



2015 Audit Plan

North Wales Fire and Rescue Authority

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2015 Audit Plan

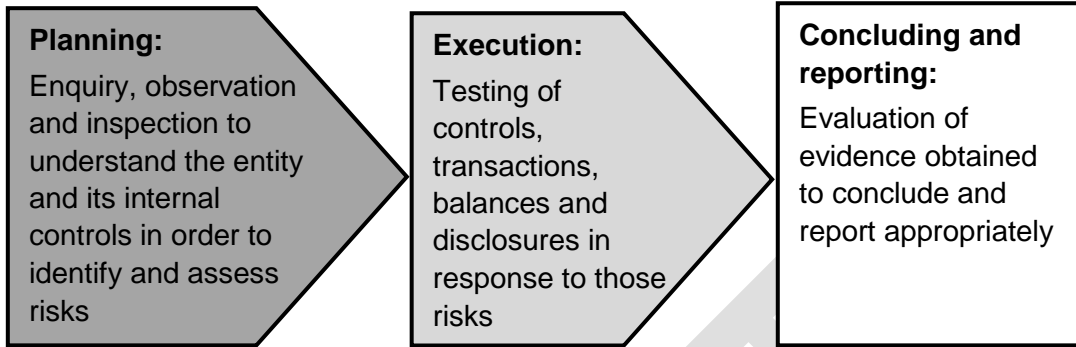
Summary

1. As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice, namely to:
 - examine and certify whether your financial statements are ‘true and fair’;
 - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
 - audit and assess whether you have discharged duties and met requirements of the Measure; and
 - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
2. The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
3. There have been no limitations imposed on me in planning the scope of this audit.
4. My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Financial audit

5. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their ‘truth and fairness’.
6. I also consider whether or not North Wales Fire and Rescue Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement does not comply with requirements.
7. [Appendix 1](#) sets out my responsibilities in full.
8. The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: My audit approach



9. The risks of material misstatement which I consider to be significant and which therefore require special audit consideration, are set out in **Exhibit 2** along with the work I intend to undertake to address them.

Exhibit 2: Financial audit risks

Financial audit risk	Proposed audit response
The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].	My audit team will: <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; • evaluate the rationale for any significant transactions outside the normal course of business.
Given the current economic environment, there is significant pressure on the Authority to reduce costs in the current financial year and future years. If budgeting and forecasting procedures are not robust, this could result in disruption in service delivery and prevent the Authority from achieving its objectives.	My audit team will: <ul style="list-style-type: none"> • review the process for setting the revenue and capital budgets and discuss with management how performance against budget is monitored; and • review the performance against budget in the current financial year and projections for 2015-16.
The Authority is required to prepare a Governance Statement for inclusion in the 2014-15 Financial Statements, setting out the high level arrangements for prevention and detection of fraud and corruption and standards of conduct.	My audit team will review the Annual Governance statement to ensure it complies with best practice and reflects the Authority's governance arrangements.

Financial audit risk	Proposed audit response
<p>The Authority is required to have proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources. If appropriate procedures are not in place, I am required to report this in my audit opinion on the financial statements.</p>	<p>My audit team will discuss the procedures in place to ensure proper arrangements are in place.</p>
<p>North Wales Fire Authority's Internal Auditors for 2013-14 were provided by Conwy County Borough Council. The results of internal audits during the year may indicate risks of material misstatement in the financial statements.</p>	<p>My audit team will review the reports produced by internal audit during the year and follow up any areas which may have an impact on the financial statements.</p>
<p>Risks relating to financial systems</p> <p>While my audit team has not identified any significant changes to the financial systems in place during the year, any weakness in the control environment could lead to a significant misstatement in the financial statements.</p>	<p>My audit team will document and test as appropriate the procedures in place (such as account reconciliations) to ensure that significant errors are detected.</p>
<p>Risks related to preparation of the accounts</p> <p>The finance team have continued to work with the two other Fire Authorities in Wales to produce an accounts template which should ensure more consistency of financial reporting of the three Welsh Fire Authorities.</p>	<p>My audit team has discussed key accounting changes with the Fire Authority and will review the accounts template accordingly.</p>
<p>As in prior years, the Authority has to complete a consolidation pack to support the consolidation of public sector resource accounts (Whole of Government Accounts).</p>	<p>My audit team will work with the finance team to ensure WGA audit packs are complete and any updates required to the consolidation pack as part of our audit work are promptly made.</p>
<p>Risks related to the financial statements</p> <p>The Authority participates in defined benefit pension schemes for both uniformed and non-uniformed employees. The accounting for these schemes is complex increasing the risk of error or omission in the financial statements.</p>	<p>My audit team will review the accounting and disclosure of the pension schemes to ensure they are in line with the relevant IFRS requirements and review actuarial assumptions to ensure they are in line with KPMG actuary assumption ranges.</p> <p>Final accounts testing based on work undertaken during the year and review of the draft financial statements.</p>

