



WALES **AUDIT** OFFICE  

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SWYDDFA **ARCHWILIO** CYMRU

2007/2008

November 2008

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Ref: 875A2008

Annual Letter

# **North Wales Fire and Rescue Authority**

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## Status of this report

This document has been prepared for the internal use of North Wales Fire and Rescue Authority as part of work performed in accordance with statutory functions, the Code of Audit and Inspection Practice and the 'Statement of Responsibilities' issued by the Auditor General for Wales.

No responsibility is taken by the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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## Summary

1. This Annual Letter sets out the key messages arising from work undertaken over the last 12 months up to the point when it was written by:
  - the Engagement Partner on behalf of the Appointed Auditor under the Code of Audit and Inspection Practice (the Code); and
  - the Relationship Manager (RM) on behalf of the Auditor General under the studies and inspection powers of the Auditor General.
2. The Annual Letter includes a summary of audit and inspection work and reports progress against improvement actions. It draws on published reports of other inspectorates to provide an annual summary to North Wales Fire and Rescue Authority (the Authority). The work planned for the year was set out in the Regulatory Plan 2007/2008 and more detail on the specific aspects of the work undertaken can be found in the separate reports that have been issued during the year.
3. The Annual Letter will be presented to the Authority meeting on 15 December 2008.
4. The Auditor General's Appointed Auditor has completed the audit of accounts in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit and Inspection Practice. We have concluded that:
  - The Authority's financial statements presented fairly the Authority's financial position and were properly prepared. We did not identify any material weaknesses in internal control.
  - The Authority's improvement planning arrangements complied with statutory requirements but we identified areas where further work is required.
  - The Authority had satisfactory arrangements in place to achieve economy, efficiency and effectiveness in its use of resources
  - There are opportunities for the Authority to secure the best use of resources and further improvement in its delivery of services.
5. The Relationship Manager has concluded that:
  - The annual Joint Risk Assessment validated the Authority's priorities for improvement and some actions have been taken in response to previous recommendations, although the Authority still faces challenges in respect of implementing key proposals
  - Improvements can be made in scrutiny and member engagement, which are being taken forward through an ongoing review and the process of adopting the Welsh Local Government Association's Members' Charter.
  - The Authority has engaged positively with the Wales Audit Office's initiatives to promote improvement.

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## **We recommend no statutory inspections this year**

6. The Appointed Auditor is required each year to recommend whether, on the basis of audit work undertaken, the Auditor General should carry out a Best Value Inspection of the Authority or whether Welsh Ministers should recommend a course of action, referred to as 'a direction' under section 15 of the Local Government Act 1999 (the 1999 Act). On the basis of audit work undertaken, the Appointed Auditor:
- does not recommend that the Auditor General should carry out a Best Value Inspection of the Authority under section 10A of the 1999 Act; and
  - does not recommend that Welsh Ministers should give a direction under section 15 of the 1999 Act.

## The Appointed Auditor's report

7. The Financial Statements are an essential means by which the Authority accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources. The Code identifies that it is the Authority's responsibility to:
  - put systems of internal control in place to ensure the regularity and lawfulness of transactions;
  - maintain proper accounting records; and
  - prepare Financial Statements in accordance with relevant requirements.
8. As auditors we are required to audit the Financial Statements and to issue an auditor's report which includes an opinion on whether the Financial Statements present fairly the state of affairs of the Authority. The auditor's report also gives an opinion on whether the Financial Statements have been prepared properly in accordance with relevant legislation, directions or regulations and applicable accounting standards.

### **The Financial Statements present fairly the Authority's financial position and we did not identify any material weaknesses in internal control**

#### **The Authority's 2007/2008 Financial Statements present fairly the Authority's financial position and were properly prepared**

9. International Standard on Auditing (ISA) 260 requires auditors to report to 'those charged with governance' the findings of our accounts audit. The Appointed Auditor's report *Audit of the Financial Statements – reporting to those charged with governance* was presented to the Executive Panel on 22 September 2008. A summary of the findings is set out in Exhibit 1.

