

Statement on Internal Control

Report of the Chief Fire Officer

For further information about this report please contact Alan Taylor, Chief Fire Officer, on 01743 260201 or Andy Johnson, Head of Risk Management, on 01743 260287.

1 Purpose of Report

This report sets out the draft Statement on Internal Control (SIC) to be included in the Fire Authority's Final Accounts for 2006/07.

2 Recommendations

The Committee is asked to consider and, if deemed appropriate, give its approval for the draft Statement on Internal Control 2006/07 and SIC Improvement Plan 2007/08 to be forwarded for signing at the meeting of the Fire Authority in June.

3 Background

Corporate Governance (and Accounting Regulations) requires the Fire Authority to publish, on a timely basis, within its annual report, an objective, balanced and understandable statement and assessment of the Fire Authority's risk management and internal control mechanisms, and their effectiveness in practice.

4 SIC 2005/06 and SIC Improvement Plan 2006/07

The SIC for 2005/06 set out:

- A statement of the Fire Authority's responsibility for internal control
- The purpose of the system of internal control
- The scope and nature of that system
- A review of its effectiveness



and as a result produced a SIC Improvement Plan for 2006/07, which included details about the improvements to be made during the following year. After its publication in June 2006, the SIC Improvement Plan 2006/07 was implemented by the responsible officers, whilst being monitored by the Service's Policy Group and the Fire Authority's Audit and Performance Management Committee.

The SIC Improvement Plan 2006/07 was formally closed in March 2007 with all except one of the planned activities having been completed in accordance with the stated target dates. This one activity related to increasing the resilience of the Service's information and communication technology infrastructure with the implementation of a 'shadow site' at Telford.

This work falls into two phases, with the first being the development of a back-up Fire Control at Telford instead of the current one at Shrewsbury Fire Station. The second phase is the duplication of all of the information technology facilities currently located in the Headquarters' server room. This would ensure the Service's information technology facilities would continue to be available, if individual servers required maintenance or even if the server room suffered severe damage, e.g. a fire that destroys all servers. Whilst most of the planning for this work has been completed, and phase one is likely to be completed by the end of June 2007, completion of both phases is likely to take until the end of March 2008.

This issue is, therefore, being carried forward into the new SIC Improvement Plan 2007/08, with the above date being set as the target completion date within the new Plan.

5 SIC 2006/07 and SIC Improvement Plan 2007/08

During April and May 2007, officers have again reviewed the Fire Authority's internal control systems with the aim of identifying further improvements where required. This process has been slightly modified since last year's process, with the responsible officers now having to sign 'Assurance Statements' for each of the areas for which they are responsible. Officers' statements were then reviewed by the Lead Executive Officer to ensure the areas identified for improvement were appropriate and achievable.

These 'Statements' have then been reviewed in light of the various audit reports received from Internal Audit over the last year, and together have formed the basis of the Statement on Internal Control 2006/07 and its associated Improvement Plan 2007/08.

Members are asked to consider and, if deemed appropriate, give their approval for the two documents, attached as appendices A and B, to be forwarded for signing by the Chair of the Fire Authority, the Chief Fire Officer and the Treasurer at the meeting of the Fire Authority in June.



6 Legal Comment

The SIC is a legal requirement under the Code of Practice on Local Authority Accounting in the United Kingdom and must be included in the Fire Authority's Statement of Accounts. The Implementation Plan will assist the Fire Authority in achieving compliance in this area.

7 Equality Impact Assessment

In accordance with the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) an Equality Impact Assessment has been completed and is attached.

8 Appendices

Appendix A Draft Statement on Internal Control 2006/07

Appendix B Draft SIC Improvement Plan 2007/08

9 Background Papers

Shropshire and Wrekin Fire Authority:

14 June 2006, Report 6 – Statement on Internal Control

Strategy and Resources Committee

8 March 2007, Report 8 – Statement on Internal Control

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balance Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	*
Capacity		Member Involvement	*
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	*
Financial		Staff	
Fire Control/Fire Link		Strategic Planning	
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*





