



STAFFORDSHIRE COMMISSIONER POLICE, FIRE & RESCUE & CRIME

Governance - Transition of Fire Authority

REVISED FINAL

Internal audit report: 3.18/19

10 December 2018

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP
will accept no responsibility or liability in respect of this report to any other party.



CONTENTS

1 Executive summary	2
2 Detailed findings.....	5
Appendix A: Scope	8
For further information contact	9

Debrief held	7 November 2018
Draft report issued	9 November 2018
Final report issued	4 December 2018
Revised final issued	10 December 2018

Internal audit team	Daniel Harris - Head of Internal Audit Angela Ward - Senior Manager Rahi Rahman - Internal Auditor
----------------------------	--

Client sponsor	Victoria Farrar - Head of Governance & Assurance
-----------------------	---

Distribution	Jane Heppel, Interim Director of Finance,
---------------------	--

1 EXECUTIVE SUMMARY

1.1 Background

We have undertaken a review of the Governance Transition as part of the agreed internal audit plan for 2018/19. The focus of the audit was to consider the incorporation of the governance arrangements for Staffordshire Fire and Rescue Service into the Staffordshire Police and Crime Commissioner.

The Staffordshire Commissioner Police, Fire and Rescue and Crime became responsible for the governance of Staffordshire Fire and Rescue Service, in addition to his existing role overseeing Staffordshire Police, from August 1, 2018. The Staffordshire Commissioner receives all funding, including the government grant, and other sources of income related to fire and rescue services. The Staffordshire Commissioner is responsible for setting the precept in consultation with the Head of Paid Service (Fire), or in accordance with any grant terms.

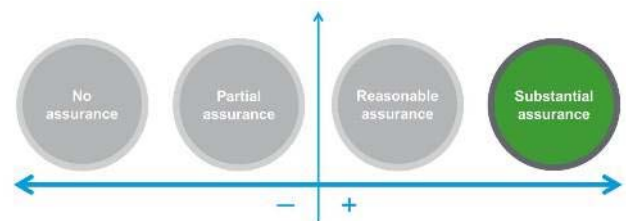
In order to support effective decision making and to drive continuous improvement across Staffordshire Police and Staffordshire Fire and Rescue service, the Staffordshire Commissioner has set up a number of boards/groups. The purpose of these boards is to support the delivery of the services with the right guidance, support and advice from the right people when decisions are made.

1.2 Conclusion

The Staffordshire Commissioner has had responsibility for oversight of the Fire and Rescue Service since August 2018, therefore the new governance arrangements were still being embedded. The Staffordshire Commissioner has however, developed a number of boards/groups to support effective decision making and to drive continuous improvement across Staffordshire Police and Staffordshire Fire and Rescue. The governance arrangements that have been introduced reflect a simple structure and is one that is aligned to that which was already in place at the Office of the Police and Crime Commissioner. In time, as it becomes more 'business as usual' there will be scope to streamline the governance structure even further.

Internal audit opinion:

Taking account of the issues identified, the Staffordshire Commissioner can take substantial assurance that the controls in place to manage this risk are suitably designed and consistently applied.



1.3 Key findings

As part of our review, we compared the Terms of References established with other Emergency Services organisations and noted that the structure, meeting frequency and the number of members were broadly in line with the other Forces and Authorities. As there have been a very limited number of Commissioner led Police and Fire and Rescue Services, we performed our benchmarking using wider data which including other Fire Authorities.

The key findings from this review are as follows:

Proposal and Assessment

The Staffordshire Commissioner became responsible for the governance of Staffordshire Fire and Rescue service, in addition to his existing role as the Police and Crime Commissioner for Staffordshire Police, from August 1, 2018. We reviewed the 'Independent Assessment of the Proposal for a PCC-style Fire Rescue Authority for Staffordshire' report dated 19 December 2017 by CIPFA that provided an independent assessment of whether or not the Staffordshire PCC's Section 4A proposal, to take on the governance of the Staffordshire Fire and Rescue Service, met the statutory tests of being in the interests of; economy, efficiency and effectiveness (three E's), and public safety. With regards to the three E's we confirmed that the report concluded that, on balance and subject to all the caveats listed in the report, a move to the Governance Model met the statutory test.

Corporate Governance Framework

The Staffordshire Commissioner developed a Corporate Governance Framework which was signed off by the Staffordshire Commissioner on 1 August 2018. The purpose of this statement was to give clarity to the way the Staffordshire Commissioner (Fire and Rescue Authority) and the fire and rescue service will be governed to do business in the right way, for the right reason at the right time. The following key elements were embedded within the framework:

- Statement of Corporate Governance – statutory framework and local policy;
- Code of Corporate Governance – sets out how the core principles will be implemented;
- Scheme of Corporate Governance – defines the parameters within which the organisations will conduct their business;
- Policy and procedures for the corporation sole, with protocols where they are required; and
- Cooperative arrangements are those arrangements by which the separate elements of the Staffordshire Commissioner support the exercise of each other's functions.

