



AGENDA ITEM: 11

NORTH WALES FIRE AND RESCUE AUTHORITY AUDIT COMMITTEE

24 September 2012

STATEMENT OF ACCOUNTS 2011-12

Report by Ken Finch, Treasurer to the Authority

Purpose of Report

- 1 This report is to present to Members the audited Statement of Accounts for 2011-12 and the Annual Governance Statement for approval.
- 2 The accounts were presented to the Executive Panel on 17 September 2012. Presentation of the accounts to both committees ensures that all Authority Members will have been given the opportunity to examine and comment on the latest set of the accounts. Any comments from the Executive Panel will be advised verbally at the meeting.

Information

- 3 In compliance with the Accounts and Audit Regulations (Amendment Wales) 2010 it is a requirement that the audited accounts are approved by Members by 30 September. Delegated authority for approving the accounts has been granted to the Audit Committee.
- 4 It is also a requirement that the Annual Governance Statement (Annex 1) is presented to Members with the Statement of Accounts and these have been included as an Annex to the accounts. The statement has been prepared in accordance with the principles

contained within the 'Framework for Delivering Good Governance in Local Government' issued by the Chartered Institute of Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) and was initially approved by Members on 18 June 2012.

- 5 Also at the meeting on 18 June 2012 Members were presented with a Financial Performance report for 2011-12 which detailed the actual spend for the year against budget and Members approval was sought to set aside money from the underspend in to a number of Reserves and Provisions. These transactions have been enacted in the accounts, the details of which can be found on pages 30 and 31.

Audited Changes

- 6 The accounts have now been audited by the Auditor appointed by the Wales Audit Office and have been amended in line with the findings from the audit and subsequent discussions over the accounting treatment, definitions and presentation of specific items within the accounts.
- 7 A detailed breakdown of the corrected misstatements identified in the draft accounts form part of the 'Audit of Financial Statements Report' which will be presented to the Audit Committee with the accounts. A summary of the changes are listed below.
 - a) Reclassification of a reserve from Usable to Unusable, £25k;
 - b) Duplication of an accrual - decrease Debtor and Creditor balances by 79k;
 - c) Amendment to some of the figures and tables in the notes to the accounts to enhance presentation.
- 8 Usable reserves consist of the General Reserve, Earmarked Reserves and Grant Income brought forward from the previous year. These reserves can be used by the Authority to finance expenditure in future years. Unusable reserves are non-cashable and consist of money already set aside to finance expenditure; revaluations to reflect increase in asset values; and the Pension Reserve which is a deficit reserve.

Letter of Representation

- 9 Attached to this report, as appendix A, is a letter of representation addressed to both the Wales Audit Office and KPMG from the Authority. It is a requirement of Auditing Standards in that KPMG needs to obtain representations from the Authority to support its audit opinion. The letter provides further detail.

Recommendation

- 10 Members are asked to approve the audited Statement of Accounts for 2011-12 and acknowledge the Letter of Representation sent to the External Auditors.

ANNUAL GOVERNANCE STATEMENT 2011-12

Scope of Responsibility

North Wales Fire and Rescue Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework, *Delivering Good Governance in Local Government*.

This statement explains how the Authority has complied with the code and also meets the requirements of the Accounts and Audit (Wales) Regulations 2005 as amended in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The Governance Framework comprises of the systems and processes, and the culture and values, by which the Authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The Authority's system of internal control is based on an on-going process designed to:

- identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives;
- to evaluate the likelihood of those risks being realised;
- evaluate the impact should they be realised, and;
- manage them economically, efficiently, and effectively.

The Governance Framework has been put in place at the Authority for the year ended 31 March 2012 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework

The Governance Framework describes the key elements of the systems and processes that comprise the Authority's governance arrangements in accordance with the six principles of corporate governance included in our code and include:-

- Focus on the purpose of the Authority and outcomes for the community and creating and implementing a vision for North Wales.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting the values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Take informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Develop the capacity and capability of members and officers to be effective.
- Engage with local people and other stakeholders to ensure robust public accountability.