Shropshire Fire & Rescue Service EQIA number

Initial Equality Impact Assessment Form

Directorate	Performance Improvement Department	Department/Section	Risk Management
Name of officer	Andy Johnson	Job title	Head of Risk Management
Name of Policy/Service to be assessed	Strategy and Resources Committee Report – 24 May 2007 – Statement on Internal Control	Date of assessment	11/05/2007
New or existing policy	Report only		

1. Briefly describe the aims, objectives and purpose of the policy/service	Provide a draft statement on the current state of the Authority's system of internal control to the committee so that they are able to meet their responsibilities as they relate to the drafting of the SIC.		
2. Are there any associated objectives of the policy/service?	Strategic Aim 4 - "Provide a service that demonstrates quality and Best Value in service provision." Corporate Objectives - "Ensure the effective management of performance and corporate risk"		
3. Who is intended to benefit from the policy/service and in what way?	The organisation will directly benefit be better prepared to meet its stated aims and objectives. This provides indirect benefit to everyone that requires our services.		
4. What outcomes are wanted from this policy/service?	Fire Authority Members will be better informed about how effectively its internal controls are controlling the risks to which the Authority is exposed.		
5. Who are the main stakeholders in relation to the policy/service?	Members of the Strategy and Resources Committee		
6. Who implements the policy/service and who is responsible for this?	Andy Johnson, Head of Risk Management		
7. Are there any concerns that this policy/service could have a differential impact on the following groups and what existing evidence do you have for this? Yes or No, please detail in boxes below.			
8. Age		N	
9. Disability		N	
10. Gender		N	

11. Race		N	
12. Religion or belief		N	
13. Sexual orientation		N	
14. Dependant/caring responsibilities		N	
15. Could the differential impact identified in 7-14 amount to there being the potential for adverse impact in this policy/service?		N	Not applicable
16. Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group or another reason?		N	Not applicable
17. Have you consulted those who are likely to be affected by the policy/service?	Y		Yes. All Department Heads have had an input into the process that goes towards drafting this statement.
18. Should the policy proceed to a full impact assessment?		N	Not required
19. Date by which full impact assessment to be completed	Not applicable		
20. Reason for non completion	Not applicable		

I am satisfied that this policy has been successfully impact assessed.

I understand the Impact Assessment of this policy is a statutory obligation and that, as owners of this policy, we take responsibility for the completion and quality of this process.

Signed: (Assessing person)		Date:	11/5/2007
Signed: (Line Manager)		Date:	
Please note that this impact assessment will be scrutinised by the E&D Officer			

Draft Statement on Internal Control

For inclusion in the Statement of Accounts 2006/07

Scope of Responsibility

Shropshire and Wrekin Fire 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.

The Fire 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 Fire Authority is responsible for ensuring that there is a sound system of internal control, which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The Purpose of the System of Internal Control

The system of internal control 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 system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Fire Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact, should they be realised, and to manage them efficiently, effectively and economically.

A system of internal control has been in place at Shropshire and Wrekin Fire Authority for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts and, except for the details of the significant internal control issues at section 5, accords with proper practice.

The Internal Control Environment

The Fire Authority's internal control environment comprises many systems, policies, procedures and operations in place to:

- Establish and monitor the achievement of the Fire Authority's objectives
- Facilitate policy and decision making
- Ensure compliance with established policies, procedures, laws and regulations
- Identify, assess and manage the risks to the Fire Authority's objectives, including risk management

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- Ensure the economical, effective and efficient use of resources, and secure continuous improvement in the way in which the Fire Authority's functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty
 - Provide appropriate financial management of the Fire Authority and the reporting of financial management and
 - Ensure adequate performance management of the Fire Authority and the reporting of performance management.

Review of Effectiveness

The Fire Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system is informed by the work of the following:

- The Fire Authority's Monitoring Officer
- Legal advisors to the Fire Authority
- Internal auditors and
- Managers within the Fire Authority, who have responsibility for the development and maintenance of the internal control environment.

Comments made by the external auditors and other review agencies and inspectorates in their Annual Audit Letters and other reports also contribute to this review.

