

This matter is being dealt with

Item 6 (ii)

By : Dennis Napier
Ext. : 5611841
Direct Line : (0191) 5611841
Your Ref. :
Our Ref. : DFR/DDN
Date : 24th September 2012

Mr S. Nicklin
Audit Commission
Nickalls House
Metro Centre
Gateshead
Tyne & Wear
NE11 9NH

Dear Sir,

Statement of Management Processes for Discharging Responsibilities

Preventing and detecting fraud

Responsibility for preventing and detecting fraud is identified by the International Standard for Auditing (ISA) (UK and Ireland) 240 as resting with the management of the Authority and 'those charged with governance', i.e. the Governance Committee. A similar standard (ISA 250) requires the organisation to ensure its operations are conducted in accordance with existing laws and regulations and responsibility for this is also assigned to the Governance Committee for the prevention and detection of non compliance. This statement covers the role of the Governance Committee in discharging its responsibilities.

The International Standards for Auditing views fraud as either:

- the intentional misappropriation of the Authority's assets (cash, property, etc),
or,
- the intentional manipulation or misstatement of the financial statements.

The governance framework primarily includes systems and processes by which the Authority directs and controls its activities and engages with the community. 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 ongoing 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.

Standing Orders and Financial Regulations are in place. These set out how the Authority operates and how decisions are made, including a clear delegation scheme.

The Executive Director of Commercial and Corporate Services of Sunderland City Council is the designated Finance Officer in accordance with Section 151 of the Local Government Act 1972, ensuring lawfulness and financial prudence of decision-making, and is responsible for the proper administration of the Authority's financial affairs.

Laws and regulations

The Deputy Clerk is the Authority's Monitoring Officer who has maintained an up-to-date version of the Standing Orders and has endeavoured to ensure lawfulness and fairness of decision making.

The Authority has up to date Financial Procedure Rules and procurement rules in place, which are subject to regular review.

Written procedures are in place covering financial and administrative matters, as well as HR policies and procedures. These include:

- Whistle Blowing Policy;
- Anti Fraud and Corruption Policy;
- Codes of Conduct;
- Health and Safety Policy;
- Compliments, Comments and Complaints Policy;
- Corporate Risk Management Strategy;
- Procurement Strategy;
- Procurement Codes of Practice;
- Partnerships Procedures;
- Treasury Management Strategy based upon CIPFA's Treasury Management Codes;
- Functional budget management schemes.

There are robust and well embedded risk management processes in place, including;

- Risk Management Strategy and Policy Statement;
- Corporate Risk Profile;
- Integrated Risk Management Plan;
- Risk Management Manual;
- Nominated Risk Manager;
- Corporate and Service Risk Management Groups;
- Risk Management Training Programme;
- Partnerships Risk Register;
- Risk Management Annual Report;
- Member Risk Champion.

There are comprehensive budgeting systems in place and a robust system of budgetary control, including formal quarterly and annual financial reports, which indicate financial performance against forecasts.

Business Continuity Plans are in place, which are subject to ongoing review, development and testing.

There are clearly defined capital expenditure guidelines and capital appraisal procedures in place. Appropriate project management disciplines are utilised.

The Authority participates in the National Fraud Initiative and subsequent investigations.

The system of internal control has been in place at the Authority for the year ended 31st March 2012 and up to the date of approval of the accounts and accords with proper practice.

The Deputy Clerk is the Authority's designated Monitoring Officer and a protocol is in place with all Principal Officers to safeguard the legality of all Authority activities.

The Authority maintains an Internal Audit Service, provided by Sunderland City Council. An independent annual review of its effectiveness is undertaken which concluded that it operated in accordance with professional standards. Internal audit work is planned on the basis of risk.

The Authority is committed to establishing and maintaining effective reporting arrangements to ensure that, where an individual, whether an employee of the Authority, an Elected Member, or any member of the public, has serious concerns regarding the conduct of any aspect of the Authority's business, they can do so through a variety of avenues, promptly and in a straight forward way. The framework in place ensures the aims of this Policy are met as set out in the 'Whistle Blowing Policy Arrangements' procedure for Authority staff. Members of the public currently raise issues through the Compliments, Comments and Complaints procedure and a whistle blowing policy and procedures for members of the public has recently been developed.

Accounting Policies and key estimates in the financial statements

In producing its accounts the Authority has adopted policies in line with guidance provided by the CIPFA Code and International Financial Reporting Standards.

In preparing estimates we have taken account of advice provided by appropriate internal and external experts. I am satisfied these policies and key accounting estimates are relevant to the Authority's local circumstances, and that they have been appropriately and consistently applied.

Going Concern

The objective of IAS 1.25 is to ensure that, for all material items, entities select accounting policies that are most appropriate to the circumstances for the purpose of giving a 'true and fair view'. For non trading entities in the public sector, the anticipated continuation of the provision of a service in the future, as evidenced by inclusion of financial provision for that service in published documents, is normally sufficient evidence of going concern.