**Exhibit 1: ISA 260 reporting to the Authority**

<b>Reporting requirement</b>	<b>Auditor's response</b>
Modifications to the auditor's report.	No modifications were made to the auditor's report.
Unadjusted misstatements.	<p>A number of non-trivial errors were identified during the course of the audit. Appropriate amendments were made by management. Provisions amounting to £800,000 were highlighted as uncorrected misstatements within the ISA 260 report and it was confirmed to members of the Executive Panel on 22 September 2008 that audit work was still ongoing in respect of these amounts.</p> <p>Subsequently it was agreed that £608,000 did relate to provisions which complied with Financial Reporting Standard 12 and CIPFA's Statement of Recommended Practice and therefore could remain within provisions in the accounts.</p> <p>The remaining balance of £192,000 was adjusted within the accounts by reclassification and transfer to current liabilities, being amounts due to constituent authorities at the year end. A similar adjustment was made to correct the prior year accounts, with £318,000 adjusted from provisions to current liabilities.</p>
Material weaknesses in the accounting and internal control systems identified during the audit.	No matters arose.
Views about the qualitative aspects of the entity's accounting practices and financial reporting.	No matters arose
Matters specifically required by other auditing standards to be communicated to those charged with governance.	No matters arose.
Any other relevant matters relating to the audit.	No matters arose.

10. On 14 November 2008 we issued an unqualified auditor's report on the Financial Statements. The Authority's financial statements were prepared to a high standard and were prepared, in all significant respects, in accordance with the CIPFA/LASAAC joint committee's 'Code of Audit Practice on Local Authority Accounting in United Kingdom 2007: A Statement of Recommended Practice'. This was achieved despite several changes to the requirements within the 2007 Statement of Recommended Practice, which included the incorporation of Financial Reporting Standards relating to financial instruments, changes to capital accounting and the need to produce new Fire Service Pension accounts.



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**An examination of the Authority's significant financial systems did not identify any material weaknesses in internal control, but there are areas where continued improvement is required**

11. Our review of the Authority's financial systems has involved documenting them and where necessary testing the operation of the internal controls. We have concluded that the Authority's significant financial systems can be relied upon to produce materially correct outputs. We have however identified scope to improve controls in some areas and reported these to management.
12. In summary, the improvements required are:
  - all journals should be reviewed and authorised prior to posting;
  - a bad debt provision policy should be established;
  - ensure that provisions are calculated on a consistent basis from year to year and are included only if they meet all of the criteria within Financial Reporting Standard 12;
  - the fixed asset register should be reviewed and all spreadsheet errors corrected; and
  - a full review of post year end invoices should be performed at the year end to ensure that any goods and services received before the year end are correctly captured.

**We have certified that the audit has been completed in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit and Inspection Practice**

**There were no formal questions or objections to the financial statements**

13. In accordance with the Accounts and Audit (Wales) Regulations 2005 the Authority has advertised the rights of local electors to:
  - inspect and make copies of the Annual Return;
  - question the auditor about the accounts; and
  - attend before the auditor and make objections to the accounts or any item in them.
14. These rights have not been exercised.

## **The Authority's improvement planning arrangements complied with statutory requirements but we identified areas where further work is required**

### **The Authority's Improvement Plan has been delivered appropriately and represents a balanced picture of performance in the last year**

15. Under the Local Government Act 1999 and subsequent guidance issued by the Assembly Government in Circular WFRS(07)15, an Improvement Plan must be published by 31 October each year. We are required to audit the Improvement Plan in accordance with statutory requirements and guidance, and to report our findings, including on the completion of the Joint Risk Assessment, our audit of the Authority's Performance Indicators (PIs) and on its performance measurement arrangements.
16. The Plan and the Public Summary were produced and published on time and complied fully with the guidance in Circular WFRS(07)15:
  - the detailed Plan and the Summary are concise, well written documents which report a balance of good performance and areas for improvement;
  - the Authority's corporate objectives and key actions for achieving them are clearly set out; and
  - the 'Stage 1' Improvement Plan compiled in 2008 complies with the guidance in Circular WFRS(07)15, although the Authority should consider how best to present this information on their website in future to ensure it is explicit and easily accessible to users.
17. Detailed responsibilities, the scope of our work and the audit certificate are set out in Appendix 3.

