



AGENDA ITEM: 8

NORTH WALES FIRE AND RESCUE AUTHORITY AUDIT COMMITTEE

30th January 2012

ANNUAL AUDIT LETTER

Report by Virginia Stevens, KPMG

PURPOSE OF REPORT

- 1 The purpose of this report is to present to Members the Annual Audit Letter.

BACKGROUND

- 2 Following the introduction of the Local Government Measure 2009 the Wales Audit Office has changed how it reports its findings from the financial and performance audits. The majority of the issues that were traditionally reported in the Annual Audit Letter will, in future, be included as part of the Annual Improvement Report.

INFORMATION

- 3 The Annual Audit Letter attached at Annex 1 summarises the key messages arising from the Auditor's statutory responsibilities. The letter is a standalone document but will be presented to the Authority and the public as part of the Annual Improvement Report and therefore discharging the Auditor's reporting responsibilities under the Code of Audit Practice.

RECOMMENDATION

- 4 The Audit Committee is recommended to accept the Annual Audit Letter and note that it will be presented to the Authority and the public as part of the Annual Improvement Report.



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Simon Smith
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Date 30
November
2011
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Dear Simon

Annual Audit Letter to the Members of North Wales Fire Authority

As you will be aware the Auditor General for Wales will be issuing an Annual Improvement Report (AIR) to each local authority by the end of January 2012 and some of the issues that were traditionally reported in the Appointed Auditor's Annual Audit Letter will be included in that report. Therefore I have taken the opportunity to summarise the key messages arising from my statutory responsibilities into this short letter which forms the Annual Audit Letter. The letter is designed to be a standalone document, but will also be presented to the Authority and the public as part of the Annual Improvement Report and therefore discharges my reporting responsibilities under the Code of Audit Practice.

North Wales Fire Authority complied with reporting requirements relating to its financial performance and use of resources

1. 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; and
 - establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.
2. The Public Audit (Wales) Act 2004 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.
3. On 30th September 2011 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the

Authority's and the Pension Fund's financial position and transactions. My report is contained within the Statement of Accounts. A number of matters arising from the accounts audit were reported to members in my Audit of Financial Statements report. However there were a number of revisions to the draft accounts which put undue pressure on the timetable.

4. From 2010/11 local authorities in Wales are required to produce their accounts on the basis of International Financial Reporting Standards (IFRS). The introduction of these new standards imposed significant additional demands on the Authority's finance staff. Despite these additional pressures, the accounts were prepared by the statutory deadline

The following issues were identified regarding the accounts:

- The Annual Audit letter for 2009-10 stressed the importance of producing an opening balance sheet and a draft set of IFRS accounts as soon as possible. The number of missing disclosures and revisions to the Statement of Accounts indicates that the project timetable had slipped and there had been under-estimation in the amount of work involved. However, all deadlines were met due to the close collaboration between the finance team and the audit team.
 - The delays in production of the Statement of Accounts impacted the audit of the Whole of Government Account's (WGA) return, a revised WGA pack incorporating the amendments to the final statements was not received until 27th September. The Welsh Government's deadline for submission of audited returns, 30th September was not met as there was insufficient time to complete the audit. The Authority should ensure that revised WGA packs are completed promptly and passed to the audit team together with supporting documentation.
5. My review of the Authority's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government Measure (2009). The main findings from this latter work will be set out in the Annual Improvement Report. In addition I also bring the following issues to your attention:
 - The Authority has continued to develop its arrangements for medium term financial planning ensuring it is better placed to address its financial challenges.
 - The Audit Committee is responsible under its terms of reference to provide Financial, resource and general management and Assurance, this covers the consideration of Internal Audit reports. Enhancements could be made to the form of reporting of Internal Audit findings to the Audit Committee. The provision of written summary (rather than verbal updates) of Internal Audit work in the period, detailing work carried out,

conclusions and key findings, should be included in the Audit Committee papers to allow Members to consider issues in advance. The introduction of a 'recommendations tracker' would allow members to monitor progress and provide assurance that Internal Audit recommendations were being implemented by management.

- The Authority has strengthened its risk management process by developing a Corporate Risk Register. This is due to be discussed and adopted by the Executive Panel shortly and we understand that it will be reviewed at least annually by the Audit Committee
6. I issued a certificate confirming that the audit of the accounts has been completed on 30th September 2011.
 7. The financial audit fee for 2010/2011 is currently expected to be in line with those set out in the Annual Audit Outline.

Yours sincerely

Virginia Stevens
For and on Behalf of the Appointed Auditor

cc. Dawn Docx, Deputy Chief Fire Officer