

REPORT OF THE CHIEF FIRE OFFICER

STATEMENT ON INTERNAL CONTROL

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 2004/05.

2 Recommendations

The Committee is asked to consider and, if deemed appropriate, give approval for the draft Statement on Internal Control 2005/06 and SIC Improvement Plan 2006/07 to be forwarded for agreement and signature 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 2004/05 and SIC Improvement Plan 2005/06

The SIC for 2004/05 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; and
- A review of its effectiveness

and, as a result, produced a SIC Improvement Plan for 2005/06, which included details about the improvements to be made during the following year.



Following its publication in July 2005, the SIC Improvement Plan 2005/06 was implemented by the responsible officers, whilst being monitored by the Service's Policy Group and the Authority's Performance Management Committee.

The SIC Improvement Plan 2005/06 was formally closed in March 2006 with most of the planned work being completed in accordance with the stated target dates. There were three issues that were not completed during the life of the Plan. These were:

1. The development of a staff handbook;
2. The creation of a Code of Conduct for all staff; and
3. A review of the existing business continuity plans.

It was known from the outset that the Human Resource Department would have difficulty in achieving the first two issues during the year. It was for that reason that no fixed completion date was attached to this work. These issues have been carried over into the new SIC Improvement Plan 2006/07, with a target for completion set as April 2007 and July 2006 respectively. Work is ongoing with the third item, with a complete Business Continuity Plan for the whole organisation due for sign off by the Fire Authority at its Annual Meeting in July.

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

During April and May 2006, officers have again reviewed the Fire Authority's internal control systems with the aim of identifying further improvements, where required. To ensure this work was completed as efficiently as possible, it was undertaken in tandem with the Service's initial self assessment against the Audit Commission's draft Key Lines of Enquiry for the upcoming 'Use of Resources' assessment. The outputs from the combined process have been incorporated into the draft Statement on Internal Control, for inclusion in the 2005/06 accounts, and the draft SIC Improvement Plan 2006/07.

Members are asked to consider and, if deemed appropriate, give their approval for the Draft Statement on Internal Control 2005/06 and Draft SIC Improvement Plan, attached at Appendix A and B respectively, to be forwarded for agreement by the Fire Authority and signature by the Chair of the Authority, the Chief Fire Officer and the Treasurer at the meeting 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 2005/06. The Improvement Plan will assist the Fire Authority in achieving compliance in this area.

7 Appendices

Appendix A Draft Statement on Internal Control 2005/06

Appendix B Draft SIC Improvement Plan 2006/07



8 Background Papers

Shropshire and Wrekin Fire Authority

20 July 2005, Report 14, Final Accounts 2004/05

Strategy and Resources Committee

19 January 2006, Paper 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	
Equality and Diversity		Retained	
Efficiency Savings		Risk and Insurance	*
Environmental		Staff	
Financial		Strategic Planning	
Fire Control/Fire Link		West Midlands Regional Management Board	

For further information about this report please contact Andy Johnson, Head of Risk Management, on 01743 260208.



DRAFT STATEMENT ON INTERNAL CONTROL

For inclusion in the Statement of Accounts 2005/06

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 2005 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;
- ensure the economical, effective and efficient use of resources, and secure continuous improvement in the way in which the Authority's functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty;

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- 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 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 2005/06, the Fire Authority has maintained and reviewed its system of internal control in a number of ways. In particular:

- a) Additional work was conducted into further refinement of the Fire Authority's Strategic Planning Process during the latter part of 2005/06, which has further improved the way the Fire Authority is able to meet the requirements of both the national and local priorities that are placed upon it. These improvements, reinforced with an even greater emphasis on performance management, will help to ensure that the Fire Authority is able to demonstrate how everyone in the Service is working towards achieving the Authority's Corporate Aims and Objectives;
- b) Officers have made further progress in the implementation and embedding of the Authority's Strategic Risk Management Strategy. This included the development of an electronic Corporate Risk Register and further integration of risk management into the business planning process. This work will continue over the coming year as risk management is further introduced at the departmental business planning level;
- c) The Fire Authority has received and/or adopted:
 - Statement of Accounts 2004/05;
 - Performance Plan 2005/06;
 - Integrated Risk Management Plan and Action Plan;
 - Annual Audit Letter 2004/05;
 - Budget Monitoring reports;
 - External inspections;
 - Periodic performance reports;
 - Medium term financial strategy and budget; and
 - External Audit plans for the 2005/06 audit.

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- d) 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.
- e) 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 Performance Management Committee.

Audits completed by Internal Audit during 2005/06 related to:

- 2004/05 audit results update
- Debtors
- Fraud and Corruption
- Risk Management
- Payroll
- Stores
- Personnel
- Formula Spending Spare Statistics and Statutory Returns and Self Precepting arrangements
- Creditors

Internal Audit will be conducting audits into the following areas during 2006/07:

- 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

The Fire Authority underwent its first full Comprehensive Performance Assessment (CPA) by the Audit Commission during the first part of 2005. The Audit Commission published its findings in July 2005, confirming that Shropshire and Wrekin Fire Authority is a 'Good' authority.

The Fire Authority is in the process of preparing for this year's round of audits by the Audit Commission and Her Majesty's Inspectorate of Fire Services. Whilst CPA 2005 focused on how the Service was governed, the coming assessments are focused on assessing the service, which the Fire Authority actually delivers to the communities of Shropshire.

SIGNIFICANT INTERNAL CONTROL ISSUES

No issues were raised in the Annual Audit Letter 2004/05. The outcome of the 2005/06 internal audit produced no fundamental issues. The minor points arising from these reviews were used to enhance the existing system of controls. Although the 2005/06 audit is not yet complete, Internal Audit has been able to give an unqualified verbal assurance that no issues have emerged within the Authority's operating systems.

