

**REPORT TO THE PERFORMANCE AND REVIEW COMMITTEE**

**DATE: 30<sup>TH</sup> July 2007**

**SUBJECT:**

The Statement on Internal Control

**SUMMARY:**

In future the SIC will be put to members of this committee for approval. This is a reminder of the responsibilities of this committee in this regard.

**IMPLICATIONS:**

OPERATIONAL RISK - None  
COMMUNITY RISK - None  
TRAINING - None  
H.R - None  
FINANCE - The SIC is a requirement of the Accounts and Audit (Wales) Regulations 2005, as amended.  
EQUALITY & DIVERSITY - None  
HEALTH & SAFETY - None  
LEGAL - None

**RECOMMENDATIONS:**

This years SIC (already approved) is attached for information

**BACKGROUND PAPERS USED IN PREPARATION OF THIS REPORT**

Accounts and Audit (Wales) Regulations 2005, as amended  
Internal Audit reports  
CIPFA Guidance

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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. There were no 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 Colin Crowley  
Chairman of the Fire Authority

Date 25<sup>th</sup> June 2007