

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	AUDIT SUB COMMITTEE		
DATE:	9 JUNE 2016	REPORT NO:	CFO/035/16
PRESENTING OFFICER	IAN CUMMINS, TREASURER		
RESPONSIBLE OFFICER:	IAN CUMMINS	REPORT AUTHOR:	IAN CUMMINS
OFFICERS CONSULTED:	STRATEGIC MANAGEMENT GROUP		
TITLE OF REPORT:	THE ANNUAL GOVERNANCE STATEMENT 2015/2016		

APPENDICES:	APPENDIX A:	2015/16 ANNUAL GOVERNANCE STATEMENT
	APPENDIX B:	INFORMING THE AUDIT RISK ASSESSMENT FOR MFRA – GRANT THORNTON DOCUMENT

Purpose of Report

1. The purpose of this report is to present to Members the Authority's Annual Governance Statement. This statement fulfils the Authority's statutory requirement to prepare a statement of internal control in accordance with proper practices, and to present an annual review of the effectiveness of the current system.

Recommendation

2. That Members;
 - a. approve the 2015/2016 Annual Governance Statement, and
 - b. Consider the management responses to the Auditor's Risk Assessment questionnaire in Appendix B, and, determine if the responses are consistent with Members' views or whether there are any further comments the sub Committee wishes to make.

Introduction and Background

3. The Annual Governance Statement (AGS) is the formal statement that recognises, records and publishes a Council or Authority's governance arrangements. Attached at Appendix A to this report is the 2015/16 AGS for MFRA which explains the processes and procedures in place to enable the Authority to carry out its functions effectively. The AGS also links into the Annual Statement of Assurance by providing assurance about the Authority's governance framework.

4. The CIPFA/SOLACE – Delivering Good Governance in Local Government Framework is deemed to represent best practice in relation to internal control. This framework recommends that the review of the effectiveness of the system of internal control should be reported as part of the AGS. The annual review of the effectiveness of the Authority’s internal control system has been undertaken and, in accordance with the CIPFA guidance, incorporated in the attached AGS. The AGS identifies the ways in which the Authority has ensured that its control mechanisms are adequate during the year, including internal and external audit. The overall conclusion of the AGS is that the system of internal control is adequate (any control system can provide only reasonable assurance and not absolute assurance).
5. Under International Standards on Auditing (UK and Ireland) (ISA (UK&I)) auditors have specific responsibilities to communicate with the Audit Committee. As part of their risk assessment procedures the Authority’s external auditor (Grant Thornton) have sought an understanding of the management processes and the Audit Committee’s oversight of the following areas:
 - fraud
 - laws and regulations
 - going concern.
6. Grant Thornton have asked the Authority’s management team to complete a questionnaire in relation to the above risks which is attached as Appendix B to this report. As this ties in closely with the effectiveness of the internal control arrangements identified in the AGS the draft response has been appended to the AGS report. The Audit sub Committee is asked to consider the responses in Appendix B and determine if these responses are consistent with the sub Committee’s understanding and whether there are any further comments the sub Committee wishes to make.

Equality and Diversity Implications

7. Good governance and sound internal control includes having effective practices to manage equality and diversity issues.

Staff Implications

8. There are no staff implications arising from this report.

Legal Implications

9. Regulation 6(1) of the Accounts and Audit (England) Regulations 2015 requires that the relevant body must conduct a review at least once a year of the effectiveness of its system of internal control and to prepare a statement on internal control in accordance with proper practices. Regulation 6(2) require that the findings of a review of an organisation’s system of internal control is to be considered by a Committee of the relevant body, or by members of the body meeting as a whole, once a year. The AGS fulfils that obligation.

Financial Implications & Value for Money

10. A sound system of internal control is essential for the overall control of the Authority's finances. There are, however, no direct financial implications arising from the Statement.

Risk Management, Health & Safety, and Environmental Implications

11. Good governance and sound internal control arrangements will ensure the Authority's policies, procedures and objectives are being fulfilled.

Contribution to Our Mission: *Safer Stronger Communities – Safe Effective Firefighters*

12. Good governance and sound internal control arrangements will ensure the Authority's mission is known by all and drives and directs the Service outcomes.
13. Merseyside communities are safer, stronger and the firefighters who serve the County are safer and more effective because the Authority has effective leadership and makes decisions that deliver strong financial management and efficient and effective service delivery. Robust and comprehensive governance arrangements are integral to this performance.

BACKGROUND PAPERS

CFO/059/08 Code of Corporate Governance, Authority 18th March, 2008.

Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice – Guidance Notes for Practitioners for 2006/07 Accounts, C.I.P.F.A. 2006

Delivering Good Governance in Local Government – Framework, CIPFA/SOLACE

Account and Audit (England) Regulations 2015

GLOSSARY OF TERMS

SOLACE	Society of Local Authority Chief Executives and Senior Managers
CIPFA	Chartered Institute of Public Finance and Accountancy
AGS	Annual Governance Statement