Throughout 2006/07, the Fire Authority has maintained, reviewed and improved its system of internal control in a number of ways. In particular:

- a) Awareness of the Fire Authority's Code of Corporate Governance has been increased amongst all staff.
- b) The Fire Authority's partnership procedures have been further improved with additional advice and information on partnership risk identification being included.
- c) The Fire Authority's first Service-wide Business Continuity Plan was published.
- d) Advances with the Fire Authority's Risk Management procedures have included:
 - The review of its risk management protocol document to ensure it meets the requirements of the Fire Authority's maturing risk management procedures
 - The development of Departmental Risk Registers, created in collaboration with all Heads of Departments
 - A general increase in awareness amongst all staff about the Fire Authority's risk management processes through the publication of a Risk Management Newsletter and the creation of a Risk Management

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- Summary Leaflet, developed in partnership with Telford & Wrekin Council
 - Further integration of risk management into the Authority's budgetary reserves planning process
- e) A Code of Conduct for all staff has been developed. This has been further supported by the publication of a Staff Handbook, relevant to all staff in the Service.
- f) The Fire Authority has received and/or adopted:
- Statement of Accounts 2005/06
 - Performance Plan 2006/07
 - Integrated Risk Management Plan and Action Plan
 - Annual Audit Letter 2005/06
 - Budget Monitoring reports
 - External inspections
 - Periodic performance reports
 - Medium term financial plan, strategy and budget.
- g) The Fire Authority's Policy Group of officers carries out a continuous assessment of the implementation of policies and procedures throughout the organisation, including following up on progress made towards last year's SIC Improvement Plan.
- h) Internal Audit has undertaken a number of planned reviews of systems and internal control procedures across a range of functions in the Fire Authority. Each review contains an opinion on the internal controls in place and any unsatisfactory audit opinions result in recommendations for improvement, which are implemented by management. Copies of these reviews are sent to the Fire Authority's Treasurer and discussed with the external auditors. The audit findings are reported to Policy Group and to the Audit and Performance Management Committee.

Audits completed by Internal Audit during 2006/07 related to:

- Payroll
- Formula grant and statistics
- Purchasing/procurement
- Computer services
- Vehicle fleet and workshop facilities
- Insurance, asset register, investments and other miscellaneous financial matters
- Estate management
- Fraud and corruption
- Risk management
- Corporate governance
- Statement on Internal Control review

Internal Audit will be conducting audits into the following areas during 2007/08:

- Payroll
- Formula Grant and Statistics
- Creditors
- Banking Arrangements
- Income Collection
- Human Resources
- Fraud and Corruption
- Risk Management
- Corporate Governance
- Statement on Internal Control Review
- Data Protection/Freedom of Information

The Fire Authority underwent various audits in relation to the 2006/07 Comprehensive Performance Assessment (CPA), by the Audit Commission, which, in combination with the 'Good' rating obtained from the CPA 2005 process, has resulted in the Authority being rated as 'Performing Strongly – Well above minimum standards'. The assessments covered the following themes:

- What progress the Fire Authority has made since the CPA 2005 assessment
- How the Fire Authority manages its finances and provides value for money
- How the Service delivers its frontline services with particular focus on service delivery outcomes.

The Fire Authority is looking to maintain these excellent results in this year's CPA process.

Significant Internal Control Issues

No issues were raised in the Annual Audit Letter 2005/06. The outcome of the 2006/07 internal audit produced no fundamental issues.

The minor points arising from these reviews were used to enhance the existing system of controls. Although the 2006/07 audit is not yet complete, Internal Audit has been able to give an unqualified verbal assurance that no issues have emerged within the Fire Authority's operating systems.

The Fire Authority undertook a review of its systems of internal control during April and May 2007. This has benefited from the review of the actual process used to undertake the review. The new process has ensured that officers take even greater ownership of those elements of the Fire Authority's system of internal control for which they are responsible.

A SIC Improvement Plan 2007/08 has been produced, based on the findings from this process. Progress made against the Plan will be monitored by the Risk Management Group, with quarterly progress reports to the Fire Authority's Audit and Performance Management Committee and the Service's Policy Group.

Details about the various areas for further development, contained in the SIC Improvement Plan 2007/08, are given below:

1. Strategic Planning Process

- 1.1. A Stakeholder Management Policy will be developed which will clearly define the process the Fire Authority uses to identify the stakeholders with whom it should consult.
- 1.2. A Communication Strategy will be developed, which will ensure the Fire Authority is providing information to, and receiving feedback from, everyone who has a vested interest in the Service.

