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Annual Letter for 2008-09

North Wales Fire and Rescue Authority

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Summary

1. This Annual Letter (Letter) sets out the key messages arising from audit and inspection work undertaken over the last 12 months. It provides North Wales Fire and Rescue Authority (the Authority) with an annual summary of the findings and conclusions of our work and that of the Peer Assessment Team (PAT).
2. The Appointed Auditor's conclusions on the Authority's accounts are generally positive as set out in paragraphs 5 to 20.
3. The Relationship Manager (RM) has concluded that the Authority has made progress in dealing with a range of risks and now needs to address agreed priority areas as identified in this year's Joint Risk Assessment (JRA).
4. Appendix 1 sets out the roles of the Appointed Auditor and RM.

The Authority has complied with financial and performance improvement reporting requirements

The Authority had appropriate arrangements to administer and report financial matters and to secure value for money in its use of resources in 2008-09

5. It is the Authority's responsibility to:
 - put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
 - maintain proper accounting records;
 - prepare a Statement of Accounts in accordance with relevant requirements;
 - establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources; and
 - provide the Assembly Government/HM Treasury with information required for the production of the Whole of Government Accounts (WGA).
6. The Code of Audit and Inspection Practice (the Code) requires me to:
 - provide an audit opinion on the accounting statements;
 - review the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
 - issue a certificate confirming that I have completed the audit of the accounts.
7. In addition, I review and report upon returns, including the WGA Return, prepared by the Authority.
8. I issued a certificate confirming that the audit of the accounts has been completed on 29 September 2009.

The Statement of Accounts 2008-09 was prepared in accordance with statutory requirements and presents fairly the financial position and transactions of the Authority

9. The Statement of Accounts is an essential means by which the Authority demonstrates stewardship of the resources at its disposal and its financial performance in the use of those resources.
10. On 29 September 2009 I issued an unqualified audit opinion on the accounting statements.

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. In summary the improvements required, which are set out in more detail along with the management responses in the ISA 260 report, are:
- detailed review of allocation of expenditure to capital;
 - contract retentions should be routinely identified and accounted for;
 - capital expenditure to fire stations should be allocated to the station to which they relate on a timely basis;
 - an up-to-date contract for the provision of finance services should be maintained with Conwy County Borough Council; and
 - journals are not sequentially numbered and therefore an effective review process is required.

The Authority had appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2008-09

12. The criteria that I used to assess the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources during 2008-09 are set out in Appendix 2. My report is in Appendix 3.
13. We have concluded that in 2008-09 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 Authority's Improvement Plan 2009-10 meets statutory requirements and provides a balanced view of its performance in 2008-09

14. The Authority is required, by the Local Government Act 1999 and subsequent guidance issued by the Assembly Government, to publish its Improvement Plan by 31 October each year.
15. I am required to consider whether the Improvement Plan is prepared and published in accordance with statutory requirements and guidance, and to report my findings, including those on the completion of the JRA, my audit of the Authority's Performance Indicators (PIs) and on its performance measurement arrangements.
16. Detailed responsibilities, the scope of our work and the audit certificate are set out in Appendix 4.
17. I, as Appointed Auditor, am required each year, by section 7 of the Local Government Act 1999, in relation to the Authority's improvement plan, to recommend whether the Auditor General should carry out an inspection of the Authority under section 10A of the Act. I am also required each year to recommend whether the Welsh Ministers should give a direction under section 15 of the Act. My recommendations are in Appendix 5.

18. The Authority has not collected or reported data in respect of three National Strategic Indicators for 2008-09 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.
19. 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.
20. The Authority has only set targets for 2009-10 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.

The Authority has made progress in dealing with a range of risks and now needs to address agreed priority areas as identified in this year's Joint Risk Assessment

The Authority has made progress in reducing the levels of operational risk identified by the Peer Assessment Team and is working to further improve its operational response

