



SHROPSHIRE COUNCIL AUDIT SERVICES

"ADDING VALUE"

FINAL INTERNAL AUDIT REPORT SFRS CORPORATE GOVERNANCE 2019/20

Assurance Level | **Good**



Audit Data

Customer:	Shropshire Fire and Rescue Service
Report Distribution:	Joanne Coadey, Head of Finance Ged Edwards, Planning and Performance Manager Emily Bray, Planning and Performing Officer
Auditor(s):	Kayleigh Griffiths
Fieldwork Dates:	March 2020
Debrief Meeting:	N/A
Draft Report Issued:	24 March 2020
Responses Received:	07 April 2020
Final Report Issued:	08 April 2020

Assurance

Previous Assurance Level	Current Assurance Level	Direction of Travel
Good	Good	No change to control environment

Introduction and Background

1. As part of the approved internal audit plan for 2019/20 Audit Services have undertaken a review of Corporate Governance.
2. This audit has been conducted in accordance with the Public Sector Internal Audit Standards.
3. Maintenance of the control environment is the responsibility of Management. The audit process is designed to provide a reasonable chance of discovering material weaknesses in internal controls. It cannot however, guarantee absolute assurance against all weaknesses including overriding of management controls, collusion, and instances of fraud or irregularity.
4. Audit Services would like to thank officers who assisted during the audit.
5. The audit was delivered on time and within budget.

Scope of the Audit

6. The following scope was agreed with key contacts at the beginning of the audit:
An annual review of the Shropshire Fire and Rescue Corporate Governance Statement undertaken as a desktop exercise, to ensure that there is evidence to support the statements made by the Authority.
7. The scope includes a follow up of recommendations made in the 2018/19 audit. Where not implemented fully, these are revisited, and the findings included in this report.
8. Audit work was undertaken to give assurance on the extent to which the following management control objectives are being achieved. Objectives with a ✓ demonstrate that appropriate management controls are in place and upon which positive assurance can be given. Objectives with an X are those where the management controls are not being achieved:
 - ✓ The recommendations made in the 2018/19 Code of Corporate Governance Audit have been implemented.
 - ✓ Principle A
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
 - ✓ Principle B
Ensuring openness and comprehensive stakeholder engagement.
 - ✓ Principle C
Defining outcomes in terms of sustainable economic, social and environmental benefits.
 - ✓ Principle D
Determining the interventions necessary to optimise the achievement of intended outcomes.
 - ✓ Principle E
Developing the entity's capacity, including the capability of its leadership and the individuals within it.

- √ Principle F
Managing risks and performance through robust internal control and strong public financial management.
- √ Principle G
Implementing good practices in transparency, reporting and audit to deliver effective accountability.

Assurance Level and Recommendations

9. An opinion is given on the effectiveness of the control environment reviewed during this audit. The level of assurance given is based upon sample testing and evaluation of the controls in place. This will be reported to the Audit Committee and will inform the Annual Governance Statement which accompanies the Annual Statement of Accounts. There are four levels of assurance; Good, Reasonable, Limited and Unsatisfactory.

Audit Services can give the following assurance level on the area audited:

Good	There is a sound system of control in place which is designed to address relevant risks, with controls being applied consistently.
-------------	--

10. Recommendations are made where control weaknesses, risks or areas for improvement have been identified and are of sufficient importance to merit being reported to you in accordance with auditing standards. There are four categories of recommendation; Best Practice, Requires Attention, Significant and Fundamental. Detailed findings and a definition of the recommendation categories are included in the Exception Report at **Appendix 1**. The following table summarises the number of recommendations made in each category:

Total	Fundamental	Significant	Requires Attention	Best Practice
4	0	0	4	0

11. A summary of the recommendations, together with the agreed management responses are included at **Appendix 2**. Implementation of these recommendations will address the risks identified and improve the controls that are currently in place.
12. The status of the recommendations accepted by management at the previous audit has been reviewed and is summarised in the table below:

Number of recommendations accepted by management at the last audit	5
Recommendations implemented	3
Recommendations partially implemented	0
Recommendations superseded	0
Recommendations not implemented	2

Good progress has been made in the implementation of previous recommendations. Recommendations which remain outstanding are repeated in the Exception Report and Action Plan.

Audit Approach

13. The approach adopted for this audit included:
- Review and documentation of the system.
 - Identification of the risks to achieving the business outcomes and associated key

controls.

- Follow up of previous recommendations.
 - Testing of controls to confirm their existence and effectiveness.
 - Identification of weaknesses and potential risks arising from them.
14. As Internal Audit report by exception, only those areas where control weaknesses and/or errors have been identified are included in this report (**Appendix 1**). Recommendations to improve controls or enhance existing practice are detailed against each finding and the associated risk. Your Action Plan is included at **Appendix 2**. A more detailed report covering all the work undertaken can be provided on request.
15. In accordance with the Public Sector Internal Audit Standards, recommendations will be followed up to evaluate the adequacy of management action taken to address identified control weaknesses.

