

## report

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| meeting | <b>NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM<br/>FIRE &amp; RESCUE AUTHORITY</b> |                    |
| date    | <b>29 June 2007</b>   | agenda item number |

### REPORT OF THE CHIEF FIRE OFFICER

#### STATEMENT ON INTERNAL CONTROL 2006/07

##### 1. PURPOSE OF REPORT

The purpose of this report is to advise members of progress made against specific action points identified as necessary in the 2005/06 Statement on Internal Control, and to present a draft Statement on Internal Control for 2006/07 for agreement.

##### 2. BACKGROUND

The statement on Internal Control forms an essential part of the Service's governance and control framework. It is a requirement to produce a Statement on Internal Control as part of the annual accounts. The Statement also serves as a management tool, identifying organisational strengths and weaknesses, providing a driver for the business planning process.

##### 3. REPORT

3.1 Good progress has been made against the action points identified in the 2005/06 Statement on Internal Control and consequently, these actions can all be considered as discharged. It should be noted, however, that some of the action points identified will require ongoing management and monitoring in order to remain effective. A detailed resume of these discharged action points may be found at Appendix A.

3.2 A draft Statement on Internal Control for the year ending 31<sup>st</sup> March 2007 is attached at Appendix B. Members are asked to adopt this statement for inclusion in the published accounts for 2006/07. The statement reflects the ongoing management of the Authority's control environment in line with established and embedded procedures and processes and details actions that are required to ensure continued effective management in the face of organisational and environmental change.

##### 4. RISK MANAGEMENT IMPLICATIONS

The Statement on Internal Control is an essential aspect of the organisation's governance arrangements. The Service can gain assurance of financial control and also highlight priority issues that need addressing.

##### 5. FINANCIAL IMPLICATIONS

The Statement on Internal Control does not give rise to any direct financial consequences. Action points highlighted, and subsequently incorporated into business plans may require management decisions around the allocation of departmental resources.

**6. PERSONNEL IMPLICATIONS**

The Statement on Internal Control does not give rise to any personnel implications.

**7. EQUALITY IMPACT ASSESSMENT**

An equality impact assessment is not required for this report.

**8. RECOMMENDATIONS**

8.1 That Members note that the Statement on Internal Control serves to indicate that the Service has a robust approach to internal control.

8.2 That Members note the achievements made against the action points raised in the Statement on Internal Control 2005/06 and commit the organisation to addressing the action points raised in the 2006/07 Statement.

8.3 That Members adopt the statement on Internal Control 2006/7 and approve its inclusion in the Statement of accounts 2006/7.

**9. BACKGROUND PAPERS FOR INSPECTION**

None.

Frank Swann  
**CHIEF FIRE OFFICER**

**Actions detailed on 2005/06 Statement on Internal Control**

| <b>Agreed Action</b>  | <b>Progress to Date</b>   |
|---|---|
| Copies of the Internal Audit Reports are to be received by the Finance and Resources Committee acting in its role as Audit Committee. This committee will provide proper scrutiny over internal audit and will ensure that appropriate actions are taken by managers. | This process is now in place and operational.   |
| The Corporate Risk Profile must continue to be updated and developed into the performance management environment.   | The existing Corporate Risk Profile has been reviewed and presented to Members. A revised Corporate Risk Profile will be produced once the newly introduced business planning process is fully embedded.  |
| The financial system must be further developed to provide improved levels of budget monitoring at the budget manager level and improved purchasing and procurement controls   | Following a considerable amount of work during the year, the Kypera project is on track for delivering the necessary tools for improved budget monitoring and purchasing control. In the interim, the existing purchasing control system has been reviewed and improved to ensure that robust controls are in place.  |
| The Authority must review compliance with the code of conduct and carry out training for both Members and Staff in relation to governance.  | Some training has been carried out and a review is planned against the new code   |
| The Authority must develop a set of appropriate actions in response to the latest Fire Service performance framework which includes Service Delivery, Use of Resources and Value for Money assessments  | Significant work has been carried out against this requirement .  |
| The Authority must continue to develop the system of performance management which requires variances in performance to be monitored and appropriate actions initiated   | Performance Management is an element of the integrated business planning/risk management/performance management process that has been developed and introduced to the Authority. This Performance Management element is supported by PBViews, a proprietary software system, enabling the efficient monitoring and management of performance.   |
| The Authority must seek to embed the Risk Management ethos throughout the organisation using a combination of training and awareness programmes. Risk ownership must be devolved further into the organisation.   | Risk Management is now an element of the integrated business planning/risk management/performance management process. The business planning process requires that risks to the delivery of business objectives are identified and assessed. This approach has also been incorporated into the policy development and project management processes to ensure that risk is fully considered and understood. This integration of Risk Management promotes ownership of risks at appropriate levels of the Authority. Members have received awareness training. |

