisfactory</b> | <b>0</b>      |

\* Not appropriate to provide an Audit Opinion upon the special investigation undertaken.

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Every audit carried out is followed up with a review audit six months later to ascertain if the recommendations in the report have been followed, in 2011/12 follow up audits were carried out for:

| Description                           | Audit Date | Follow up Due Date | Follow up Date | No. Recs | Recs Outstanding | Revised Audit Opinion |
|---------------------------------------|------------|--------------------|----------------|----------|------------------|-----------------------|
| RDS Stations – FIN 8s and Inventories | Sep-10     | Dec-11             | Dec-11         | 8        | 2                | Satisfactory          |
| Freedom of Information                | Jan-11     | Jun-11             | Sep-11         | 4        | 0                | Good                  |
| IT Security                           | May-11     | Nov-11             | Feb-12         | 7        | 1                | Good                  |
| *Community Safety Partnership Working | May-11     | Jun-12             |                | 20       |                  |                       |

\*Community Safety Partnership Working Follow up is scheduled to be undertaken in June 2012

The outcomes of these audits including the reviews are reported to the Chief Fire Officer, the Deputy Chief Fire Officer, Finance Manager and the appropriate manager for action if necessary.

At the same meeting the Internal Audit department also issued its Annual Statement of Assurance, as required by CIPFA's Code of Practice for Internal Audit in Local Government 2006. The Head of Audit concluded in his audit opinion that North Wales Fire and Rescue Service has internal control and corporate governance processes to manage the achievement of the Authority's objectives.

### External Audit

KPMG, on behalf of the Wales Audit Office, has continued to provide an external audit service to the Authority in 2011/12 and as such the effectiveness of internal controls is also informed by their work.

In September 2011, the Wales Audit Office and KPMG presented to the Audit Committee its 'Audit of Accounting Statements' Report, which stated their intention to issue an unqualified Auditor's Report on the accounting statements and related notes for 2010/11. The detailed report confirmed that the Authority's accounting statements give a true and fair view of the financial position as at 31 March 2011.

Following the introduction of the Local Government Measure 2009, the Authority underwent its second Annual Improvement Assessment by the Wales Audit Office in 2011/12, resulting in the publication of an Annual Improvement Report in January 2012. The Report looks at how the Authority is improving and delivering its services.

This year's report is divided into three main sections, which cover the planning, delivery and evaluation of improvement by the Authority.



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Overall the report concluded that the Authority has put good arrangements in place to deliver improvement and does well in the areas it focuses on; but planning, evaluation and reporting of performance is not sufficiently balanced or outcome based. A summary of key conclusions were that the Authority:

- has appropriate arrangements in place to address priorities and respond to previous suggestions for improvement;
- has a sound approach to financial management but given the scale of change necessary clear leadership is required;
- information management is supporting improvement but there are some weaknesses in governance and performance;
- current arrangement for developing, using and supporting technology are likely to support improvement;
- is meeting its statutory obligations with regards to the Welsh Language Act.

The report also concluded that the Authority has achieved much of what it set out to achieve in its identified priorities. The Authority:

- has made good progress towards achieving its Improvement Objectives in 2010-11.
- is helping to prevent fires and road traffic collisions occurring and whilst fatalities and injuries in fires increased last year the long term trend shows a reduction.
- is actively developing more innovative and efficient ways to respond to a wide range of events and incidents.

The report also sets out its views on the Authority's own assessment of its performance and arrangements. It concluded that the Authority has mechanisms for monitoring performance but needs to become more balanced in the evaluation and reporting of performance and focus on improvement objectives so that there is a clearer picture of the Authority's progress against its improvement objectives.

Following the introduction of the Annual Improvement Report, the Annual Audit Letter from its external auditors is presented as part of the report to the Authority and the public and discharges WAO's reporting responsibilities under the Code of Audit Practice. The letter sets out its key messages arising from their audit inspection work that it has undertaken in the last twelve months. The report received was reported to the Audit Committee on 30th January 2012 for approval prior to its inclusion in the Report.