The Authority undertook a review of its systems of internal control during April and May 2006. To ensure this work was completed as efficiently as possible, it was undertaken in tandem with the Authority's initial self assessment against the Audit Commission's draft 'Key Lines of Enquiry' for the upcoming 'Use of Resources' assessment. A SIC Improvement Plan 2006/07 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 2006/07, are given below:

1. Corporate Objectives

- 1.1. A review of the current consultation processes will be conducted to ensure that external stakeholders are given appropriate opportunity to comment on the Fire Authority's Corporate Aims and Objectives.

2. Corporate Governance

- 2.1. Awareness of the Fire Authority's Code of Corporate Governance will be increased amongst staff.
- 2.2. The Fire Authority's partnership procedures will be further embedded.

3. Performance Management

- 3.1. The Fire Authority's performance management policies will be reviewed to ensure they meet the needs of the Authority.
- 3.2. The Fire Authority's Information Technology Strategy is to be reviewed to ensure it meets the requirements of Fire Service National Framework document and other local and national requirements.

4. Risk Management

- 4.1. The Risk Management Protocol document will be reviewed to ensure it meets the requirements of the Fire Authority's maturing risk management procedures.
- 4.2. Departmental Risk Registers will be created in collaboration with Department Heads
- 4.3. All relevant staff will receive appropriate training in risk management.
- 4.4. Additional information on risk identification in Partnership working will be included in Partnership Procedures.

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- 4.5. A Risk Management newsletter will be developed to raise awareness amongst all staff about risk management issues.
 - 4.6. The ongoing work to integrate the Fire Authority's risk management processes with its budgetary reserves planning processes will be completed.
 - 4.7. Use of the corporate risk registers to capture and manage 'opportunities' will be further explored.

5. Anti-Fraud and Corruption Policy

- 5.1. Awareness of the Fire Authority's Anti-Fraud and Corruption policies will be increased amongst staff.

6. Code of Conduct

- 6.1. A Code of Conduct will be developed for all staff.
- 6.2. A Staff Handbook will be developed.

7. Business Continuity

- 7.1 The Fire Authority's Business Continuity Plan will be approved by the Authority;
- 7.2 The resilience of the information and communication technology back-up arrangements will be improved, including meeting the level of departmental business continuity requirements that is commensurate with the level of resources and finances available.

8. Assurance Framework

- 8.1. The various methods used to provide assurance in the Fire Authority will be reviewed and an overarching assurance framework will be developed.

Dave Morgan
*Chair of Shropshire and Wrekin
Fire Authority*

Alan Taylor
Chief Fire Officer

Keith Dixon
Treasurer

Statement on Internal Control Draft Improvement Plan 2006/07

Area of review	IRN	Improvement required	Improvement Owner	Completion date
1. Corporate Objectives	1.1	A review of the current consultation processes will be conducted to ensure that external stakeholders are given appropriate opportunity to comment on the Authority's Corporate Aims and Objectives.	Ged Edwards	April 2007
2. Corporate Governance	2.1	Awareness of the Authority's Code of Corporate Governance will be increased amongst staff.	Sharon Lloyd	Ongoing
	2.2	The Authority's partnership procedures will be further embedded.	Ged Edwards	April 2007
3. Performance Management	3.1	The Authority's performance management policies will be reviewed to ensure they meet the needs of the Authority.	Ged Edwards	December 2006
	3.2	The IT Strategy is to be reviewed to ensure it meets the requirements of Fire Service National Framework document and other local and national requirements.	Glyn Williams	April 2007
4. Risk Management	4.1	The Risk Management Protocol document will be reviewed to ensure it meets the requirements of the Authority's maturing risk management procedures.	Andy Johnson	July 2006
	4.2	Departmental Risk Registers will be created in collaboration with Heads of Departments	Andy Johnson/ Heads of Departments	July 2006
	4.3	All relevant staff will receive appropriate training in risk management.	Andy Johnson	Ongoing
	4.4	Additional information on risk identification in Partnership working will be included in Partnership Procedures.	Andy Johnson/ Ged Edwards	July 2006



Statement on Internal Control
Draft Improvement Plan 2006/07

Area of review	IRN	Improvement required	Improvement Owner	Completion date
4. Risk Management (cont.)	4.5	A Risk Management newsletter will be developed to raise awareness amongst all staff about risk management issues.	Risk Management Group	December 2006
	4.6	The ongoing work to integrate the Authority's risk management processes with its budgetary reserves planning processes will be completed.	Andy Johnson/ Joanne Coadey	February 2007
	4.7	Use of the corporate risk registers to capture and manage 'opportunities' will be further explored.	Andy Johnson	April 2007
5. Anti-Fraud and Corruption Policy	5.1	Awareness of the Authority's Anti-Fraud and Corruption policies will be increased amongst staff.	Joanne Coadey	Ongoing
6. Code of Conduct	6.1	Code of Conduct will be developed for all staff.	Lisa Vickers	July 2006
	6.2	A Staff Handbook will be developed	Lisa Vickers	April 2007
7. Business Continuity	7.1	The Authority's Business Continuity Plan will be approved by the Authority.	Andy Johnson	July 2006
	7.2	The resilience of the information and communication technology back-up arrangements will be improved, including meeting the level of departmental business continuity requirements that is commensurate with the level of resources and finances made available.	Glyn Williams	December 2006
8. Assurance Framework	8.1	The various methods used to provide assurance in the Authority will be reviewed and an overarching assurance framework will be developed.	Risk Management Group	July 2006
9. Statement on Internal Control Improvement Plan	9.1	This Improvement Plan will be implemented and monitored, with progress being regularly reported to Policy Group and the Audit and Performance Management Committee.	Risk Management Group	Ongoing