### **Our audit of the National Strategic Indicators highlights that the Authority has robust arrangements in place for the collection and validation of performance information in some areas but improvement is required in the collection of information in respect of some specific National Strategic Indicators**

18. The 2008 Improvement Plan reports performance during 2007/2008 against three National Strategic performance indicators and 10 Core Indicators.
19. The six National Strategic Indicators that are subject to statutory audit were new for 2007/2008, as set out in the Fire and Rescue Authorities (Best Value Performance Indicators) (Wales) Order 2008 (Welsh Statutory Instrument 2008 No. (W), which was made on 18 March 2008. The Authority is under a legal duty to collect and report on all of these indicators within its Improvement Plan.
20. Of the six indicators, the Authority has not collected or reported data in respect of three for 2007/2008 due to the lack of a system to log automatically the high number of home fire safety risk assessments undertaken and to record their locations accurately.
21. The Authority needs to address gaps in its arrangements for the collection and validation of performance information in these areas for the future and is currently

seeking further guidance from the Assembly Government on the compilation and reporting of some of these indicators.

22. The Authority has only set targets for 2008/2009 in respect of indicators which it considers to be related to priority service areas. Whilst this may provide focus to the priority areas, the Authority should consider setting targets for at least all National Strategic Indicators to enable comparison of data between other Welsh Fire Authorities.

### **Whole of Government Returns were completed appropriately**

23. In accordance with the Government and Resources and Accounts Act 2000 and relevant guidance issued by the Assembly Government, a Consolidated Pack (C-Pack) is prepared annually by the Authority to assist HM Treasury with its production of the Whole of Government Accounts (WGA).
24. On behalf of the National Audit Office as auditor of the WGA, the Wales Audit Office is required to audit the C-Pack in accordance with statutory requirements and National Audit Office audit instructions.
25. From our audit of the Authority's return this year we found:
  - arrangements are in place to ensure satisfactory production of the WGA C-Pack;
  - the C-Pack was consistent with the audited statutory accounts;
  - material transaction streams and balances with other WGA bodies were identified completely and correctly; and
  - transaction streams and balances with the Assembly Government in excess of £5 million were formally agreed as required.

### **The Authority had satisfactory arrangements in 2007/2008 to help it achieve economy, efficiency and effectiveness in its use of resources**

26. The Public Audit (Wales) Act 2004 requires auditors to satisfy themselves that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This requirement is reflected in the Code.
27. Our conclusion has been reached as part of our annual audit of the accounts. We examined evidence of the existence of the Authority's corporate performance management and financial management arrangements. In this work we do not comment on or provide assurance on the effectiveness of those arrangements during the year.
28. Separate value for money work does consider where arrangements or their operation could be improved. Any such work informs our conclusion on the existence of arrangements but is not essential to it.
29. The auditor's report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources during 2007/2008 is set out in Appendix 1. The criteria used to assess this are set out in Appendix 2.

30. We have concluded that in 2007/2008 the Authority had satisfactory arrangements in place to support the achievement of its responsibility to secure economy, efficiency and effectiveness in its use of resources. The detailed results of our assessment are summarised in Exhibit 2.

**Exhibit 2: Assessment of proper arrangements**

Aspect	Arrangement	Yes or No
<b>Strategic and operational objectives</b>	Has the Authority put in place arrangements for establishing, reviewing and implementing its strategic and operational objectives?	Yes
<b>Meeting the needs of users and taxpayers</b>	Has the Authority put in place arrangements to ensure that services meet the needs of users and taxpayers, and for engaging with the wider community?	Yes
<b>Internal controls</b>	Has the Authority put in place arrangements to ensure compliance with established policies, procedures, laws and regulations?	Yes
<b>Risk management</b>	Has the Authority put in place arrangements for identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and other forms of joint working or contracting?	Yes
<b>Resource Management</b>	Has the Authority put in place arrangements for managing its financial and other resources, including arrangements to safeguard its financial standing?	Yes
<b>Reviewing Performance</b>	Does the Authority have arrangements in place to monitor and review performance, including arrangements to ensure data quality?	Yes
<b>Standards of Conduct</b>	Has the Authority ensured that its affairs are managed in accordance with proper standards of conduct and to prevent and detect fraud and corruption?	Yes
<b>Overall Conclusion</b>	Has the Authority put in place proper arrangements to secure 'economy, efficiency and effectiveness' in its use of resources?	Yes

**There are opportunities for the Authority to secure the best use of resources and further improvement in its delivery of services**

**The Authority has a good record of achieving its revenue budget and has appropriate arrangements in place to manage its finances. However, it faces increasing financial pressures in several areas**

31. We are responsible for assessing whether the Authority has put in place adequate arrangements to monitor, control and report on its financial standing. Our audit was based on a review of:
- setting the revenue budget and capital programme;
  - financial monitoring and reporting; and
  - meeting financial targets.