| <b>Agreed Action</b>   | <b>Progress to Date</b>   |
|--|---|
| <p>The Authority must develop its business continuity plans both for compliance with the Civil Contingencies Act and for good risk management.</p> | <p>The Authority's business continuity plans are sufficient to comply with the Civil Contingencies Act. That the business continuity plans are considered sufficient for compliance with the Civil Contingencies Act is an indication that they contribute to effective risk management. This does need to be confirmed through the presentation of business plan risk registers to enable the compilation of the risk profile.</p> |
| <p>Proper assurances should be sought from Departmental Managers concerning the levels of risk.</p>  | <p>The integrated business planning/risk management/performance management process, coupled with the requirement to assess risk as part of the project planning and policy development processes provides the framework for Departmental Manager to give assurances as to the levels of risk.</p>   |

## **STATEMENT ON INTERNAL CONTROL**

### **Scope Of Responsibility**

Nottinghamshire and City of Nottingham 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 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. This does not imply that risk is to be eliminated but rather that it is to be effectively identified and managed. Risk in this context is the overall corporate risk that the Authority may not be able to achieve its policies, aims and objectives as set out in the Corporate Plan. This statement can therefore only provide reasonable and not absolute assurance of the effectiveness of internal control and risk management. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Fire and Rescue 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 Nottinghamshire and City of Nottingham Fire Authority for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts and, except for the details of significant internal control issues detailed below, accords with proper practice.

### **The Internal Control Environment**

The Authority's internal control environment comprises the many systems, policies, procedures and operations in place to :-

- a) establish and monitor the achievement of the Authority's objectives
- b) facilitate policy and decision making
- c) ensure compliance with established policies, procedures, laws and regulations
- d) identify, assess and manage the risks to the Authority's objectives including risk management
- e) ensure the economical, effective and efficient use of resources, and to 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.
- f) provide appropriate financial management of the Authority and the reporting of financial management and,
- g) ensure adequate performance management of the Authority and the reporting of performance management

## Review of Effectiveness

The Fire 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 of internal control is informed by the work of the Internal Auditors and managers within the authority who have responsibility for the development and maintenance of the internal control environment, the Corporate Risk Profile and risk registers. It is also informed by comments made by the External Auditors in their Annual Audit Letter and by other review agencies and inspectorates in their reports.

Throughout 2006/07 the Authority has maintained and reviewed its system of internal control in a number of ways. In particular: -

- (a) The Strategic Management Team has reviewed the operation of the Authority's Corporate Risk Profile to ensure that all risks to the Authority's strategic objectives and corporate plans are appropriately managed.
- (b) The Fire Authority has received and/or adopted:
  - Strategic Plan targets
  - Statement of Accounts 2005/06
  - External Auditors' Management Letter
  - Budget Monitoring Reports
  - Business Risk Management Policy
  - Periodic Performance Reports
  - Medium Term Financial Strategy and Budget
  - External Audit Plans for the 2006/07 audit
  - The results of the Comprehensive Performance Assessment
  - Internal Audit Annual report 2006/07.
  - Treasury Management Strategy
  - Prudential Code Limits
  - Prudential Code Monitoring Reports
- (c) The Performance Monitoring and Policy & Strategy Committees have provided an additional level of scrutiny to a number of these plans and strategies.
- (d) The internal Performance and Co-ordination Team carries out a continuous assessment of the implementation of policies and procedures throughout the organisation, including following up on progress against the action plans derived from the Risk Profile. This activity has been further strengthened by the introduction of a Performance Management software system which is driving a new ethos of performance management throughout the organisation.
- (e) Internal Audit has undertaken a number of planned reviews of systems and internal control procedures across a range of functions in the 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 both to the Authority's Treasurer and to the External Auditors. Internal Audit's annual report to the Authority confirms that the overall level of management control is satisfactory and provides a good basis for effective financial and resource management.
- (f) The Authority has recently adopted a new corporate governance model which brings elected members closer to the decision making process and serves to strengthen both scrutiny and internal control.

## Significant Internal Control Issues

The Authority faces yet another challenging year in 2007/08 although significant improvements have been made in the Internal Control environment.

However the following issues represent the key areas in relation to internal control:-

1. Departmental Managers are to provide the Risk Manager with assurances as to the actual and predicted levels of risk resulting from the business planning process.
2. The Corporate Risk Profile must be updated alongside a corporate risk register that identifies the significant risks the Authority faces.
3. To ensure effective budget management and purchasing/procurement control, all relevant staff must receive appropriate training on the use of Kypera once the system is operational.

Signed \_\_\_\_\_ Date:

Frank Swann  
Chief Fire Officer

Signed \_\_\_\_\_ Date:

Councillor Darrell Pulk  
Chairman of the Fire and Rescue Authority