

**AGENDA ITEM:**

<b>REPORT TO:</b>	<b>MERSEYSIDE FIRE &amp; RESCUE AUTHORITY</b>
<b>DATE:</b>	<b>17<sup>th</sup> MAY, 2012</b>
<b>REPORT NO.</b>	<b>CFO/082/12</b>
<b>REPORTING OFFICER:</b>	<b>KIERAN TIMMINS, DEPUTY CHIEF EXECUTIVE, EXTN. 4108</b>
<b>CONTACT OFFICER:</b>	<b>KIERAN TIMMINS</b>
<b>OFFICERS CONSULTED:</b>	<b>STRATEGIC MANAGEMENT TEAM</b>
<b>SUBJECT:</b>	<b>THE ANNUAL GOVERNANCE STATEMENT 2011/2012</b>

**APPENDIX A “Annual Governance Statement - 2011/12”**

**APPENDIX B “Code of Corporate Governance”**

**\*A Glossary of Terms has been provided at the end of this report for your reference**

Purpose of Report

1. Merseyside communities are safer, stronger and the firefighters who serve the region 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.
2. The purpose of this report is to outline 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

3. Members are asked to agree the 2011/2012 Annual Governance Statement and the Chairman is asked to sign the document on behalf of the Authority.

## Introduction & Background

4. Corporate Governance is “the system by which local authorities direct and control their functions and relate to their communities” (CIPFA/SOLACE “Corporate Governance in Local Government”). Sound governance arrangements and accountability are essential to enable the Authority to deliver on its intended outcomes for the people of Merseyside and service users, in accordance with the law and proper standards. This also ensures that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
5. The Authority first adopted a code of corporate governance in 2003. It has been revised and updated in line with current guidance and best practice including the CIPFA/SOLACE “*Delivering Good Governance in Local Government Framework*” and the IDeA Ethical Governance Toolkit. Members approved its most recent code of governance at the Authority meeting on 18<sup>th</sup> March, 2008, report CFO/59/08. This Code has now been updated to reflect the new management structure and is attached to this report, see Appendix B.
6. Three high level principles underpin the Authority’s corporate governance:
  - ***Openness & inclusivity*** to ensure both internal and external stakeholders can have confidence in the decision making and management processes of the Authority
  - ***Accountability*** of the Authority, members and staff for being responsible for their decisions and actions, including their stewardship of public funds and all aspects of performance, and submit themselves to appropriate external scrutiny.
  - ***Integrity*** based upon honesty, selflessness and objectivity, and high standards of propriety and probity in the stewardship of public funds and the management of the Authority’s affairs
7. The 2008 review of the code of governance incorporated the latest CIPFA/SOLACE Framework guidelines by adopting the core principles outlined in the framework and expanding the three core principles, outlined above, by adding six detailed principles to the Authority’s code, which are:
  - (i) Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area
  - (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles
  - (iii) Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- (iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
  - (v) Developing the capacity and capability of members and officers to be effective
  - (vi) Engaging with local people and other stakeholders to ensure robust public accountability
8. The Accounts and Audit Regulations 2003 enshrined in legislation a number of recommendations relating to governance, and in particular it requires the Fire & Rescue Authority to :-

**“be responsible for ensuring the financial management of the Authority is adequate and effective, and that the Authority has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk”.**

**“conduct a review at least once a year of the effectiveness of its system of internal control and include a statement on internal control with its statement of accounts”.**

9. The regulations require authorities to produce the statement on internal control in accordance with proper practices. The CIPFA/SOLACE – *Delivering Good Governance in Local Government Framework* is deemed to represent best practice in relation to internal control. This new framework recommends that the review of the effectiveness of the system of internal control should be reported in an Annual Governance Statement.
10. The annual review of the effectiveness of the Authority’s internal control system has been undertaken and in accordance with the CIPFA guidance an Annual Governance Statement has been produced for 2011/2012, and this is attached as Appendix A to this report. The statement identifies the ways in which the Authority has ensured that its control mechanisms are adequate during the year, including both internal and external audit. The overall conclusion of the Annual Governance Statement is that the system of internal control is adequate.

#### Equality & Diversity Implications

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

#### Staff Implications

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

### Legal Implications

13. The Accounts and Audit (England) Regulations 2011 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 Annual Governance Statement fulfils that obligation.

### Financial Implications & Value for Money

14. 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

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

### Contribution to Our Mission – To Achieve;

Safer Stronger Communities – Safe Effective Firefighters”

16. Good governance and sound internal control arrangements will ensure the Authority's mission is known by all and drives and directs the service outcomes.

## **BACKGROUND PAPERS**

- 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
- Report CFO/59/08, Code of Corporate Governance, Authority 18<sup>th</sup> March, 2008.
- Delivering Good Governance in Local Government – Framework, CIPFA/SOLACE
- Account and Audit (England) Regulations 2011

## **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.

**IDeA** – Improvement and Development Agency