

ESSEX FIRE AUTHORITY
Essex County Fire & Rescue Service



MEETING

**Policy & Strategy
Committee**

AGENDA ITEM

5

MEETING DATE

24 June 2015

REPORT NUMBER

EFA/054/15

SUBJECT

2014/15 Accounts and Governance Statement

REPORT BY

The Acting Chief Fire Officer and The Finance Director & Treasurer

PRESENTED BY

The Finance Director & Treasurer, Mike Clayton

SUMMARY

Under the Accounts and Audit Regulations, Members of the Fire Authority must approve an Annual Governance Statement and this statement may be included in the statement of accounts and published by 30 June. In addition the Authority must publish unaudited accounts by 30 June. This paper provides a review of the key governance arrangements and a summary of the key issues from the accounts for 2014/15.

The accounts are still being finalised as we await some final details to be provided.

RECOMMENDATIONS

Members of the Policy & Strategy Committee are asked to:

1. Review and agree the Annual Governance Statement;
2. Agree the Review of Accounting Policies;
3. Agree the use of estimates in the accounts;
4. Note that the Finance Director & Treasurer will sign and date the Accounts for 2014/15 by 30 June 2015; and
5. Authorise the Chairman and Chief Fire Officer to sign the Annual Governance Statement.

BACKGROUND

The requirements for the approval of the Authority's accounts are set down in The Accounts and Audit (England) Regulations 2011 (SI 2011 No 817). In summary the following actions are now required for the approval of the Audited accounts:

Ref	Requirement	Action
4(2)	Annual review of the effectiveness of the system of internal control	Review by Audit, Governance & Review Committee in July 2015
4(3)	Annual governance statement	Policy & Strategy Committee – June 2015 and September 2015
6(3)	Review effectiveness of internal audit	Review by Audit, Governance & Review Committee in July 2015
7	Publish remuneration of senior employees	Included in Accounts
8(2)	Financial Officer to sign accounts by 30 June	Awaiting approval of Annual governance Statement
8(3)	Approval and Publishing of Accounts by 30 September	Approval planned for P&S Committee on 23 September 2015

The regulations also provide for the public inspection of the accounts (20 working days), for written objections to the accounts and for the publication of the annual audit letter.

OUTTURN POSITION FOR 2014/15

The outturn position reflects the decisions made by this Committee in March 2015, these were:

Agree the carry forward of £147k of revenue expenditure into 2015/16; and

To use the balance of underspending to be carried forward to provide a budget for the costs of the Cultural Review commissioned by the Authority.

The table below summarises the outturn position for the year:

Description	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD
Firefighters	34,729	(1,519)	-4%
Firefighters - Retained Duty System	6,183	447	8%
Control	1,673	19	1%
Support Staff	11,295	166	1%
Total Employment Costs	53,880	(887)	-2%
Support Costs	1,911	(271)	-12%
Premises & Equipment	10,603	449	4%
Other Costs & Services	3,329	(196)	-6%
Ill health pension costs	2,077	1,876	++
Financing Items	7,602	(1,104)	-13%
Operational income	(4,918)	(831)	20%
Contribution (to)/from Reserves	(1,105)	1,069	-49%
Total Other Costs	19,499	994	5%
Total Budget	73,378	107	0%
Total Funding	(73,378)	(107)	0%
Funding Gap / (Surplus)	(0)	(0)	++

ANNUAL GOVERNANCE STATEMENT

The Annual Governance statement will also be reviewed by the Audit, Governance & Review Committee in July 2015.

In addition the Audit Committee reviewed the effectiveness of the arrangements for Internal Audit. The table below shows the internal audit results for the last five years:

	Limited Assurance or No Assurance	Reasonable Assurance	Substantial Assurance
2010/11	0	10	4
2011/12	0	4	2
2012/13	1	5	2
2013/14	2	4	3
2014/15	2	4	3

In 2014/15 the areas with limited or no assurance were risk management (for a second year) and HR transactional processing. An action plan to address the weakness in assurance around risk management was put in place for 2014/15 but resources to deliver the actions were used to manage the 40 periods of industrial action during the year as a result of the continuing national dispute between the fire brigades union and the government over pensions and a new local dispute centring on the implementation of changes in Control.

The Governance statement is attached as Appendix 1. It includes the actions being undertaken in 2014/15 to address areas where weaknesses in controls were identified through internal audit.

2014/15 ACCOUNTS – ACCOUNTING POLICIES AND ESTIMATES

As part of the approval process for the Accounts the Committee has to consider and agree two key aspects. Firstly, any changes to the Accounting Policies adopted by the Authority and secondly the use of estimates within the accounts.

The Accounting Policies are set out on pages 15 to 30 within the accounts. These policies set down the key factors adopted where there is flexibility in the accounting standards. An example would be the life adopted for capital assets purchased by the Authority. There have been no significant changes to the policies in the 2014/15 accounts.

The second area for Member consideration is for the use of estimated figures within the accounts. The use of estimates is set down in Note 6 which states:

“The statement of accounts includes accounting estimates concerning the carrying amounts of assets and liabilities and the amount of the periodic consumption of an asset. The estimates include the method of depreciation chosen for fixed assets which impacts on both the carrying value of the asset and the charge in the income and expenditure account for the consumption of the asset in the year. There have been no changes to the accounting estimates in the year..”

