



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

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Authors: Rob Powell and Gilbert Lloyd

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Regulatory Plan 2007/2008

**North Wales Fire and Rescue
Authority**

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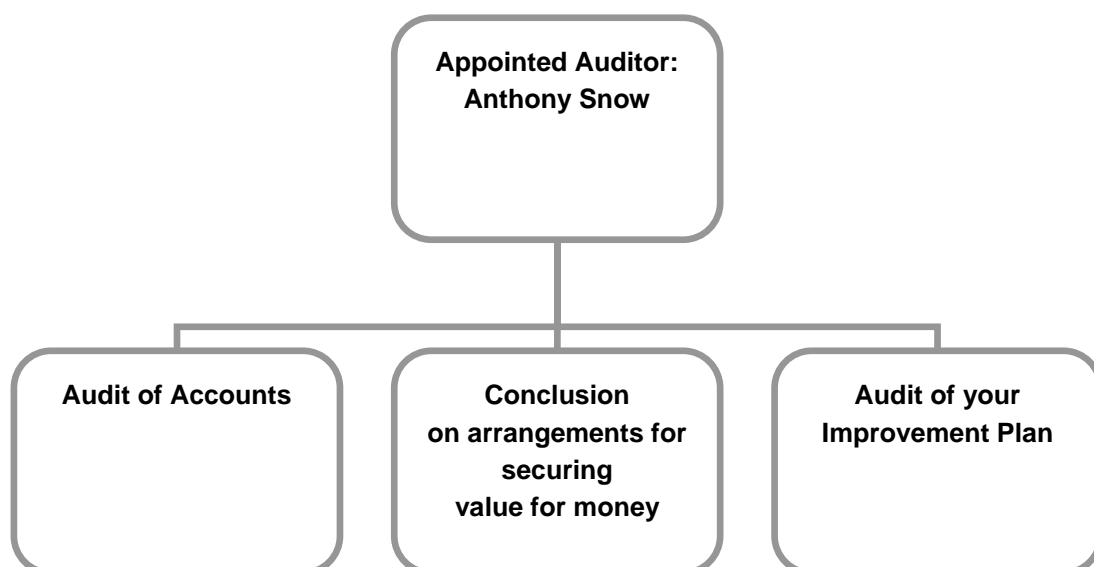
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Wales Audit Office work at your Authority

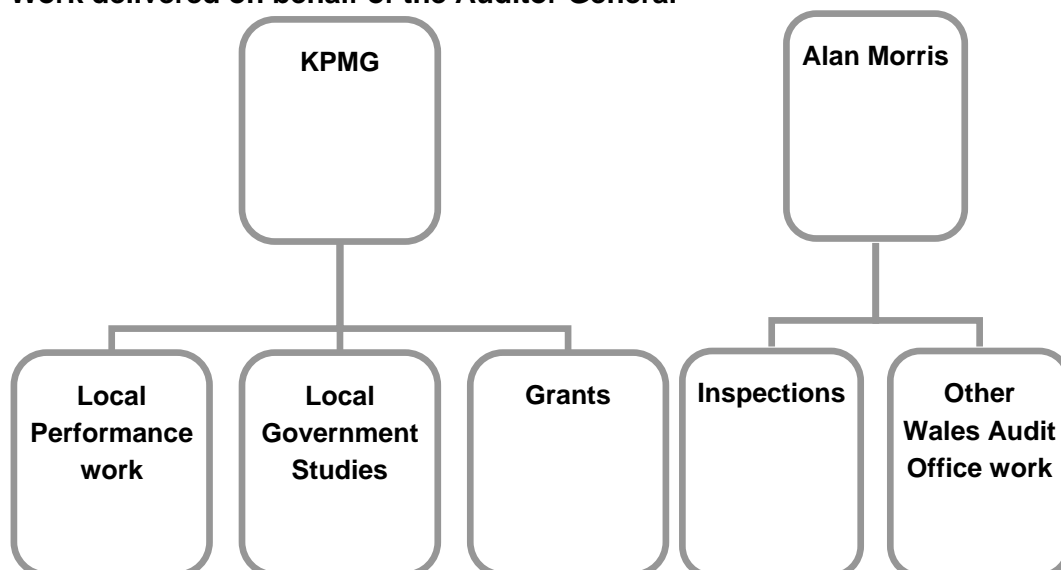
1. The Relationship Manager (RM) is a role established as part of the Wales Programme for Improvement for Local Government. The RM is responsible for the co-ordination of all audit and inspection work at specified Local Government Bodies.
2. Accordingly, the RM has prepared this plan for the Auditor General for Wales (the Auditor General). It sets out the work to be delivered by and on behalf of the Auditor General and by his appointed auditors. It also covers the work of the Peer Assessment Team in conducting the operational assessment. It will be supplemented with a more detailed Financial Accounts Plan and more detailed project plans on each performance audit or inspection project. We have designed a programme of work to address the significant operational and financial risks that impact on our responsibilities.
3. The Plan focuses on two main areas:
 - financial audit; and
 - performance (value for money audit and inspection) work.