2. Performance Management

- 2.1. Following a review of the Fire Authority's Performance Management systems and processes, improvements to the Performance Management Framework have been identified and included in an Action Plan. The Plan will be implemented.
- 2.2. The recently purchased Performance Management System will be implemented.

3. Resource Management

- 3.1. A review will be conducted, which will identify the benefits to the public from the Fire Authority's Capital Investment Programme.
- 3.2. The new Asset Management System will be implemented which will ensure that the Fire Authority is able to demonstrate fully how its assets comply with all relevant legislation and standards.
- 3.3. The organisation will seek accreditation to ISO 14001, thereby enabling the Fire Authority to demonstrate that it complies with all relevant environmental legislation.

4. Human Resource Management

- 4.1. The Rank to Role process will be completed.
- 4.2. A review of support staff induction training will be undertaken to ensure that it meets the needs of all staff.
- 4.3. Officer training records will be integrated into the system operated by the Training and Development Department.
- 4.4. Managers will be given additional training on the sickness absence procedures to ensure they are always effectively implemented.

5. Risk Management and Business Continuity Planning

- 5.1. A Corporate Risk Register Procedural Manual will be developed, to ensure that people can effectively undertake the recording and reporting procedures, should the Risk Manager be absent.
- 5.2. The recently published Business Continuity Manual will be tested to ensure it is fit for purpose.

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- 5.3. A programme will be developed to ensure the Business Continuity Manual is regularly tested.
 - 5.4. An annual audit of all departments' Business Continuity Plans will be conducted to ensure the information contained therein is current.
 - 5.5. The ongoing work to develop an information technology 'shadow site' at Telford Central will be completed, thereby ensuring that there would not be any significant disruption to the information technology facilities available to the Service, should the current server room suffer serious damage.

6. Health and Safety Management

- 6.1. The possibility of either having a dedicated Member Champion for Health and Safety, or having this as an element of one of the existing Member Champion positions, will be explored.
- 6.2. Brigade Order Health and Safety No.1 Part 2 will be reviewed to take account of new Brigade structures.
- 6.3. The health and safety training programme will be reviewed to ensure that it takes account of the new Role Maps.
- 6.4. Consideration will be given to the inclusion of an audit of the Brigade's health and safety function, within the new 3 year internal audit contract.

7. Achieving the Fire Authority's Strategic Aims and Objectives

- 7.1. Existing Brigade Orders will be reviewed and updated to reflect the modern approaches to community fire safety, especially with regard to work with children and young people.
- 7.2. The Improvement Plan, developed to meet the requirements of the recently developed Operational Resilience Contingency Plan, will be implemented to ensure that the Fire Authority is able to continue to deliver its frontline services during incidents that may in themselves cause severe disruption to our Service.

Nigel Hartin
*Chair of Shropshire and Wrekin
Fire Authority*

Alan Taylor
Chief Fire Officer

Keith Dixon
Treasurer

Statement on Internal Control Draft Improvement Plan 2007/08

Area of review	IRN	Improvement required	Improvement Owner	Completion date
Strategic Planning Process	1	The process by which the Fire Authority identifies the stakeholders with whom it should consult is not clearly defined. Develop a Stakeholder Management Policy	Steve Worrall	To be determined
	2	With no formal communication strategy in place, the Fire Authority cannot be sure it is providing information to, and receiving feedback from, everyone that has a vested interest in the Service. A Communication Strategy will be developed following the guidance given in the Stakeholder Management Policy.	Steve Worrall	To be determined
Performance Management	3	Following a review of the Fire Authority's performance management systems and processes, improvements to the Performance Management Framework have been identified and included in an Action Plan. The Performance Management Framework Action Plan will be implemented.	Steve Worrall	03/2008
	4	The Fire Authority has provided the funds for a new performance management system. Having identified the most appropriate system and supplier, this system now needs to be implemented. The new performance management system will be implemented.	Steve Worrall	07/2007
Resource Management	5	The Fire Authority needs to be able to demonstrate the benefit it accrues from its capital investment programme. A review will be conducted which will identify the benefits to the public from the Fire Authority's capital investment programme.	Andrew Kelcey	10/2007
	6	The Fire Authority needs to be able to demonstrate better how its assets comply with all relevant legislation and standards. The new asset management system will be implemented	Andrew Kelcey	09/2007
	7	The Fire Authority wishes to be able to demonstrate that it complies with all relevant environmental legislation. The organisation will seek accreditation to ISO 14001.	Andrew Kelcey	12/2007