Review of Effectiveness

The Authority has the responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. The review of effectiveness is informed by the work of Executive Group and its officers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Auditors annual report and also by comments made by external auditors and other reviews undertaken.

As the provider of Internal Audit services to North Wales Fire and Rescue Service, Conwy County Borough Council Internal Audit section provide the Authority through its Audit Committee an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements.

The Audit Committee receive regular reports from the internal auditors on their progress against the annual audit plan which provides details on the assurance levels that can be placed against the various systems and processes in place.

In maintaining and reviewing the effectiveness of the Authority's governance arrangements the following has been considered:-

1. The Authority operates a committee structure covering the key areas aligned to its strategic objectives, with agreed Terms of Reference as:-

The Fire and Rescue Authority

The Fire and Rescue Authority is made up of 28 elected members from the 6 Unitary Authorities covered by the Fire and Rescue Service area in accordance with the North Wales Fire Service (Combination Scheme) Order 1995.

The role of the Authority is defined with its Standing Orders:

- To perform all the duties and responsibilities of a Fire and Rescue Authority in accordance with appropriate legislation and regulations, in particular the **Fire and Rescue Services Act 2004**, and the **Regulatory Reform (Fire Safety) Order 2005** - which came into force on 1 October 2006, and the **1995 Combination Scheme**.
- To agree the annual service plans the revenue and capital budgets and the contribution for the constituent councils.
- To monitor the revenue and capital budgets and deal with any significant variations, including decisions on any supplementary contributions.

The full Authority meets four times per year in March, June, October and December and considers such topics as service plans, routine business matters, budgets and spending, and to take or approve policy decisions as appropriate. Extraordinary meetings of Authority can be called at any time if urgent business requires to be transacted.

The Chair and Vice-Chair are elected at the Annual Meeting held in June.

The Authority's correct functioning is further supported by its Clerk and Treasurer. Meetings are open to the public, and records of the Authority's transactions are available from the Authority's website.

The Executive Panel

The Executive Panel has a varied role dealing with such topics as the appointment of senior officers, examining the detail of improvement and financial plans, dealing with certain audit matters and with policy and constitutional issues as the need arises.

It usually deals with responses to consultation papers and other policy developments, and makes recommendations to the Fire and Rescue Authority on its key policies including the Risk Reduction Plan. The Panel usually deals with senior appointments by setting up a special sub-committee for the purpose.

The Panel's Terms of Reference were set in 2001 and are reviewed as and when required. It consists of the Chair and Vice Chair and two members from each constituent authority (fourteen members in total). It is chaired by the Chair or, in his or her absence, the Vice-Chair. It meets four times a year, between each meeting of the Fire and Rescue Authority, although additional meetings may be held depending on workload.

Audit Committee

Following a constitutional review, it was agreed at the December 2008 Authority meeting that an audit committee be appointed with effect from the 2009/10 municipal year.

The Committee has four primary roles of governance audit and scrutiny, financial and resource management audit and scrutiny, risk management and assurance audit and scrutiny and performance audit and scrutiny.

The Committee's membership consists of all non-executive panel members and meets a minimum of twice per year. The Chair and Vice Chair are appointed from different constituent authorities in the interests of representations of the communities of North Wales.

Standards Committee

The Standards Committee was established in accordance with the requirements of the Local Government Act 2000 and its Terms of Reference were set in 2003. Its duties include the consideration of complaints against Authority members referred to it by the Ombudsman and the granting of dispensations. It also advises the Authority on issues to do with standards.

The committee consists of 6 members, four of whom are independent. The Fire and Rescue Authority representatives on this Committee cannot be an office holder on the Authority. The Chair and Vice-Chair are drawn from the independent members. The committee has to meet at least once a year, but may meet more frequently if necessary.