Work carried out under this plan is summarised in Exhibit 1. In addition, Exhibit 7 on page 11 sets out the work of other regulators.

Exhibit 1a: Work delivered under this plan: work of the Appointed Auditor



**Exhibit 1b: Work delivered under this plan:
Work delivered on behalf of the Auditor General**



4. The Regulatory Team members are all independent of North Wales Fire and Rescue Authority (the Authority) and your officers. In addition, we are not aware of any potential conflicts of interest which we need to bring to your attention. Appropriate contacts are set out at Appendix 1.
5. The roles and responsibilities of the regulatory team are set out in Appendix 2.
6. We will liaise closely with the Authority:
 - when completing the more detailed Financial Accounts Plan and will keep you fully informed of any risks or issues as and when they arise; and
 - on the timing, scope and delivery of the performance work which may take more than one audit cycle to complete.
7. We will ensure our planned work is appropriate, and changes to the Plan may be required if any significant new risks emerge. No changes will be made without first discussing them with officers, and where relevant those charged with governance.
8. The proposed fee for 2007/2008 is £52,631 (plus VAT) and will be charged in equal instalments between November 2007 and October 2008. This fee is in line with the Auditor General's fees letter and represents a 2.8 per cent increase on the 2006/2007 fee. Our fee is set out in Exhibit 2.

Exhibit 2: The fee

| Area of the Code | Fee 2006/2007 £ | Planned fee 2007/2008 £ |
|------------------------|--------------------|----------------------------|
| Accounts | 32,478 | 25,150 |
| Performance Audit | 8,974 | 17,420 |
| Performance Inspection | 9,740 | 10,061 |
| Total | 51,192 | 52,631 |

9. We will produce a Regulatory Calendar showing all the current or planned work to be undertaken at the Authority by the regulators. We will share it with the Authority and all the regulators and update it quarterly.

The work of the Appointed Auditor

10. The Auditor General has appointed Anthony Snow as the external auditor to the Authority, with the audit being delivered on his behalf by Gilbert Lloyd of KPMG LLP as the Engagement Partner for the audit.

The audit of accounts

11. The Appointed Auditor is required to issue an audit report on the Financial Statements which includes an opinion on:
- Whether the Financial Statements present fairly the state of affairs of the Authority. This will provide assurance that the Financial Statements:
 - are free from material misstatement, whether caused by fraud or other irregularity or error;
 - comply with the statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
 - Whether the Statement on Internal Control (SIC) has been presented in accordance with relevant requirements and is not inconsistent with our knowledge of the Authority.
12. In order to issue the audit report and opinion on the Financial Statements, the Appointed Auditor must ensure that all the audit risks associated with the above are identified and addressed. An initial assessment of the risks has been undertaken, and these are set out in Exhibit 3 Financial Accounts.