32. We have examined budget reports and procedures and we are satisfied that:
- suitable arrangements are in place;
  - the Authority's revenue and capital budgets cover all relevant areas of income and expenditure and are based on realistic assumptions; and
  - the Authority has in place sound arrangements for financial monitoring and reporting which should ensure that any potential material misstatements and variances will be identified.
33. The Authority has a good track record of operating within its revenue budget, which continued in 2007/2008 with a small under-spend of £2,000. Whilst protocols will need to be agreed with constituent authorities as a result of the changes made to the provisions policy (see Exhibit 1), the most recent budget monitoring reports indicate that the Authority is again on target to achieve its budget in 2008/2009. There are, however, a number of financial pressures that will need to be considered and managed over the next few years. The main areas are described at Exhibit 3.

### Exhibit 3: Financial pressures

Financial pressures	Implications
Job evaluation and Equal Pay	The Authority is currently undertaking a job evaluation exercise for a number of employees. There is also uncertainty over potential new equal pay and condition rights for Retained fire-fighters. The Authority is currently not in a position to assess the future revenue costs, or build these into budget forecasts.
Firelink	Initial funding for the implementation of the new national radio communication system has been provided by Welsh Assembly Government; however it is uncertain whether any additional funding will be provided for ongoing revenue costs.
Long Term Capability Management	There may be an intention to transfer ownership and associated responsibility for these assets from Welsh Assembly Government to the Authority in the future. Additional funding for such responsibilities is uncertain.

34. During the audit of the accounts for 2007/2008 legal advice obtained by the Wales Audit Office confirmed that the statutory framework under which the Authority operates does not provide for the holding of reserves which have been accumulated from an excess of its constituent authorities' appropriate proportion of the net expenses of the Fire Authority in respect of each financial year. Additionally, provisions for future expenditure should reflect the criteria contained in FRS12. Funding to meet financial pressures must therefore be raised via annual levies from constituent authorities or, in extreme circumstances, supplementary levies.

35. Given these circumstances it is vital that the Authority maintains its arrangements for budget setting and monitoring going forward. The Authority is discussing the position with its constituent authorities in order to agree a working protocol for the future utilisation of creditor balances held on their behalf.
36. As referred to in paragraph 10, the Authority was required to produce a new Pension Account for 2007/2008 to reflect the changes in financing arrangements for fire service pensions which were introduced from 1 April 2007. From this date, most liabilities in relation to fire fighters pensions transferred to the Welsh Assembly Government and the Authority is required to pay an annual contribution to the account as specified by regulation.
37. The Actuary identified a combined deficit of £150.6 million on the Authority's Fire-fighters and Local Government Pension Funds (using the methodology within Financial Reporting Standard (FRS) 17) compared with £171.3 million in 2006/2007. The main reason for the decrease in the deficit is a change in discount rate used by the Actuaries in assessing the value of the pension liability.

### **The Authority has appropriate financial management arrangements in place**

38. The Authority's significant financial systems are effective.
39. To demonstrate financial stewardship, the Authority needs to ensure effective financial management including:
  - effective internal financial controls, such as robust standing orders and financial regulations, strong budgetary control and effective internal audit;
  - recognised standards of financial conduct;
  - appropriate arrangements to ensure that the Authority only enters into transactions where there is specific legal provision for it to do so; and
  - effective arrangements to prevent and detect fraud and corruption.
40. Our review of these areas found:
  - that the arrangements to maintain the systems of internal control were effective;
  - that Internal Audit has met the required professional standards and developed an Audit Strategy for both 2007/2008 and 2008/2009 in accordance with the requirements of the CIPFA standards;
  - that effective arrangements were in place to ensure that the Authority enters into transactions only where there is specific provision for it to do so; and
  - the ethical framework of the Authority was operating effectively as were the arrangements for preventing and detecting fraud and corruption.
41. We have therefore concluded that effective financial management arrangements are in place.