Statement on Internal Control Draft Improvement Plan 2006/07

Area of review	IRN	Improvement required	Improvement Owner	Completion date
Human Resource Management and Training	8	The Rank to Role process needs to be completed across all ranks. Rank to Role process to be completed	Louise McKenzie	03/2008
	9	As support staff induction training takes place only twice a year, some staff have to wait several months before receiving their introduction to the Service. A review of the support staff induction training will be undertaken to ensure it is able to meet the needs of all staff.	Louise McKenzie	03/2008
	10	Officer training records currently sit outside of the Training Department's administration system. Officer training records will be integrated into the system operated by the Development Department.	Louise McKenzie	03/2008
	11	The Service needs to encourage all managers to be more involved in the new sickness absence procedures. Managers will be given additional training on the sickness absence procedures to ensure they are effectively implemented.	Louise McKenzie	03/2008
Risk Management and Business Continuity Planning	12	The Corporate Risk Register needs to have a procedural manual so that people, other than the Risk Manager, can undertake the recording and reporting procedures. A Risk Register procedural manual will be developed.	Andy Johnson	07/2007
	13	The recently published Business Continuity Manual (BCM) needs to be tested to ensure it is fit for purpose. Initial test of the procedures detailed in the BCM is to be undertaken.	Andy Johnson	07/2007
	14	The BCM needs to be regularly tested. A programme of tests is to be developed.	Andy Johnson	12/2007
	15	The BCM needs to be subject to regular review to ensure the information contained therein is current. Annual audit of all departments' BC Plans to be conducted as part of the Statement of Internal Control assurance process.	Andy Johnson	04/2008
	16	If a significant fire occurred in the server room at headquarters, there would be significant disruption to the information technology facilities available to the Service. Complete the ongoing work to develop a 'shadow site' at Telford Central.	Glyn Williams	03/2008



Statement on Internal Control Draft Improvement Plan 2006/07

Area of review	IRN	Improvement required	Improvement Owner	Completion date
Health and Safety Management	17	Whilst there is a Member Champion for Risk Management and Audit, their responsibility does not specifically cover the health and safety function. Explore the possibility of either having a specific Member Champion for Health and Safety, or having this as a role within one of the existing positions	Andy Johnson	03/2008
	18	The Retained Support Officer and District Support Officer roles are not currently included in the health and safety structure detailed in Brigade Order No.1 Part 2. The Brigade Order will be reviewed to take account of new Brigade structures.	Andy Johnson	03/2008
	19	The health and safety training programme needs to be reviewed in light of the rank to role process the Brigade is currently going through. The health and safety training programme will be developed that takes account of the new Role Maps	Andy Johnson	03/2008
	20	Although the Brigade has gone through several audits of its health and safety function over the last few years, it is not included in the rolling programme of audits currently undertaken by Internal Audit. Consideration to be given to the inclusion of an audit of the Brigade's health and safety function, within the new 3 year internal audit contract.	Andy Johnson	08/2007
Achievement of the Fire Authority's Strategic Aims and Objectives	21	Existing Brigade Orders need to be updated to reflect the modern approaches taken to community fire safety, especially with regard to work with children and young people. All relevant Brigade Orders will be reviewed and updated accordingly.	Mike Ablitt	04/2008
	22	Operational resilience needs to be improved to ensure that the Fire Authority is able to continue to deliver its frontline services during incidents that may in themselves cause severe disruption to our Service. An Improvement Plan to meet the requirements of the recently developed Operational Resilience Contingency Plan will be implemented according to a Policy Group approved timetable.	Martin Timmis	To be determined following Policy Group approval