Exhibit 3: Financial Accounts

| Financial Accounts Risk | Key questions |
|---|--|
| <p>The Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice (SoRP) introduces further significant changes to Fire and Rescue Authority accounting from 1 April 2007. These include:</p> <ul style="list-style-type: none"> • Incorporation of Financial Reporting Standards 25, 26 and 29 which relate to financial instruments. • Requirement to replace the Fixed Asset Restatement Account with a Revaluation Reserve. | <p>Do the Authority's Financial Statements comply with the relevant statutory and other applicable requirements, including the new SoRP?</p> |

| Financial Accounts Risk | Key questions |
|--|--|
| <p>From 1 April 2007 the financing arrangements for fire service pensions changed. Under the new arrangements all fire authorities are required to operate a Pension Account and the amounts paid into and out of the account are specified by regulation.</p> <p>The Pension Account will appear as a separate income and expenditure statement and a net assets statement within the authorities' statement of accounts.</p> | <p>Do the Authority's Financial Statements comply with the new Fire Service Pension Accounts requirements?</p> |
| <p>CIPFA/SOLACE have recently published 'Good Governance in Local Government – Framework', which reflects the principles contained in 'Good Governance Standards for Public Services'.</p> <p>The Governance Statement required by the Framework subsumes the current SIC and it is understood that the intention is that the Governance Statement becomes a requirement from 2007/2008, although this has not yet been confirmed.</p> | <p>Is the Authority up to date with new legislation?</p> <p>Does the Authority have the appropriate processes and procedures in place to ensure necessary evidence and assurances are gathered to support any new statement?</p> |
| <p>The Authority has to complete a consolidation pack to support the consolidation of public sector resource accounts.</p> | <p>Does the Authority's 2007/2008 Whole of Government Accounts (WGA) pack present financial information fairly?</p> |

13. The Appointed Auditor will be updating this risk assessment during the year and will produce a more detailed Financial Accounts Plan prior to any work being completed.
14. The Appointed Auditor will review the Authority's mechanisms to achieve, measure, and demonstrate efficiency gains. The appointed auditor will also comment on the Authority's overall declared gain and whether or not it has achieved its efficiency gains target for the year.
15. It is the Authority's responsibility to:
 - put in place systems of internal control to ensure the regularity and lawfulness of transactions;
 - maintain proper accounting records; and
 - prepare Financial Statements in accordance with relevant requirements.

Conclusion on arrangements for securing value for money

16. The Appointed Auditor has a duty to satisfy him/herself that the audited and inspected body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The main focus of this work will continue to be a review of the key corporate performance and financial management arrangements you are required to put in place as part of your system of internal control.
17. The Appointed Auditor's review of your arrangements will include the following aspects:
 - strategic and operational objectives;
 - policy and decision making;
 - meeting the needs of users and taxpayers;
 - internal controls;
 - risk management;
 - best Value;
 - resource management;
 - performance management; and
 - standards of conduct.
18. The Appointed Auditor's conclusion on the existence of your arrangements will draw primarily on evidence secured as part of the routine audit work across the Code areas. The conclusion will also take into account any other available relevant sources of evidence, such as the results of local performance work studies and inspection carried out during the year.
19. You are responsible for preparing and publishing with your Financial Statements, a statement made by those charged with governance relating to their review of the effectiveness of the systems of internal control.

Auditing your Annual Action/Improvement Plan

20. In relation to the your Improvement Plan the auditor is required to issue a report:
 - certifying that he/she has audited the Plan;
 - stating whether he/she believes that it was prepared and published in accordance with Section 6 of the Government of Wales Act 1999 (the 1999 Act) and any order or guidance under that section;
 - if appropriate, recommending how it should be amended so as to accord with Section 6 and any order or guidance under that section;
 - if appropriate, recommending procedures to be followed by the Authority in relation to the Plan;
 - recommending whether the Auditor General should carry out a best value inspection of the Authority under section 10A of the 1999 Act; and
 - recommending whether the Welsh Assembly Government (the Assembly Government) should give a direction under Section 15 of the 1999 Act.