### **The Authority made use of the National Fraud Initiative**

42. The National Fraud Initiative (NFI) is a biennial computerised data matching exercise conducted across England and Wales. The Audit Commission is responsible for the exercise in England and the Auditor General is responsible for the exercise in Wales through his appointed auditors at local government bodies.
43. The exercise is designed to identify overpayments to suppliers and benefit claimants and to detect fraud perpetrated on public bodies. The referrals from the 2006/2007 exercise were released in January 2007 to participating bodies including local councils and Fire and Rescue Authorities. The matches have been investigated and resulted in the identification of £4.7 million of fraud and overpayment across Wales. In May 2008, the Auditor General published a national report on the overall findings of the 2006/2007 exercise.
44. The Authority had a small number of matches and took appropriate action to investigate and to address instances of suspected fraud and error.
45. Data extractions for the 2008/2009 exercise commenced in October 2008 and authorities should receive data matches in early 2009. The Auditor General is undertaking the 2008/2009 exercise in accordance with the powers set out in the Serious Crime Act 2007 to conduct data matching exercises to assist in the prevention and detection of fraud in Wales. The Auditor General has recently published a Code of Data Matching Practice to help ensure that people's information is protected and processed appropriately during data matching exercises such as NFI.

## **The Relationship Manager's report on behalf of the Auditor General**

**The annual Joint Risk Assessment validated the Authority's priorities for improvement and some actions have been taken in response to previous recommendations, although the Authority still faces challenges in respect of implementing key proposals**

### **The Authority needs to ensure that members are more fully engaged in delivering the outcomes of its Risk Reduction Plan**

46. The Authority has completed and agreed with its auditors and the Peer Assessment Team a Joint Risk Assessment of its services and corporate functions. The outcomes of the risk assessment were reported in the Authority's Improvement Plan, supporting the identification of its priorities for the next year.



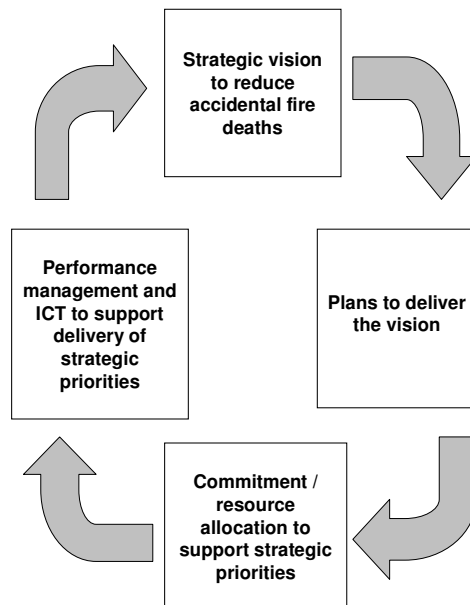
47. The outcomes of the risk assessment, which included both operational and non-operational risks, are included in the current Risk Reduction Plan that clearly identifies the Authority's priorities in developing community resilience. The non-operational assessment highlighted several significant risks that will need to be addressed. Robust performance management is a key part of this process. The adoption and implementation of Fynnon software, along with the collection and reporting of relevant indicators, is an essential element of ensuring continuous improvement.
48. Clearly, the priority for the Authority will be to implement the recommendations of the Chief Officer's Task Group to reduce the level of accidental fire deaths which is one of the highest of any FRA in England or Wales<sup>1</sup>. The Service is in the process of implementing the recommendations of the Chief Fire Officer's Task Group report on accidental fire deaths under the personal direction of the Chief Fire Officer who receives regular updates from his senior managers on progress. This work is being combined with recommendations from the peer reviews and is reflected strategically in the current Risk Reduction Plan.
49. The Joint Risk Assessment highlights the need to translate the strategic vision, once agreed by the Authority, into actions supporting the objective to reduce the rate of accidental fire deaths. Although the previous Authority had a clear strategy to address the high rate of accidental fire deaths, expressed through the Risk Reduction Plan and Improvement Plan, the previous Authority was not able to support the implementation of two of its four recommendations to allow the Service to invest in improved fire prevention activity. The new Authority must develop an approach which can more effectively support the implementation of its stated Risk Reduction Plans.
50. There are also high or medium risks in terms of performance management, e-fire and rescue, equalities and sustainability although in all three areas the Authority has taken action to address the risks. Exhibit 4 is an extract from our report on the Joint Risk Assessment which sets out how the various key non-operational risks in the Joint Risk Assessment link together.