The headline findings arising from the letter concluded that the Fire and Rescue Authority complied with its financial and performance improvement reporting requirements, receiving an unqualified audit opinion on the accounting statements, confirming that they present a true and fair view of the Authority's and the Pension Fund financial transactions. The following areas were noted during the account audit:

1. From 2010/11 local authorities in Wales were required to produce their accounts on the basis of International Financial Reporting Standards (IFRS). The introduction of these new standards imposed significant additional demands on the Authority's finance staff. Despite these additional pressures, the accounts were prepared by the statutory deadline however the following issues were identified regarding the accounts:

## Appendix 2

- The Annual Audit letter for 2009-10 stressed the importance of producing an opening balance sheet and a draft set of IFRS accounts as soon as possible. The number of missing disclosures and revisions to the Statement of Accounts indicates that the project timetable had slipped and there had been under-estimation in the amount of work involved. However, all deadlines were met due to the close collaboration between the finance team and the audit team.
- The delays in production of the Statement of Accounts impacted the audit of the Whole of Government Account's (WGA) return, a revised WGA pack incorporating the amendments to the final statements was not received until 27th September. The Welsh Government's deadline for submission of audited returns, 30th September was not met as there was insufficient time to complete the audit. The Authority should ensure that revised WGA packs are completed promptly and passed to the audit team together with supporting documentation.

2. The review of the Authority's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government Measure (2009). The main findings from this latter work will be set out in the Annual Improvement Report. In addition the following issues were brought to attention:

- The Authority has continued to develop its arrangements for medium term financial planning ensuring it is better placed to address its financial challenges.
- The Audit Committee is responsible under its terms of reference to provide financial, resource and general management and assurance; this covers the consideration of Internal Audit reports. Enhancements could be made to the form of reporting of Internal Audit findings to the Audit Committee. The provision of written summary (rather than verbal updates) of Internal Audit work in the period, detailing work carried out and conclusions, should be included in the Audit Committee papers to allow Members to consider issues in advance.
- The Authority has strengthened its risk management process by developing a Corporate Risk Register. This is due to be discussed and adopted by the Executive Panel shortly.

### **Review of 2010/11 Annual Governance Statement Key Issues**

During the previous year's review 2010/11 the following four issues were highlighted to be addressed:

#### **1. Formalisation of the Authority's Risk Management Policy**

The Corporate Risk Register has been refreshed in March 2012 and presented to the Executive Group on 11<sup>th</sup> April 2012 where it was deferred for further work. The updated register will now be submitted to the Executive Group meeting on 6<sup>th</sup> July 2012 for final approval.

The updated register includes 9 high level risks within 5 areas, Financial, Political, Resources, Planning and National Issues.

#### **2. Formalisation of the Authority's Partnership Policy**

Following the internal audit of Community Fire Safety the Service has implemented a number of the recommendations highlighted in the report. These include improvements in the areas of quality assurance and performance management within the area of voluntary sector engagement.

The provision of information sharing protocols with partner agencies involved with our Phoenix scheme and with voluntary sector organisations, who deliver Home Fire Safety Checks on our behalf have also been formalised.

A guidance document has been completed for Community Safety Education in schools and confirmation of the partnership objectives within the multi-agency crucial crew project. In addition a risk register has been compiled and a risk assessment completed for areas of work within Community Safety.

#### **3. Scheme of delegation to be reviewed**

This has been postponed until after the induction of the new Fire and Rescue Authority in May 2012, when it is seen appropriate to review the Scheme.

The Scheme delegates decision making power to the Chief Fire Officer in 11 areas to take any such decisions on the Authority's behalf.

The Scheme also clearly sets out where this delegation does not apply to.

#### **4. Active promotion amongst staff of the Whistle Blowing Policy**

A campaign was run via the Corporate Communications department in January 2012 which highlighted to staff the Authority's Whistle Blowing policy and explained its key points.

The campaign included an article in the Service's internal quarterly publication Y Fflam. The article encouraged staff to learn more about the Service's Public Disclosure policy to ensure staff are aware that they are able to report matters of concern without fear of reprisal.

### **Key Governance Issues**

It is the view of Officers that the review of the governance arrangements for the financial year 2011/12 has not highlighted any areas of major concern. The existing arrangements are fit for purpose and are adequate to meet the Authority's corporate aims.

Several minor issues are highlighted below, they are being dealt with by the appropriate officers and progress will be monitored in the forthcoming year 2012/13 and reported to the full Fire and Rescue Authority during next year's review.

### **Issues to be addressed in 2012/13:**

1. Continue to build on previous years' work with regards to the Authority's Whistle Blowing policy in order maintain an open and transparent workplace.
2. Enhancements to the information reported to Audit Committee in relation to the Internal Audit findings. Introduction of written summary (rather than verbal updates) of Internal Audit work in the period.
3. Formalisation of the year end timetable to ensure a timely completion of the Statement of Accounts to further ensure the Whole of Government Accounts pack is submitted in its final format to audit with adequate time for review in order to meet Welsh Government's deadline.
4. Development of the Authority's current ICT arrangements to ensure that it has the capacity within its technically skilled resources to deliver its plans without impacting on quality of service, including development of a new five year ICT strategy.
5. Work with the other two Fire and Rescue Services in Wales to further enhance their medium term revenue plans.