RISK ANALYSIS

The Governance Statement will also be reviewed by the Audit, Governance & Review Committee which also receives all reports from the Internal Auditor and all reports from the External Auditor. The Committee also receives reports monitoring the completion of actions in response to audit recommendations. The Committee will have the opportunity to consider amendments to the Governance Statement arising from that review, and the Auditor's Review of the accounts in September 2015.

The reporting of the final outturn position to this committee completes the review process for budgetary control ensuring that Members are aware of the main variations to budget, the reasons for the variations and that Members have the opportunity to challenge Officers in respect of the achievement of the budget. In addition, the budget review reports are also submitted to the Audit, Governance and Review Committee.

LEGAL IMPLICATIONS

The Finance Director & Treasurer is required to certify the accounts by 30 June and the Authority must approve and publish accounts by 30 September, after completion of the review by our auditors.

FINANCIAL IMPLICATIONS

There are no financial implications from approval of the Authority's accounts.

USE OF RESOURCES

There are no use of resources implications from approval of the Authority's accounts.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of background documents	
Appendix 1 – Governance Statement	
Appendix 2 – 2014/15 Statement of Accounts	
Proper Officer:	Finance Director & Treasurer
Contact Officer	Mike Clayton, Essex County Fire & Rescue Service, Kelvedon Park, Kelvedon, CM8 3HB Tel: 01376 576000 E-mail: mike.clayton@essex-fire.gov.uk

GOVERNANCE STATEMENT

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards of conduct, probity and professional competence, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty 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 Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Authority has approved and adopted a code of corporate governance, which is consistent with the framework of good governance published by the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives. This statement explains how the Authority has complied with the code and also meets requirements of the Accounts and Audit Regulations in relation to the publication of an Annual Governance Statement.

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values, for the control and management of all activities and how which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the 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.

The governance framework has been in place at the Authority for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

The Governance Framework

The Governance Framework is comprised of 6 core principles that are detailed below:

1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of Members and officers to be effective; and
6. Engaging with local people and other stakeholders to ensure robust public accountability.

Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the strategic managers within the Authority who have responsibility for the development and maintenance of the governance environment, Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Audit, Governance and Review Committee has been given responsibility for:

1. overseeing the implementation and monitoring the operation of the code;
2. reviewing the operation of the code in practice; and
3. reporting on compliance with the code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

In addition, the Fire Authority's Internal Auditor has responsibility to review and report to the Authority's Audit, Governance and Review Committee annually, to provide assurance on the adequacy and effectiveness of the Authority's arrangements for governance, risk management and control. An overall positive opinion was given for 2013/14 and the same opinion is expected for 2014/15. The provision of Internal Audit Services is through a contract with Baker Tilly LLP. The Authority is able to take substantial assurance from the budgetary controls and the key financial controls.

The Audit, Governance and Review Committee have been advised on the implications of the result of the review of the effectiveness of the governance framework and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Authority's financial management arrangements conform to the governance requirements contained in the CIPFA statement on "The Role of the Chief Financial Officer in Local Government (2010)". Internal Audit reports on the key area of financial controls confirm that they provide substantial assurance to the Authority.

Significant Governance Issues

On the basis of a review of the corporate governance arrangements we report that there are no aspects where there is no evidence of compliance with the core principles. During the year Members received reports with reviews of a number of key areas. These included:

- The retained duty system;
- The risk register; and
- Finance, procurement and fraud policies.

A number of areas were identified in the 2013/14 governance statement for further development. The most significant areas and the actions undertaken are summarised below:

Area	Actions
Refresh of the Partnership Register	The register has been amended, but further work to ensure that the Partnership Manager has signed copies of all agreements is required.
Development and implementation of an action plan to address lack of assurance in Corporate Risk and Business Continuity	The action plan was reported to the Authority and a new risk register reported in February 2015. Further work to develop the engagement of all departmental managers in the management of corporate risks is required to ensure that full assurance can be provided to the Authority.
Completion of the Workforce Transformation Programme	The programme completed in March 2015 and a closure report was noted by the Authority in June 2015.
Review of Authority Work Plan	The Authority reviewed the work plan in April 2015

Member comments, internal audit reports, external audit comment and other reviews have identified a number of areas where further work on governance or control issues is required, Further development of our plans to improve the overall governance arrangements will be carried out in the following areas during 2015/16:

1. Completion of an action plan to address lack of assurance in Corporate Risk and Business Continuity;
2. The level of reserves and the approach to investment of surplus cash balances; and
3. The 2020 Programme of Service re-design.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the areas where there is a need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation through the Audit, Governance and Review Committee and as part of our next annual review.

Internal Control

The effectiveness of the internal audit arrangements and the system of internal control were included in the annual governance review. Elements of this review were also informed by the work of the Internal Auditors and the regular reporting on financial and performance issues to Members. As part of these reviews action plans were identified and reported on. There were no materially significant internal control issues identified during the year.

Signed: _____

Chairman, Essex Fire Authority

Signed: _____

Acting Chief Fire Officer