

<b>REPORT TO THE FIRE AUTHORITY</b>	
<b>DATE:</b> 24 <sup>th</sup> September 2007	<b>REFERENCE:</b>

<b>SUBJECT: To approve the 2006/07 Financial Statements</b>
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<p><b>SUMMARY:</b></p> <p>i) To approve a revised Statement of Internal Control for 2006/07  ii) To approve the adjustments (attached) to the draft Statement of Accounts document presented to members in June 2007 and thus approve the final Statement of Accounts for 2006/2007</p>
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OBJECTIVES		IMPLICATIONS	
Trusted & Respect	yes	Operational Risk Management	
More than Emergencies	yes	Community Risk Reduction	
Saving Lives, Protecting Communities	yes	Training & Development	
Managing within Budget	yes	Civil Contingencies	
Improving Efficiency	yes	Finance & Procurement	yes
Resources to Priorities	yes	H.R.	
Alternative Resources	yes	ICT	
Managing People	yes	Corporate Services	
Integrated Management Planning	yes	Transport	
Partnership Working	yes	Health & Safety	
Effective & Empowered People	yes	Premises	
Sustainability & the Environment	yes	Welsh Language	
Governance	yes	Legal	yes

<p><b>COMMENTS/OBSERVATIONS:</b></p> <p>The SIC is a requirement of the Accounts and Audit (Wales) Regulations 2005, as amended. The final Financial Statements for 2006/07 have to be approved and signed before 30<sup>th</sup> Sept 2007.</p>
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<p><b>RECOMMENDATIONS:</b></p> <p>(1) To approve a revised Statement of Internal Control for 2006/07  (2) To approve the Statement of Accounts for 2006/07</p>
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<p><b>BACKGROUND PAPERS USED IN PREPARATION OF THIS REPORT:</b></p> <p>Accounts and Audit (Wales) Regulations 2005, as amended  Internal Audit reports  CIPFA Guidance  The Draft Financial Statements for 2006/07  The Wales Audit Office Audit of the Financial Statements</p>
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## **Statement on internal control**

### 1. Scope of responsibility

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, 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 Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

### 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It 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.

The system of internal control has been in place at the Authority for the year ended 31<sup>st</sup> March 2007 and up to the date of the approval of the accounts.

### 3. The internal control environment

The Authority's constitution provides the framework for its decision making processes and sets out the detailed procedures and codes of conduct by which members and officers operate in order to achieve the Authority's objectives.

Under the constitution the Fire Authority and its committees make decisions which must be in line with the Authority's objectives. These are subject to examination by internal and external Audit.

The Clerk to the Authority is designated as the Monitoring Officer with responsibility for ensuring the lawfulness of decisions taken by the Authority, its committees and officers and providing support and advice on the maintenance of ethical standards.

The Director of Finance and Procurement is responsible for the proper administration of the Authority's financial affairs. The system of internal financial control is based on a framework of regular management information, financial procedures rules and standard financial instructions, administration arrangements (including segregation of duties), management supervision and a system of delegation and accountability. In particular the system includes ;

- A comprehensive budgeting system
- Regular reviews of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital expenditure guidelines
- As appropriate, formal project management disciplines

The effectiveness of the Authority's internal controls is examined in detail through the work of the Internal Audit section of Carmarthenshire County Council, with which the Authority has a Service Level Agreement. The Audit section's work plan is based on a needs and risk assessment process that focuses resources on higher risk areas. The section meets the professional standards required by CIPFA. Their work and the wider financial aspects of corporate governance and performance management are examined and validated each year by the Authority's external auditors.

The Authority has established a performance management framework which requires each department to produce annual business plans setting out their objectives and targets in relation to Authority policy priorities. Progress against these plans are measured throughout the year and proposed improvements in performance and service standards are set out annually. A process of identifying individual development needs in line with these targets is also in place.

#### 4. Review of effectiveness

The 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 the executive managers within the Authority who have responsibility for the development and maintenance of the internal control environment and also by comments made by the external auditors in their annual audit letter and other reports and by other review agencies (as appropriate). The Authority is also informed by a whole Authority Strategic Risk Profile assessment undertaken by consultants, together with its own risk assessments, and also it has been informed by the work of the Director of Finance and Procurement and the Clerk in performing their statutory roles

Internal financial control is reviewed on an ongoing basis by internal audit. Internal Audit also produces a statement each year setting out any major weaknesses in financial control, highlighting areas of concern. This information is reviewed by the Director of Finance and Procurement along with other relevant information such as budget monitoring reports in compiling this statement. An area highlighted to the Director of Finance and Procurement was the delay in undertaking the bank reconciliations during the year. This was a result of staffing issues due to sickness and subsequent reconciliations undertaken showed no areas for concern. Procedures have now been put in place to ensure that these are undertaken monthly. There were no other significant internal control issues highlighted during the year.

#### 5. Internal control issues

The review of financial control identified that general assurance can be given that internal financial controls are of a sufficient standard to provide for the proper administration of the Authority's financial affairs.

To the best of our knowledge the internal control environment as identified above has been effectively operated during the year.

Signed

Douglas Mackay  
Chief Fire Officer

Cllr Collin Crowley  
Chairman of the Fire Authority

Date 24<sup>th</sup> September 2007