Ceri Pilawski
Head of Audit

This report is produced solely for the use of Shropshire Fire and Rescue Service. Its contents should not be shared, copied, quoted or referred to in whole or in part without our prior written consent except as required by law. Shropshire Council will accept no responsibility to any third party, as the report has not been prepared, and is not intended for any other purposes.

INTERNAL AUDIT EXCEPTION REPORT FOR SFRS CORPORATE GOVERNANCE 2019/20

Fundamental	Significant	Requires Attention	Best Practice
Immediate action required to address a major control weakness which, if not addressed, could lead to material loss.	A recommendation to address a significant control weakness where the system may be working but errors may go undetected.	A recommendation aimed at improving the existing control environment.	Suggested action which aims to improve best value, quality or efficiency.

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
Management Control Objective: The recommendations made in the 2018/19 Code of Corporate Governance Audit have been implemented.					
1.1	<p>Previous Recommendation 2 The Code of Governance in the Members' Handbook should be updated to reflect the revised code. (As recommended and agreed in 2016/17 and 2017/18).</p> <p>Findings The recommendation is still outstanding, this is due to the SFRS awaiting the outcome of a Judicial Review which is currently on hold.</p>	Failure to update the Members' Handbook to reflect the latest Code of Corporate Governance weakens the governance structure and may result in confusion for members.	1	Requires Attention	The Code of Governance in the Members' Handbook should be updated to reflect the revised code. (As previously recommended and agreed and originally recommended in 2016/17).
Management Control Objective: Principle A					
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.					
2.1	Previous Recommendation 3 Members' Declarations of Interest forms should be renewed after each	Failure to renew Members Declarations of Interest after an election may result in returning members declarations becoming	2	Requires Attention	Members' Declarations of Interest forms should be renewed after each election to ensure that they remain

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
	<p>election to ensure that they remain current.</p> <p>Findings The members declaration forms were reviewed and six were found not to have been reviewed, two had not been reviewed since 2012 and four since 2014.</p>	<p>significantly out of date.</p>			<p>current. (As previously recommended and agreed and originally recommended in 2016/17)</p>
2.2	<p>The Authority is committed to the principles of good corporate governance and has adopted this Code of Corporate Governance, which is reviewed and audited annually, and a compliance report produced by Internal Audit for scrutiny by the Standards, Audit and Performance Committee.</p> <p>Findings The Code of Governance was taken to the Audit and Performance Management Meeting on 11 April 2019, but there is no evidence that the Compliance Report was presented for scrutiny.</p>	<p>Failure to present the scrutiny report alongside the Corporate Code of Governance could lead to an oversight of actions which require completion, this could result in actions not being implemented.</p>	3	Requires Attention	<p>The Code of Governance Compliance Report should be presented alongside the Code of Governance at the Audit and Performance Committee.</p>
2.3	<p>Rules concerning exempt information are clearly laid down in the Fire Authority's constitution with</p>	<p>Failure to set out which items are exempt could lead to a challenge of the Authorities decisions and</p>	4	Requires Attention	<p>The constitution should be updated to provide guidance on what constitutes an</p>

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
	<p>a presumption that items will remain open to the public unless they meet specific criteria.</p> <p>Findings The Constitution and associated appendices, which were presented to the Fire and Rescue Authority meeting on 26/06/2019, were examined there was no information in relation to exemption criteria.</p>	<p>result in damage to reputation.</p>			<p>exemption.</p>

ACTION PLAN FOR SFRS CORPORATE GOVERNANCE 2019/20

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned
1.1	1	The Code of Governance in the Members' Handbook should be updated to reflect the revised code. (As previously recommended and agreed and originally recommended in 2016/17).	Requires Attention	The relevant section of the Members' Handbook will be updated accordingly.	Germaine Worker & Lynn Ince	30 April 2020
2.1	2	Members' Declarations of Interest forms should be renewed after each election to ensure that they remain current. (As previously recommended and agreed and originally recommended in 2016/17)	Requires Attention	Current forms will be sent to Members via email for review.	Germaine Worker & Lynn Ince	30 April 2020
2.2	3	The Code of Governance Compliance Report should be presented alongside the Code of Governance at the Audit and Performance Committee.	Requires Attention	The report will be presented at the next meeting of SAP along with the code.	Ged Edwards	30 th April 2020
2.3	4	The constitution should be updated to provide guidance on what constitutes an exemption.	Requires Attention	This will be included in the review of the Standing Orders for Proceedings and Business which will be considered at the Fire Authority Annual Meeting in June 2020	Germaine Worker & Lynn Ince	24 June 2020