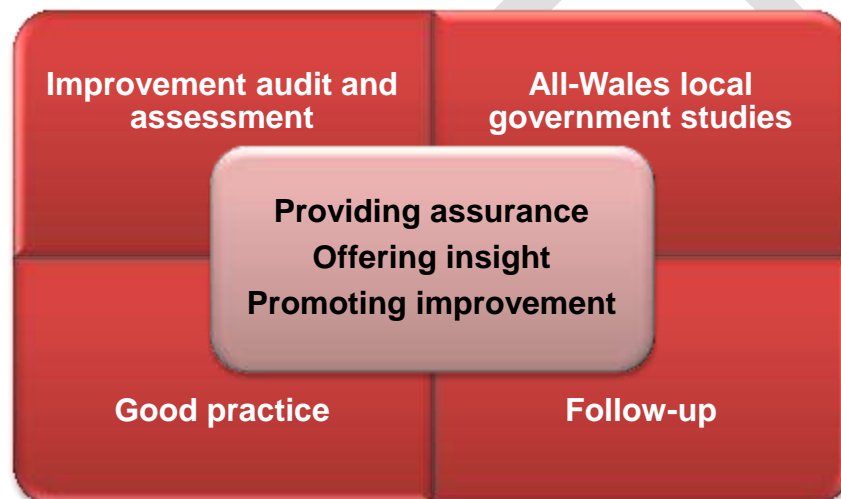
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10. I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes, but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee prior to completion of the audit.
 11. For reporting purposes, I will treat any misstatements below a 'trivial' level (the lower of five per cent of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them.
 12. My fees are based on the following assumptions:
 - information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.
 13. In addition to my responsibilities in respect of the audit of North Wales Fire Authority's statutory financial statements set out above, I am also required to certify a return to the Welsh Government which provides information about North Wales Fire Authority to support preparation of Whole of Government Accounts.

Performance audit

14. I am required by the Measure to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with requirements to make arrangements to secure continuous improvement. I must also carry out audits of whether the authority has discharged its duties under the Measure. My improvement assessment work, combined with my work on financial matters, also discharges my responsibility to satisfy myself that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
15. In addition to my programme of audit and assessment work under the Measure, I undertake a programme of local government studies as required under sections 41 and 42 of the Public Audit (Wales) Act 2004. This work is not included within the local performance audit fee, but is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund.

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16. I set out in this section the 12-month programme of performance audit work to be undertaken at North Wales Fire and Rescue Authority. The content of the programme has been determined by a consideration of the risks and challenges facing the Authority, the extent of accumulated audit and inspection knowledge, including that of other external review bodies, as well as other available sources of information including the Authority's own mechanisms for review and evaluation.
17. The components of my performance audit work are shown in [Exhibit 4](#) and have been designed in order to help deliver the high-level objectives set out in our 2013-2016 corporate strategy (www.wao.gov.uk/publication/wales-audit-office-corporate-strategy-2013-2016).

