

**LANCASHIRE COMBINED FIRE AUTHORITY
AUDIT COMMITTEE**

Meeting to be held on 24 July 2018

**ANNUAL GOVERNANCE STATEMENT 2017/18
(Appendices 1 and 2 refer)**

Contact for further information:-

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Executive Summary

The Authority is required to publish an Annual Governance Statement along with the Authority's financial statements, following a review of the effectiveness of the internal controls in place. The report and the statement set out the key elements of the Authority's governance framework, how these have been evaluated, the outcome of the assessment of effectiveness and any areas for improvement.

The overall conclusion of the Annual Governance Statement is that the system of internal controls is adequate, and that no significant governance issues have been identified.

Recommendation

The Committee is asked to note and endorse the self-assessment and the Annual Governance Statement based on this.

Background

The Authority is required to produce an Annual Governance Statement as part of the year end process for 2017/18.

The Audit Committee has previously approved a revised Code of Corporate Governance, in line with guidance produced jointly by CIPFA (Chartered Institute of Public Finance Accountants) and SOLACE (Society of Local Authority Chief Executives).

The Code defines corporate governance as the way an authority ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

Included within the Code are the following core principles:-

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
2. Ensuring openness and comprehensive stakeholder engagement;
3. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
4. Determining the interventions necessary to optimise the achievement of the intended outcomes;
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
6. Managing risks and performance through robust internal control and strong public financial management;
7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

In order to assess the effectiveness of the Authority's current arrangements a self-assessment has been undertaken by the Executive Board, considering the various sources of assurance which support the core principles outlined above, and the outcome of this is attached as appendix 1. One of the key elements of this is external assurance on our systems, and this is provided by our auditors, both of whom provide positive reports, and by the previous Operational Assessment undertaken by Peer Review Team, which found 'nothing of significance' that would cause problems. As members are aware Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services is currently undertaking a review of the Authority, the outcome of which will feed into future Governance Statements.

The assessment also considers recommendations made as part of last year's Annual Governance Statement, and an update on the position in respect of these is set out below:-

Area for Improvement	Action to date	Complete/ On-going	Owner
The Services Information Management Strategy needs to be reviewed and updated to take account of changing requirements.	Information Management Strategy and a number of underpinning policies agreed. A road map of work to be undertaken has been produced based around 3 key themes which set the direction of travel for the Service. <ul style="list-style-type: none"> • Governance • Quality • Delivery Key projects agreed	Complete	Head of Service Development

<p>Undertake a Governance review, including Committee Terms of Reference, Standing Orders, Scheme of Delegation and Financial Regulations</p>	<p>Review of Committees Terms of Reference complete and agreed at CFA in April. Review of Contract Standing Orders and Financial Regulations complete and agreed at Audit Committee in March. Procedural Standing Orders reviewed but no changes identified. Review of Scheme of Delegation this had been completed but was awaiting reporting to Audit Committee (see agenda item 12).</p>	<p>Complete</p>	<p>Clerk</p>
<p>Review partnership engagement and opportunities, including develop strategic alliance with Lancashire Constabulary</p>	<p>A framework has been developed to review potential partnership arrangements utilising the following criteria:</p> <ul style="list-style-type: none"> • Will it make Lancashire Safer? • Will undertaking the activity potentially damage our brand? • Does it fit with the public image of the FRS? • Will it detract from our ability to undertake other operational or preventative functions, if so to what extent? • Is there a significant negative financial impact? • Is the activity likely to fit comfortably with our stakeholders (Trade Unions, Firefighters, CFS staff, Partners, Home Office, etc.)? <p>Statement of Intent: Enhanced Collaboration between LFRS and Constabulary drafted and approved at Joint Exec Board. Programme managers appointed within both LFRS and Constabulary. Collaboration group established and opportunities for review agreed. This will form part of on-going programme.</p>	<p>Complete</p>	<p>Head of Service Delivery</p>
<p>Implement revised staff induction programme</p>	<p>The staff induction programme has been revised and updated. A learn pro induction module has been developed to support this process.</p>	<p>Complete</p>	<p>Head of Human Resources</p>

Implement Leadership Conference	Three Leadership conferences delivered, Spring 2017, Autumn 2017 and Spring 2018. The focus of the Conference was the promotion of a strong culture and one where equality, diversity and Inclusion are valued. The feedback from the Conference was excellent with the majority of participants reflecting on LFRS core values and competencies and their own personal contribution to those values.	Complete	Head of Human Resources
Complete review of staff recognition	Review of staff recognition and development of staff sounding boards has been undertaken. This was placed on hold due to staff changes and pending recruitment of additional resources. The additional resource is now in place and an updated project plan is being developed	On-going, target date for completion December 2018	Head of Corporate Comms

It is also worth noting that the Internal Auditors have undertaken a review of Sources of Assurance in the first quarter of 2018/19, as part of the internal audit programme. This review confirmed that LFRS has sufficient, relevant sources of assurance to satisfactorily manage its risks in order to ensure compliance with the Code of Corporate Governance and achieve overall Service objectives.

As a result of the various reviews a number of areas for further improvements have been identified, including those outstanding from last year's review:-

- Complete review of Scheme of Delegation (this was outstanding at the time of agreeing the Statement but has now been completed and is reported elsewhere on this agenda);
- Complete review of staff recognition;
- Create a new Intranet, incorporating social networking to connect staff across the service.

As part of our review, we are required to identify and disclose any significant internal control issues, of which there have been none, hence the overall conclusion is that the system of internal controls is adequate.

The above position is reflected in the Annual Governance Statement, attached as appendix 2.

Financial Implications

None

Human Resource Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

The Annual Governance Statement and the review of effectiveness of the Authority's arrangements for complying with its Code of Corporate Governance forms a key element of the Authority's overall assessment of how well it is managing its business risks.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact
Code of Corporate Governance	Mar 2017	Keith Mattinson, Director of Corporate Services
External Auditors Annual Audit Letter	October 2017	Keith Mattinson, Director of Corporate Services
External Auditors Audit Findings Report	July 2018	Keith Mattinson, Director of Corporate Services
Internal Audit Annual Report	July 2018	Keith Mattinson, Director of Corporate Services
Reason for inclusion in Part II, if appropriate:		