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<sup>1</sup> Fire Statistic Monitors (2006 – Provisional), Department for Communities and Local Government.

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**Exhibit 4: There are links between some of the key non-operational risks facing the Authority**




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*Source: Wales Audit Office*

**The Authority has responded positively to the recommendation of previous inspection work**

51. We have followed up the implementation of recommendations arising from our work through both peer reviews of operational risk and work on non-operational risk through the Joint Risk Assessment process to ensure that the Authority has appropriate mechanisms in place to respond to external audit and inspection.

**The current approach to scrutiny within the Authority could be further developed**

52. Member engagement and scrutiny emerged as a medium or high risk in all three Fire and Rescue Authorities (FRAs) as part of the inaugural Joint Risk Assessment (JRA) which is a key element of the Wales Programme for Improvement (Fire). Scrutiny is less developed in FRAs than it is in local authorities and there is scope to develop further the existing structures. There is also scope to improve the selection of issues for members to scrutinise and to develop a clearer shared understanding of the potential scrutiny role of members in the FRA context.

53. In line with the other two Fire and Rescue Authorities in Wales the Authority participated in a review of scrutiny arrangements. This review reported in June 2008 and found that although the Executive Panel is sound in principle, there is not yet a clear process of scrutiny of decisions and there are risks of potential conflict between the Panel and the full Authority as members not included in the Executive Panel could feel excluded from the decision making process. This may lead to delayed decisions or conflict. The report made a series of recommendations for the Authority to further enhance its scrutiny process, which an ongoing review is considering.
54. The Authority is actively implementing a full member development programme and is also participating in the Welsh Local Government Association's Charter for Member Support and Development: An Approach for Fire and Rescue Authorities. The Authority signed the Statement of Intent to apply for accreditation in March 2008 and is now rolling out a series of training opportunities for members.

## **The Authority has engaged positively with Wales Audit Office initiatives to promote improvement**

### **The Authority is committed to using the Good Practice Exchange through shared learning**

55. In 2007, the Wales Audit Office embarked on a long-term programme of promoting improvement across public services through the capture, evaluation and dissemination of good practice. Web-based facilities to support improvements in sickness absence management, fleet management, occupational health and grants management have been launched and the ability to access Wales Audit Office case studies and facilities to share learning across public services have been developed.
56. This year we have focused on Smarter Ways of Working, aiming to provide a convenient stimulus for innovation and creative thinking in gearing the organisation of work – and the people who deliver it – to more flexible patterns. It aims to support an overall organisational strategy of improvement, generating benefits in relation to cost control, sustainability, and employee engagement. At the heart of smarter ways of working is citizen-centred service design.
57. The Authority has asked us to look at a range of possible topics as part of our Smarter Ways of Working (SWOW) initiative, including equalities, managing in a predominantly Retained Duty Staff environment, appraisal systems, and managing a dispersed workforce. We are currently identifying the options in association with the Chief Fire Officer.

### **The Authority is committed to delivering the Making the Connections agenda and its approach to fleet management is making best use of resources to support improvements in service delivery**

58. The Wales Audit Office is committed to an ongoing programme of work focussing on the Making the Connections (MiC) agenda across the public sector in Wales. In 2007 we completed a baseline assessment of progress made in implementing that agenda, following which we concluded that a phased review of asset management would provide a framework for future work.