21. The Authority has completed and agreed with its auditors and the PAT a JRA of its services and corporate functions. We reported the outcomes of the JRA to the Authority on 15 June 2009.
22. During the past year, the PAT reviewed the progress that the Service had made with 19 operational risks highlighted in previous PAT reports. This work concluded that 'the employees of North Wales Fire and Rescue Service were both professional and enthusiastic. The personnel had embraced the change of recent times and support the Service approach to Community Fire Safety.'
23. Key areas of progress reported by the PAT included:
 - the progress in resourcing and implementing the recommendations of the Chief Fire Officer's Task Group; the Wales Audit Office has contributed to the Chief Fire Officer's follow-up review of the recommendations of the Task Group as part of our Smarter Ways of Working initiative;
 - the Service has successfully moved to a Joint Control Centre along with North Wales Police; this move included the adoption of new mobilising and communications systems and the Service can now demonstrate greater resilience core functions in Control;
 - considerable investment to mitigate the effects of Road Traffic Collisions (RTCs), including the adoption of a formal RTC Strategy to assist the service deliver the Authority's responsibilities as part of the RTC Partnership; and,
 - the implementation and monitoring of operational policies, including station visits and active monitoring to assess and improve compliance.
24. The PAT report highlighted Areas for Development for each risk area. These included:
 - undertaking further Fire Service Emergency Cover (FSEC) training for team members and provide awareness training for key personnel;
 - reconvene the Task Group to review progress and produce a new report with accompanying actions;
 - undertake a review of New Dimension training to ensure continued competence of crews and operational managers of this equipment (equipment provided to enhance the capacity of the service to deal with major incidents such as large scale flooding); and

- a review of its Control special procedures following the move to the Joint Control Centre.

The Authority has made progress in reducing the level of risk identified in the last Joint Risk Assessment

25. Following a Wales Audit Office report on scrutiny arrangements and a Constitutional Review, the Authority decided to create a new Audit Committee which will start operating from the 2009-10 municipal year. The Committee has the primary role of audit and scrutiny in four main areas:
- governance;
 - financial and resource management;
 - risk management and assurance; and
 - performance.
26. There has been strong Member involvement in the development of a new Risk Reduction Plan (RRP) for 2011-12. A small group of members and officers met to consider the main issues that are likely to affect the service. In contrast to earlier RRP's the current plan does not include a specific action plan as members also agreed to carry forward the action plan from the previous RRP for 2010-11. As this action plan has already been subject to consultation members agreed not to repeat the consultation exercise and instead agreed to carry the action plan forward. The conclusions of this group were reported to the full Authority in June 2009 and the Authority agreed that consultation on the draft RRP (2011-12) will concentrate on four 'fundamental principles' namely:
- working with young people;
 - the Retained Duty System;
 - co-responding; and
 - efficiencies.
27. The Authority is consulting with the Assembly Government regarding its proposed approach to the RRP.
28. The service has participated in the Wales Audit Office study of buildings management which has covered the whole of the Welsh public service. The overall conclusion of our review is that the Service has arrangements in place that should support improvements in efficiency and service delivery to meet the needs and expectations of users in the twenty-first century.
29. We came to this conclusion because:
- a good, clear asset management plan is in place;
 - performance management arrangements work well;
 - robust procedures to obtain value for money are in place;
 - there are clear procedures to deal with large projects and ongoing maintenance work; and
 - there are good examples of cost savings through collaboration.

- 30.** The Authority is committed to using the Wales Audit Office's Good Practice Exchange (<http://www.wao.gov.uk/goodpracticeexchange.asp>) as a source of good practice and has participated in shared learning events. We have used the good practice time in this year's Regulatory Plan to contribute to the Chief Fire Office's review of the implementation of recommendations of his Task Group into the level of accidental fire deaths. This review is likely to highlight progress that has been made that has reduced the level of accidental fire deaths, as well as good practice initiatives in working with partners to tackle this complex, cross-cutting issue. However, the initial findings of the project suggest a number of areas of recommendation where further development and a more robust approach to performance management are required.
- 31.** The challenge for the Authority in the coming year is to address the areas for improvement identified in the PAT report. The Authority has also been consulting on its new RRP for 2009-10 and expects to produce a report on the outcomes of this consultation in the autumn. This plan will also need to respond to the community planning requirements of the new Local Government Measure that comes into force from January 2010. The draft plan already recognises this need by having a strategic focus on 'working together to support and build strong communities'.
- 32.** In addition, the Authority will be establishing its new Audit Committee. Over the coming year, the Authority will need to monitor the effectiveness of this approach to ensure that this committee achieves its main functions as outlined in its terms of reference.

Appendix 1

Role of Appointed Auditor and Relationship Manager and fees estimate

This Letter has been written by:

- the Engagement Partner on behalf of the Appointed Auditor, Anthony Barrett; and
- the RM on behalf of the Auditor General.