Financial Regulations were also embedded within the Corporate Governance Framework and clearly outlined the roles and responsibilities relating to the financial affairs of the Fire and Rescue Service.

Through review of the Corporate Governance Framework we confirmed that section three of the document entitled 'Scheme of Corporate Governance' set out the key role and function of the Staffordshire Commissioner in putting in place the arrangements to deliver an efficient and effective fire and rescue service. We also confirmed that it outlined multiple functions and areas of business that were the responsibility of the Staffordshire Commissioner and Chief Fire Officer respectively. We confirmed that section five entitled 'Financial Regulations' in the framework outlined the financial management responsibilities of the newly formed Staffordshire Commissioner (Fire and Rescue Authority).

Project/Action Plan

Our review of the project/action plan identified that there were:

- Statutory Duties & Obligations – 15 actions all rated green;
- Governance – 30 actions, one rated amber and the remaining 29 rated green;
- Finance – 18 actions, all rated green;
- Assets & Liabilities – 7 actions, three rated amber and the remaining four rated green;
- Human Resources – 13 actions, all rated green; and
- Communications – 19 actions, of which six were rated amber and the remaining 13 were rated green.

We reviewed all 10 actions rated as amber to confirm whether they had been added to the 'Post Go Live' action plan and confirmed that the actions had either been confirmed as implemented (through review of meeting notes) or had been deemed as no longer required or necessary to implement as part of the transition.

We identified the following areas of weakness which have resulted in one **medium** and one low priority management action:

Programme Delivery Board

Our review identified that a Programme Delivery Board had been developed to support the transition of the Fire and Rescue Service to be led by the Staffordshire Commissioner however, we identified that no formal terms of reference had been agreed for this group. Instead, we noted that the purpose, how the group will operate, and the attendees of the group were outlined within a presentation slide pack.

The minutes for the Programme Delivery Board did not capture any declarations or the requirement to declare any conflicts of interest. Given that the Board was formed to primarily support the delivery of the action plan and discuss workstreams there was a risk that conflicts of interests may occur and decisions may be impacted if these are not declared and managed.

We discussed this exception with the Head of Governance and Assurance and given the disbandment of the Programme Delivery Board in early 2019, it is considered to be more beneficial to ensure declarations and conflicts of interests are formally recorded within the Performance Assurance Board and the Strategic Governance Board agendas and minutes as they will be the forums that will be incorporating the business of the Programme Delivery Board, moving forward. **(Medium)**

Staff Consultation and Communications Forum

We reviewed the Terms of References for the five key groups outlined by the Fire Governance Framework (Strategic Governance Board, Performance Assurance Board, Staff Consultation and Communications Forum, Pensions Board and ETAP & ETAP Finance Panel (Audit Committee)).

By exception, we noted that delegated responsibilities, reporting structure and route of escalation had been documented in all ToR's, with the exception of the ToR for the Staff Consultation and Communications Forum. There is a risk of issues not being discussed or being escalated to the correct forum should reporting lines not be documented. This could lead to issues identified within the Staff Consultation and Communications forum not receiving the oversight required and could lead to the non-delivery of forum objectives. **(Low)**

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Risk	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Failure to comply with the essential legal requirements caused by not having an appropriate governance framework in place and effectively implemented.	1	(6)	1	(6)	1	1	0
Total					1	1	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those risks of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
1	<p>The Programme Delivery Board meetings are minuted and an action plan is maintained and updated at each meeting.</p> <p>As no formal terms of references were in place, Conflicts of Interest declarations were not identified as a part of an expected agenda which we would expect to see within or appended to a Terms of Reference for the Programme Delivery Board.</p>	No	N/A	<p>Through review of meeting minutes we confirmed that the last three Programme Delivery Board meetings had taken place on the following dates:</p> <ul style="list-style-type: none"> • 21 September 2018; • 13 August 2018; and • 27 July 2018. <p>Notes within the 21st September meeting confirmed that meetings would be taking place monthly.</p> <p>Through review of these three sets of meeting minutes, we confirmed that 'Post Go-Live Actions and Issues – Discussion and Updates from Lead Officers' or the Project Plan was a standing agenda item in meetings, with the progress of the project plan and actions being agreed in each meeting.</p>	Medium	The Staffordshire Commissioner will ensure that the inclusion of declarations/ conflicts of interests are incorporated at both Performance Assurance Board and Strategic Governance Board specifically to capture any conflicts around the transition.	31 January 2019	Head of Governance & Assurance