Work on behalf of the Auditor General

21. Work on behalf of the Auditor General will not always be completed within one audit cycle. The nature of the Auditor General's performance work for the National Assembly for Wales' (the National Assembly) Audit Committee in particular means that it is developed and delivered over a longer timescale and as part of a rolling programme that is flexible and responsive to external change.
22. All of the work delivered on behalf of the Auditor General is reported at the end of each year in the Annual Letter to the Authority which is presented by the RM and the Appointed Auditor.

Local performance work

23. The risks identified (locally and nationally) as part of the risk assessment are set out in Exhibit 4.

Exhibit 4: Performance Audit Work

| Risk Based Performance Audit | |
|---|---|
| Risk | Key Questions |
| Local performance studies | |
| Fraud and corruption costs the public sector in Wales millions of pounds each year. It is therefore paramount that the Authority has in place robust and effective arrangements both to prevent and to detect fraud and corruption. | Does the Authority have in place robust and effective arrangements to prevent and detect fraud? |
| IT remains vital to the efficient operation and accounting of the Authority. | Does the Authority have appropriate general IT controls in place? |
| Arrangements – financial management | |
| The Authority continues to face financial pressures, coupled with expectations to meet increasing commitments and improve services. It is important that the Authority monitors its financial performance in order to ensure all key objectives can be achieved within its budget. | Are the Authority's arrangements for budget setting and monitoring financial performance during the year adequate? |
| Arrangements – performance management | |
| Audit of the Annual Action/Improvement Plan and performance indicators. | Does the Authority's Annual Action/Improvement Plan comply with relevant guidance? Is appropriate performance data being gathered and used to regularly monitor the Authority's performance? |

Inspections

24. Inspection is the process of periodic, targeted scrutiny, to provide an independent check and to report on whether services are meeting national and local performance standards, legislative and professional requirements, and the needs of service users.
25. The inspection work will essentially involve an update of the Joint Risk Assessment, comprising Wales Audit Office staff shadowing the Peer Assessment Team undertaking the operational assessment, and updating the non-operational assessment. Within this non-operational work to inform the Joint Risk Assessment, we will focus particular attention on specific areas which we will agree with the Fire and Rescue Service. These might include a follow-up of our earlier performance management report.

Local government studies

26. The Auditor General has a duty to undertake studies into particular areas of risk or opportunity in local government. The Auditor General's studies in local government will often, although not always, include all local authorities and fire and rescue authorities and may form part of a wider cross-cutting or whole systems study.
27. Exhibit 5 below sets out the work to be delivered as part of the local government studies:

Exhibit 5: Local Government Studies

| Timing | Proposed Work |
|---|--|
| Auditor General's Local Government Studies Programme (all Wales) * | |
| Making the Connections: asset management | Are the Welsh Public Services collectively ensuring that their approach to fleet and vehicle asset management makes best use of resources to support improvements in service delivery? |
| Good Practice Exchange | Scope to be confirmed. |

* These are fully funded from the Wales Programme for Improvement (WPI) grant

Other Wales Audit Office work

28. The Wales Audit Office undertakes other work which may impact on Fire and Rescue Authorities as set out in Exhibit 6. This includes work undertaken as part of:
- the Auditor General's portfolio of national performance studies for the Audit Committee of the National Assembly; and
 - other bespoke work.

Exhibit 6: Other Wales Audit Office Work

| |
|---|
| Civil Contingencies Act (national study leading to a report to be laid before the National Assembly). |
|---|

| |
|--|
| Management of coastal flood risk management. |
|--|

The work of other regulators

29. Exhibit 7 sets out the other regulatory activity which is currently known. Essentially this relates to the work of the Assembly Government's Peer Assessment Team. This and other work which may arise will be included in updates of the Regulatory Calendar.