59. The first phase of that work – on fleet management – was designed to identify whether public sector organisations' arrangements made the best use of resources to support improvement in service delivery. The Welsh public sector collectively uses approximately 16,000 vehicles which cost some £200 million per annum to run. We estimate that these vehicles drive some 250 million miles per annum which generates some 110,000 tonnes of carbon dioxide (CO<sub>2</sub>). Effective fleet management can improve service delivery, reduce operating costs and minimise the environmental impact of the fleet.
60. The Authority's vehicle fleet costs £1.2 million to run each year and consists of 229 vehicles. While lease versus buy has been considered the Authority considers that leasing is not cost effective as the lease restricts the length of life of the vehicle. The report found several areas of effective practices, for example a three year business plan, an Occupational Road Risk policy document which gives a set of working guidelines for drivers and joint working with Mid and West Wales Fire and Rescue Service. In terms of good practice the report noted the use of an external oil company which has resulted in the reduction of the number of oil changes to vehicles and the potential future use of synthetic oil which will further reduce costs and contribute to the environmental performance of the Authority. we made a series of recommendations about fleet management which can improve service delivery, reduce operating costs and minimise the environmental impact of the fleet.

## Appendix 1

## Auditor's report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources in 2007/2008

<p><b>Conclusion on the Authority's arrangements for the year ended 31 March 2008 for securing economy, efficiency and effectiveness in its use of resources</b></p>
<p><b>The Authority's responsibilities</b></p>
<p>The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to ensure proper stewardship and governance. The Authority is also responsible for regularly reviewing the adequacy and effectiveness of these arrangements.</p>
<p><b>Auditor's responsibilities</b></p>
<p>I have a responsibility under section 17(2)(d) of the Public Audit Wales Act 2004, to conclude from my audit of the Authority's annual accounts and other relevant information whether I am satisfied that it has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. For the purposes of my work in this area, I have assessed 'proper arrangements' as principally comprising an organisation's corporate performance management and financial management arrangements, significant elements of which are defined in paragraph 48 of the Auditor General's Code.</p> <p>I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. In carrying out my work, I have not considered whether the arrangements in place represent all those that could be in place. I am also not required to consider, nor have I considered as part of this aspect of my work, the effectiveness of the arrangements in place in securing value for money during the year under review.</p>
<p><b>Conclusion</b></p>
<p>The following conclusion has been based on, and limited to, work carried out as part of my audit of the 2007/2008 accounts, together with any other information that I have considered to be relevant to my examination, to establish, in all significant respects, what arrangements the Authority had in place during the year to support the achievement of its responsibility to secure economy, efficiency and effectiveness in its use of resources.</p> <p>Based on the Authority's Statement of Internal Control and as a result of the work carried out, as described above, as part of my audit of the 2007/2008 accounts, and all other information that I have considered to be relevant, I am satisfied overall as to the existence of the arrangements that the Authority had in place during the year to support the achievement of its responsibility for securing economy, efficiency and effectiveness in its use of resources. I have also raised various issues with the Authority, and made recommendations to improve its arrangements. These matters are further discussed and explained in the Annual Letter.</p>
<p>Anthony Snow Appointed Auditor Wales Audit Office 24 Cathedral Road Cardiff CF11 9LJ 14 November 2008</p>

## Appendix 2

## Criteria for assessing the Authority's arrangements during 2007/2008 for securing economy, efficiency and effectiveness in its use of resources

Corporate performance management and financial management arrangements	Questions on arrangements
<b>Establishing objectives, determining policy and making decisions</b>	1. Has the Authority put in place arrangements for setting, reviewing and implementing its strategic and operational objectives?
<b>Meeting needs of users and taxpayers</b>	2. Has the Authority put in place channels of communication with users and taxpayers, and other stakeholders including partners, and are there monitoring arrangements to ensure that key messages about services are taken into account?
<b>Compliance with established policies</b>	3. Has the Authority put in place arrangements to maintain a sound system of internal control, including those for ensuring compliance with laws and regulations, and internal policies and procedures?
<b>Managing operational and financial risks</b>	4. Has the Authority put in place arrangements to manage its significant business risks?
<b>Managing financial and other resources</b>	5. Has the Authority put in place arrangements to evaluate and improve the value for money it achieves in its use of resources?
	6. Has the Authority put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities?
	7. Has the Authority put in place arrangements to ensure that its spending matches its available resources?
	8. Has the Authority put in place arrangements for managing and monitoring performance against budgets, taking corrective action where appropriate, and reporting the results to senior management and the Authority?
<b>Monitoring and reviewing performance</b>	10. Has the Authority put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary and reporting to the Authority?
	11. Has the Authority put in place arrangements to monitor the quality of its published performance information, and to report the results to Authority members?
<b>Proper standards of conduct etc</b>	12. Has the Authority put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business?