Exhibit 4: Components of my performance audit work



18. The performance work I propose to undertake is summarised in [Exhibit 5](#).

Exhibit 5: Contents of my 2015-16 performance audit work programme

	Specific projects
Improvement audit and assessment	<p>‘Improvement plan’ audit Audit of discharge of duty to publish an improvement plan.</p> <p>‘Assessment of performance’ audit Audit of discharge of duty to publish an assessment of performance.</p> <p>Financial management review Further work on financial management arrangements following up our 2014-15 review, and looking forward to 2016-17 budget setting and savings proposals. There will also be a focus on reserves position, policy and use of reserves.</p> <p>Locally determined review(s) To be confirmed</p>
Follow-up work	<p>I will maintain a focus on assessing the progress that has been made in implementing recommendations from my previous work. As part of this work, I will seek assurance that the Authority has appropriate corporate processes for responding to my reports, tracking implementation of my recommendations and reporting this to the appropriate committee.</p> <p>I intend to undertake specific follow-up work on:</p> <ul style="list-style-type: none"> • Data Quality Review and “Delivering with Less” study completed in 2014-15
Local government studies	<p>I shall be undertaking three studies at all Councils in Wales and am consulting Fire and Rescue Authorities about which one of these studies will be applied at the Fire and Rescue Authorities. The three studies are:</p> <ul style="list-style-type: none"> • the strategic approach of local authorities to income generation and charging for services; • Local Authority funding of third-sector services; and • the effectiveness of local community safety partnerships.
Good practice	<p>In line with the my commitment to identify and share good practice, I will continue to host shared learning seminars, identify relevant case studies and focus my work on identifying and promoting effective practice.</p>

Fee, audit team and timetable

Fee

19. Your estimated fee for 2015 is set out in **Exhibit 6**.

Exhibit 6: Audit fee

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Financial audit work ¹	34,500	34,500
Performance audit work:	15,136	15,292
Total fee	49,636	49,792

20. Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with North Wales Fire and Rescue Authority.
21. Further information on my fee scales and fee setting can be found on the Wales Audit Office website at: www.wao.gov.uk/about-us/fee-scales-and-fee-setting.

Audit team

22. The main members of my team, together with their contact details, are summarised in **Exhibit 7**.

Exhibit 7: My team

Name	Role	Contact number	E-mail address
Jane Holownia	Engagement Director	029 2032 0500	Jane.holownia@wao.gov.uk
Virginia Stevens	Financial Audit Engagement Lead	029 20468000	Virginia.stevens@kpmg.co.uk
Steve Barry	Performance Audit Manager	07786 190210	Steve.barry@wao.gov.uk
Katherine Spooner	Financial Audit Manager	0117 905 4228	Katherine.spooner@kpmg.co.uk

23. I can confirm that my team members are all independent of North Wales Fire and Rescue Authority and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

¹ The fees shown in this document are exclusive of VAT, which is no longer charged to you.

Timetable

24. I will provide reports, or other outputs as agreed, to North Wales Fire and Rescue Authority covering the areas of work identified in this document. My key milestones are set out in [Exhibit 8](#).

Exhibit 8: Timetable

Planned output	Work undertaken	Report finalised
2015 Audit Plan	November 2014 – March 2015	May 2015
Financial accounts work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on Financial Statements• Financial Accounts Memorandum	February – September 2015	September 2015 September 2015 October 2015
Performance work: Improvement plan audit Assessment of performance audit Financial management review Local study/studies	(Estimated) June 2015 November 2015 Oct – Dec 2015 Oct – Dec 2015	(Estimated) July 2015 November 2015 February 2016 February 2016
Annual Improvement Report	June to December 2015	March 2016
2016 Audit Plan	October – December 2015	January 2016

Appendix 1

Respective responsibilities

Financial audit

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on:

- Their 'truth and fairness', providing assurance that they:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with the statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- The consistency of information in the Annual Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether North Wales Fire and Rescue Authority has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- North Wales Fire and Rescue Authority's system of internal control, as reported in the Annual Governance Statement and my report thereon;
- the results of other work carried out including work carried out under the Local Government (Wales) Measure 2009 (the Measure), certification of claims and returns, and data-matching exercises;
- the results of the work of other external review bodies where relevant to my responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect North Wales Fire and Rescue Authority's financial statements and related documents, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts. I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within North Wales Fire and Rescue Authority from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

Performance audit

The Measure places a general duty on improvement authorities to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. It also places specific requirements on authorities to set improvement objectives, and to publish annual improvement plans and assessments of performance. Improvement authorities are defined as county and county borough councils, national park authorities, and fire and rescue authorities.