Statute and the Code require the Appointed Auditor to:

- provide an audit opinion on the accounting statements;
- review arrangements to secure economy, efficiency and effectiveness in the use of resources; and
- report whether the Improvement Plan complies with legislative requirements.

In addition, the Appointed Auditor reviews and reports upon grant claims and returns, including the WGA Return, prepared by the Authority.

The RM works for the Auditor General to seek to ensure that the studies and inspection functions of the Auditor General are co-ordinated with the work of relevant regulators.

The audit and inspection work planned for the year was set out in the Regulatory Plan 2008-09. More detail on specific aspects of the work undertaken can be found in the separate reports that have been issued during the year.

The fees for 2008-09 are currently expected to be in line with those set out in your Regulatory Plan.

Appendix 2

Criteria for assessing the Authority's arrangements during 2008-09 for securing economy, efficiency and effectiveness in its use of resources

Corporate performance management and financial management arrangements	Questions on arrangements
Establishing objectives, determining policy and making decisions	Has the Authority put in place arrangements for setting, reviewing and implementing its strategic and operational objectives?
Meeting the needs of users and taxpayers	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?
Compliance with established policies	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?
Managing operational and financial risks	Has the Authority put in place arrangements to manage its significant business risks?
Managing financial and other resources	Has the Authority put in place arrangements to evaluate and improve the value for money it achieves in its use of resources?
	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?
	Has the Authority put in place arrangements to ensure that its spending matches its available resources?
	Has the Authority reviewed and made changes where appropriate to its treasury management procedures in the light of the economic downturn and the fragility in the banking system?
	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?
	Has the Authority put in place arrangements for the management of its asset base?
Monitoring and reviewing performance	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?
	Has the Authority put in place arrangements to monitor the quality of its published performance information, and to report the results to Authority members?
Proper standards of conduct etc	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

Auditor's report on the arrangements for securing economy, efficiency and effectiveness in its use of resources in 2008-09

Conclusion on the Authority's arrangements for the year ended 31 March 2009 for securing economy, efficiency and effectiveness in its use of resources	
The Authority's responsibilities	
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.	
Auditor's responsibilities	
I have a responsibility under section 17(2)(d) of the Public Audit Wales Act 2004, to satisfy myself from my examination of the Authority's annual accounts and otherwise whether 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. I report if significant matters have come to my attention that 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.	
Conclusion	
The following conclusion is based on, and limited to, work carried out as part of my audit of the 2008-09 accounts, together with examination of other information that I have considered relevant. I am satisfied that the Authority had proper arrangements in place during the year 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.	
Anthony Barrett Appointed Auditor 29 September 2009	Wales Audit Office 24 Cathedral Road Cardiff CF11 9LJ

Appendix 4

Audit of the 2009-10 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.

Respective responsibilities of the Authority and the auditors

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

- its long-term strategic objectives;
- its assessments of performance in the previous year;
- the key issues for improvement to be delivered in future years; and
- details of where to find further information, including information concerning business planning.

Under the Assembly Government's guidance, the statutory Best Value Performance Plan is called the Improvement Plan. The guidance requires the Plan to be published no later than 31 October of the financial year to which it relates.

The Authority is responsible for preparing the Plan and for the information and assessments set out within it. The Authority'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 by the Assembly Government's guidance.

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

- how the Plan should be amended so as to accord with statutory requirements; and
- procedures to be followed in relation to the Plan.

We are also required to recommend:

- 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 – for example, 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 statutory guidance issued by the Assembly Government in the document, *Wales Programme for Improvement: Guidance for Local Authorities*, 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 myself 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 National Service PIs selected on the basis of criteria set out by the Auditor General.

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 myself 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 5

Recommendations to the Auditor General and to Welsh Ministers

I, as Appointed Auditor, am required each year, by section 7 of the Local Government Act 1999, in relation to the Authority's improvement plan, to recommend whether the Auditor General should carry out an inspection of the Authority under section 10A of the Act. I am also required each year to recommend whether the Welsh Ministers should give a direction under section 15 of the Act.

I have not identified a need for any statutory inspections in 2008-09, and I therefore recommend that the Auditor General should not carry out any inspections of the Authority. I also recommend that the Welsh Ministers should not give any direction under section 15 of the Act at this time.



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