## Appendix 3

## Audit of the 2008/2009 Improvement Plan

### Certificate

We certify that we have audited North Wales Fire and Rescue Authority's Improvement Plan in accordance with section 7 of the 1999 Act and the Auditor General's Code. We also had regard to *The Wales Programme for Improvement: Guidance for Fire and Rescue Authorities in Wales* issued by the Welsh Assembly Government.

### Respective responsibilities of the Authority and the auditors

Under the 1999 Act, the Authority is required to prepare and publish a Best Value Performance Plan summarising:

- its assessments of performance; and
- its position in relation to its statutory duty to make arrangements to secure continuous improvement to the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

This is supplemented by the guidance mentioned above which sets out how the requirements under sections 3, 5 and 6 of the 1999 Act should be discharged. Under this guidance, the Best Value Performance Plan is termed the Improvement Plan.

The Authority is responsible for preparing the Plan and for the information and assessments set out within it. The Fire and Rescue Service's future work programme set out in the Plan should connect to the outcomes of the updated risk assessment.

The Authority is also responsible for establishing appropriate performance management and internal control systems from which the information and assessments in its Plan are derived, and for ensuring that it provides sufficient capabilities and capacity needed to manage change and improvement. The form and content of the Plan are prescribed in section 6 of the 1999 Act and the guidance issued by the Assembly Government.

As the Authority's appointed auditors, we are required under section 7 of the 1999 Act to carry out an audit of the Plan, to certify that we have done so, and to report whether we believe that the Plan has been prepared and published in accordance with statutory requirements set out in section 6 of the 1999 Act and guidance. We are also required to recommend:

- Where appropriate, how the Plan should be amended so as to accord with statutory requirements.
- Where appropriate, procedures to be followed in relation to the Plan.
- Whether the Auditor General should carry out an inspection of the Authority under section 10A of the 1999 Act.
- Whether the Assembly Government should give a direction under section 15 of the 1999 Act – eg, directing the Authority to amend its Plan, carry out a review of a specific function or hold a local inquiry. Details of all possible directions can be found in the 1999 Act.

## Scope of the Improvement Plan audit

We planned and performed our work to obtain all the information and explanations that we considered necessary in order to report and make recommendations in accordance with section 7 of the 1999 Act.

For the purposes of our report, we have interpreted compliance with the guidance mentioned above as being sufficient to meet the statutory requirements under section 6 of the 1999 Act.

We are not required to form a view on the completeness or accuracy of the information, or realism and achievement, of the Plan published by the Authority. Our work therefore comprised a review and assessment of the Plan and, where appropriate, an examination on a test basis of relevant evidence, sufficient to satisfy ourselves that the Plan includes those matters prescribed in legislation and statutory guidance and that the arrangements for publishing the Plan complied with the requirements of the legislation and statutory guidance.

For the purpose of determining whether or not to make recommendations on procedures to be followed in relation to the Plan, our work included:

- a review and assessment and, where appropriate, examination on a test basis of evidence relevant to the adequacy of the systems set in place by the Authority for collecting and recording specified performance information; and
- the testing of specific Best Value Performance Indicators selected on the basis of criteria set out by the Wales Audit Office.

The work we have carried out in order to report and make recommendations in accordance with section 7 of the 1999 Act cannot be relied upon to identify all weaknesses or opportunities for improvement. We planned our work so as to collect sufficient evidence to satisfy ourselves that the Plan includes those matters prescribed in legislation and statutory guidance, and the arrangements for publishing the Plan, complied with the requirements of legislation and statutory guidance.




## Appendix 4

**Audit and inspection fees**

Your 2007/2008 audit and inspection fees were based on the risks identified and an assessment of the work needed to address those risks. They are currently expected to be in line with those set out in your Regulatory Plan as summarised below.

<b>Audit and Inspection fees 2007/2008 (excluding VAT)</b>		
	<b>2007/2008 planned (£)</b>	<b>2007/2008 expected actual (£)</b>
Accounts	25,150	25,150
Performance audit	17,420	17,420
Performance inspection	10,061	10,061
<b>Total</b>	<b>52,631</b>	<b>52,631</b>



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