

This matter is being dealt with

Item 6 (ii)

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Your Ref. :
Our Ref. : DFR/JI
Date : 26th September 2011

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 and 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 in place up to date Financial Procedure Rules and procurement rules, 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 2011 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 there has recently been developed a whistle blowing policy and procedures for members of the public.

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 2010/2011 and has set a balanced budget for 2011/2012. Detailed medium term financial plans are in place for the period covered by the Governments Spending Review i.e. 2011/2012 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)
26th September 2011