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>We noted however that a conflicts of interest declaration had not taken place in meetings.</p> <p>There is a risk of a conflicts of interest for members materialising and the board not performing its function effectively should these not be appropriately declared.</p> <p>Through discussion with the Head of Governance & Assurance it was established that the Programme Delivery Board will be disbanded in early 2019 and therefore its business will become incorporated within the Performance Assurance Board and Strategic Governance Board and therefore any conflicts would need to be raised as part of that forum.</p>				
2	<p>The Fire Corporate Governance Framework is supported by the following five key groups which each have Terms of References (ToR's):</p> <ul style="list-style-type: none"> • Strategic Governance Board; • Performance Assurance Board; • Staff Consultation and Communications Forum; • Pensions Board; and 	Yes	No	<p>We reviewed the ToR's for the following meetings:</p> <ul style="list-style-type: none"> • Strategic Governance Board; • Performance Assurance Board; • Staff Consultation and Communications Forum; • Pensions Board; and • ETAP & ETAP Finance Panel (Audit Committee). <p>We confirmed that all five ToR's had outlined the purpose of each meeting with extra context for the function it will be providing to the organisation, noting that the aims of each meeting did not overlap i.e. no duplication of duties of the various groups. We also confirmed</p>	Low	<p>The Staffordshire Commissioner and Chief Fire Officer will ensure that the Staff Consultation and Communications Forum Terms of Reference is updated to include its reporting lines and routes of escalation.</p>	31 December 2018	Head of Governance & Assurance

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	<ul style="list-style-type: none"> ETAP & ETAP Finance Panel (Audit Committee). <p>Each Terms of Reference clearly outlines the roles, responsibilities, memberships, quorum, meeting requirements, reporting requirements and delegations of the Board.</p>			<p>that each ToR's outlined the respective frequency of meetings to be taking place.</p> <p>We confirmed through review of the governance meeting timetable that meetings for 2018/19 did not clash in terms of dates of meetings. We noted however that a reporting structure and route of escalation had been documented in all ToR's, with the exception of the ToR for the Staff Consultation and Communications Forum.</p> <p>There is a risk of issues not being discussed or being escalated to the correct forum should reporting lines not be documented. This could lead to issues not receiving the oversight required and could lead to the non-delivery of forum objectives.</p>				

APPENDIX A: SCOPE

The scope below is a copy of the original document issued.

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following risks:

Objective of the risk under review	Risks relevant to the scope of the review	Risk source
Public Confidence	Failure to comply with the essential legal requirements caused by not having an appropriate governance framework in place and effectively implemented.	Corporate Risk Register

Controls selected from your risk register and reviewed during the audit:

- Corporate Governance Framework
- ETAP monitor governance framework
- Annual Governance Statement

When planning the audit the following areas for consideration and limitations were agreed:

- The governance framework has recently been revised (from 1 August) to incorporate the governance arrangements for the Fire and Rescue Service.
- We will provide assurance that there is a detailed business case in place that clearly outlined the original objectives and purpose.
- We will provide assurance that there was a Project Board in place, with a detailed terms of reference and through its work had captured the necessary requirements as identified by the PCC and FRA.
- We will provide assurance that any outstanding actions have been brought forward and captured in any post implementation action plan, that is monitored and tracked.
- We will provide assurance that there are appropriate reporting lines within the governance structure and that duplication is minimised. We will review the terms of reference and confirm that delegated responsibilities have been clearly defined and reflect the requirements outlined within the Corporate Governance Framework.
- We will provide assurance that the business covered at the FRA and OPCC have been captured and delegated to the appropriate Board and/or Group, within the revised Corporate Governance framework.
- We will share any good practice that we have identified from completing similar transition reviews elsewhere across the sector, as appropriate.

Limitations to the scope of the audit assignment:

- We will not consider the development of the business plan, or the consultation period and the related activities.
- We will not provide assurance that all activities /tasks that should have been considered have been included.
- We will not comment on the categorisation of any actions. We will not comment on the completeness of tasks recorded as completed within the project plan.
- We will not comment on the effectiveness of the Corporate Governance Framework at this stage, given that it needs time to embed and function
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

FOR FURTHER INFORMATION CONTACT

Daniel Harris - Head of Internal Audit

Daniel.Harris@rsmuk.com

Tel: 07792 948767

Angela Ward – Senior Manager

Angela.Ward@rsmuk.com

Tel: 07966 091471

rsmuk.com

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Staffordshire Police & Crime Commissioner, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.