The Authority has operated within its approved revenue and capital budgets in 2011/2012 and has set a balanced budget for 2012/2013. Detailed medium term financial plans are in place for the period covered by the Governments Spending Review i.e. 2012/2013 through to 2014/2015. These set out how the Authority expects to deliver efficiency savings and operate within anticipated funding levels, thus reinforcing the “going concern” nature of the Authority’s activities.

Malcolm Page

Finance Officer (Tyne and Wear Fire and Rescue Authority)

24th September 2012

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Dear Sir,

International Standards on Auditing (UK and Ireland) 240 and 250 – Statement from those charged with Governance

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ISA 240 (Fraud)

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The Authority is committed to establishing and maintaining effective reporting arrangements to ensure that, where an individual, whether an employee of the Authority, an Elected Member, or any member of the public, has serious concerns regarding the conduct of any aspect of the Authority's business, they can do so through a variety of avenues, promptly and in a straight forward way. The framework in place ensures the aims of this Policy are met as set out in the 'Whistle Blowing Policy Arrangements' procedure for Authority staff. Members of the public currently raise issues through the Compliments, Comments and Complaints procedure and a whistle blowing policy and procedures for members of the public has recently been developed.

ISA 250 (Laws and Regulations)

The Authority has a Governance Committee, which, as well as approving the Authority's Statement of Accounts, undertakes an assurance and advisory role to:

- consider the effectiveness of the Authority's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and anticorruption arrangements and seek assurance that action is being taken on risk-related issues identified by auditors and inspectors;
- be satisfied that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
- receive and consider (but not direct) internal audit's strategy, plan and monitor performance;
- receive and consider the external audit plan;
- review a summary of internal audits, the main issues arising, and seek assurance that action has been taken where necessary;
- receive and consider the annual report of internal audit;
- consider the reports of external audit and inspection agencies, including the Annual Audit and Inspection Letter;
- ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
- review the external auditor's opinions and reports to members, and monitor management action in response to the issues raised by external audit; and
- make recommendations or comments to the Authority as appropriate.

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 the effectiveness is informed by feedback from Members and the work of all senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes the following:

- The role of the Authority:
 - Elected Members have participated in the annual review of the Authority's Corporate Governance arrangements;
 - The Chair of the Authority, the Chief Fire Officer and the Finance Officer have overseen the review and signed the Annual Governance Statement.
- The role of the Strategic Management Team:
 - The findings of the Annual Governance Review have been reported to the Strategic Management Team for their consideration and approval of the Annual Governance Statement.
- The role of the Governance Committee:
 - The findings of the Annual Governance Review have been reported to the Governance Committee. Under their Terms of Reference the Governance Committee has satisfied themselves that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- There is a system of scrutiny which allows the Governance Committee and the Performance and Review Committee to:
 - review decisions made or actions taken in connection with the discharge of any of the Authority's functions;
 - make reports and recommendations to the full Authority or the Strategic Management Team in connection with the discharge of any functions;
 - consider any matter affecting the delivery of service; and
 - exercise the right to call-in, for reconsideration, decisions made but not yet implemented.
- The role of the Authority's Governance Committee also includes the following:
 - promoting and maintaining high standards of conduct by Members, co-opted members and Officers;
 - monitoring the operation of the Members' Code of Conduct;
 - monitoring the operation of the Authority's Anti-Fraud and Corruption Policy so far as it relates to the actions of Members of the Authority;
 - considering reports and complaints relating to the conduct of Members of the Authority;
 - supporting the Monitoring Officer in his role.
- All Area Managers have participated in the annual governance review through carrying out self-assessments relating to their areas of responsibility and have provided Controls Assurance Statements relating to their area of responsibility, having considered the detailed self-assessments.

- Internal audit planning processes include consultation with the Principal Officers, reviews of the Strategic Community Safety Plan, Integrated Risk Management Plan and the Corporate Risk Profile. Audit work is risk based audit work and includes risks in relation to the achievement of service objectives. Internal Audit Services also carry out regular systematic auditing of key financial and non-financial systems. The Audit Commission has conducted a review of the effectiveness of the internal audit arrangements and concluded that there are robust arrangements in place to comply with the standards of the 2006 CIPFA Code of Practice for Internal Audit.
- The Annual Audit and Inspection letter stated that the Authority has maintained the strengths identified last year in relation to financial planning and reporting, internal control, governance and partnership arrangements, and that an unqualified opinion on the Authority's financial statements will be issued.

Conclusion

Having reviewed the work of Internal Audit and the Audit Commission, the management processes and the Governance arrangements throughout the year, we are not aware of, and nothing has come to our attention, of any other instances of fraud or irregularity affecting the financial statements for the Authority. We are also aware of the assurance statement provided by management which supports the conclusion we have made.

Mr G.N. Cook
Chairman of the Governance Committee
24th September 2012