Exhibit 7: Other regulatory activity

| | |
|----------------------|---------------------------------------|
| Peer Assessment Team | Operational assessment under WPI Fire |
|----------------------|---------------------------------------|

| |
|---|
| This will consider major disruptive emergencies, with a particular emphasis on flooding, and is due to take place in January and February 2008. |
|---|

Appendix 1

Regulatory team

| Name | Role | Phone | Email |
|---------------------|--------------------------------|------------------------------|--------------------------------|
| Rob Powell | Relationship Manager | 02920 262677 07980 637686 | Rob.Powell@wao.gov.uk |
| Gilbert Lloyd | Engagement Partner | 02920 468090 07770 570683 | Gilbert.Lloyd@kpmg.co.uk |
| Catherine Griffiths | Audit Manager | 02920 468014 07770 700238 | Catherine.Griffiths@kpmg.co.uk |
| Alan Morris | Performance Engagement Partner | 07818 427472 | Alan.Morris@wao.gov.uk |
| John Weston | Performance Project Manager | 07766 071932 | John.Weston@wao.gov.uk |

Appendix 2

Roles and responsibilities

The office of the Auditor General was established under the Government of Wales Act 1998 (now GOWA 2006). From 1 April 2005, the Public Audit Wales Act 2004 (the 2004 Act) extended the Auditor General's functions to include the appointment of external auditors for local government bodies, and for undertaking inspections under the WPI (the 1999 Act).

The Wales Audit Office comprises the Auditor General and his staff. The Auditor General's inspection powers, and the role of the Relationship Manager, are derived from the 1999 Act as amended by the Public Audit (Wales) Act 2004 (the 2004 Act).

Appointed Auditors

Appointed auditors must carry out an audit which discharges the statutory duties placed upon them by the 1999 and 2004 Acts. The Auditor General publishes a Code of Audit and Inspection Practice (the Code) which prescribes the way in which auditors are to carry out their functions.

Under Section 7 of the Accounts and Audit (Wales) Regulations 2005, local government bodies in Wales are required to produce annual statements of accounts¹. The Assembly Government's Local Government, Public Services and Culture Department supplements these regulations with guidance to assist local government bodies in their operation of the accounting regime. That guidance is not intended to be part of the statutory framework but is an informal commentary and provides details of where generally recognised published codes setting out proper practice may be found.

Under Section 13 of the 2004 Act, local government bodies in Wales are required to ensure that their accounts are audited by one or more auditors appointed by the Auditor General under section 14 of the Act. Sections 17 and 23 of the Act require appointed auditors to examine and certify the accounts, satisfying themselves that:

- the accounts are prepared in accordance with the Accounts and Audit (Wales) regulations;
- the accounts comply with the requirements of all other statutory provisions applicable to them;
- proper practices have been observed in the compilation of the accounts;
- the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- the audited body has made such arrangements for collecting, recording and publishing information on standards of performance as are required by any direction under Section 47 of the Act.

¹ These regulations are made by the Assembly under the statutory powers contained in section 39 of the 2004 Act.


Communication of audit matters with those charged with governance – International Standard on Auditing (UK and Ireland) 260

- International Standard on Auditing (ISA) (UK and Ireland) 260 provides guidance on the communication of 'relevant matters relating to the audit' of Financial Statements between auditors, and those charged with governance of an audited body.
- It requires the appointed auditor to report to those charged with governance (as distinct from management) certain matters before they give an opinion on the Financial Statements.

The appointed auditor will discharge the responsibility to report to those charged with governance by submitting reports to the Corporate Governance Committee and where necessary to the Cabinet in a timely manner, prior to the completion of audit.

Relationship Managers

The Auditor General's inspection powers, and the role of the RM, are derived from the 1999 Act as amended by the 2004 Act. The 1999 Act also requires each local authority to prepare and publish a Best Value Performance Plan. The Assembly Government's Circular 28/2005 sets out how the WPI should be implemented, including the role of the RM.



Wales Audit Office
2-4 Park Grove
Cardiff CF10 3PA
Tel: 029 2026 0260
Fax: 029 2026 0026
Textphone: 029 2026 2646
E-mail: info@wao.gov.uk
Website: www.wao.gov.uk