The Measure also requires me to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with its general duty and requirements of the Measure. I must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

To discharge the requirements of the Measure, I undertake periodic corporate assessments at each improvement authority. Since 2013-14, I have undertaken this programme of corporate assessments on a cyclical basis. Currently I have agreed with the Welsh Government that I may use the grant that I receive from the Welsh Government to fund the corporate assessment. This means that, in addition to fee-funded improvement assessment and audit work, each authority will receive an in-depth corporate assessment once during a four-year period. In the intervening years, I will maintain a 'light-touch' overview of developments and of the progress made by the authority.

In the event of emerging issues of concern or matters of priority, I do reserve the flexibility to undertake a more frequent corporate assessment.

I may also, in some circumstances, carry out special inspections (under section 21), in respect of which I will provide a report to the relevant authorities and Ministers, and which I may publish (under section 22). I will summarise audit and assessment reports in my published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

In addition to my programme of audit and assessment work under the Measure, I undertake a programme of local government studies as required under sections 41 and 42 of the Public Audit (Wales) Act 2004. This work is not included within the local performance audit fee, but is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund

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Appendix 2

National value-for-money studies

North Wales Fire and Rescue Authority may also be interested in the national value-for-money examinations which I undertake, some of which will be of particular relevance to, and may involve evidence gathering across, local government. These studies are funded by the National Assembly and are presented to the National Assembly's Public Accounts Committee to support its scrutiny of public expenditure.

The table below covers all of the value-for-money studies work currently programmed, although some of this work is still at an early stage of development. The programme includes all-Wales summaries of audit work undertaken locally in the NHS and reactive examinations into specific issues of public concern that have been raised with me. I will shortly be considering and consulting on potential topic areas for future value-for-money studies to start, and potentially in some cases to be reported, in 2015-16.

Further updates on my programme of value-for-money studies will be provided to you within the regular progress reports prepared by my team.

Topic	Anticipated publication timeframe
GP prescribing	April to June 2015
Welsh Government investment in next generation broadband infrastructure	April to June 2015
Regional education consortia	April to June 2015
Welsh Government acquisition of Cardiff Airport	April to June 2015
Rail services	April to June 2015
Orthopaedic services	April to June 2015
NHS clinical coding	Summer 2015
NHS waiting lists and private practice	Summer 2015
Picture of public services	Autumn 2015
Development of Natural Resources Wales	Autumn 2015
Regeneration Investment Fund for Wales ²	To be confirmed
Wales Life Sciences Investment Fund ³	To be confirmed
Flood and erosion risk management (likely to focus on coastal flooding)	To be confirmed

² While in clearance, the timescale for publication is uncertain for reasons specific to the project.

³ While in clearance, the timescale for publication is uncertain for reasons specific to the project.

Topic	Anticipated publication timeframe
Early intervention and public behaviour change ⁴	To be confirmed
Welsh Government interventions in local government ⁵	To be confirmed
Welsh Government responses to audit recommendations	To be confirmed
Public procurement and the National Procurement Service	To be confirmed

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⁴ In the short-term, development of a new picture of public services report will take priority over this work. However, the picture of public services report is likely to reflect on these themes in some way. Wales Audit Office staff will also be exploring opportunities to take forward work in this area as part of our good practice exchange programme.

⁵ Plans for this work are being revisited in light of the Welsh Government commissioned review of the Anglesey intervention and to take into account any wider implications arising from the local government reform programme.

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@wao.gov.uk

Website: www.wao.gov.uk

Swyddfa Archwilio Cymru
24 Heol y Gadeiriau
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: info@wao.gov.uk

Gwefan: www.wao.gov.uk