2. Included within the day to day management of the organisation are a number of key structures in place designed to maintain and review effectiveness of systems:

The Executive Group (Officers)

This strategic group consists of the Chief Fire Officer, Deputy Chief Fire Officer and 3 Assistant Chief Fire Officers who meet every six weeks to review standing items including performance, risk and financial management and development of internal policy and procedures.

Financial Management

Robust arrangements are in place to ensure that the Authority's financial management is sound, approved budgets are realistic and affordable and supported by effective expenditure monitoring systems in order to provide information to all levels of the organisation for decision making. These arrangements include:

- The Fire and Rescue Authority annually reviews and approves a 3 year medium term financial plan for both revenue and capital, which has been developed and informed by officers, in consultation with heads of departments and links with the strategic objectives. It enables the Service to have a short, medium and long term approach to both revenue and capital planning.
- The Fire and Rescue Authority receives quarterly budget monitoring reports, and the Executive Group reviews the budget in detail every 6 weeks;
- In addition, an officer led budget monitoring group meets regularly with all heads of department to discuss their progress to date against their departmental plans and their devolved budgets, in order to ensure any deviation from agreed targets is highlighted as soon as possible and action can be taken.
- There is a clear segregation of responsibilities between the management accountancy function, undertaken in Fire Service headquarters and the financial accountancy function, which is undertaken through the Service Level Agreement (SLA) with Conwy County Borough Council.

Performance Management

The Authority is committed to continuously developing its performance management framework and has implemented important components of a framework. It realises that this is an ever developing area and are confident of continuing to make progress in this area. In doing so, the following arrangements are in place:

- The Service's strategic objectives are formally set by the full Fire and Rescue Authority and published following a 12 week consultation period in the Combined Risk Reduction and Improvement Plan. Reports on progress in delivering these strategic objectives are routinely considered at Fire and Rescue Authority meeting and by the Executive Group.

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- Through planning discussions between heads of departments/functions and the relevant Executive Group member, these high-level objectives are translated into departmental plans and strategies that define in more detail how they will be achieved within expected timescales and with allocated budgets. Final approval and regular monitoring of the delivery of these plans is the responsibility of the Deputy Chief Fire Officer (DCFO), who has the senior management responsibility for both Finance and Corporate Planning. Regular meetings with the Performance and Budget Monitoring group allow focus in greater detail on the progress of the delivery of planned actions.
- Business planning arrangements have been revised in 2011/12 and Improvement Objectives have been set that include detailed descriptions of the actions it is planning, expected outcomes and the measures it will use to determine success. New Business Planning templates and review processes have been introduced to strengthen accountability and ensure actions are delivered.
- Throughout the year the Service collects and monitors a suite of performance indicators. Routine reports of activity and performance compared to previous years are considered by the Executive Group (6 weekly) and the Executive Panel (quarterly) to monitor progress; Consideration of these reports can trigger further investigation of specific issues or corrective action being taken if activity or performance levels are off target or cannot be explained (e.g. by prevailing weather conditions). All Fire and Rescue Authority reports are available on the Service's website.
- Following the Wales Audit Office's finding in the Annual Improvement Report (January 2012 paragraph 13) the Authority acknowledges that there may have been much reliance on national strategic indicators in the past rather than on a full suite of balanced measures to measure achievement of Improvement Objectives and seeks to address this issue in 2012/13 to provide a balanced evaluation and reporting of performance in its future arrangements in order to demonstrate its performance to local citizens.
- Data feeding into outcome-based National Strategic Indicators and other Core Indicators set by the Welsh Government (WG) is routinely collected, checked, analysed, submitted to the WG and reported publicly throughout the year. The WG also publishes much of this information on its own websites.
- Strategic Indicator data are audited annually by the Wales Audit Office. Effective performance management is further supported by local measures and indicators with associated targets where relevant.
- Incident data is collected and quality assured internally before being submitted via a new (2009) web-enabled Incident Reporting System (IRS) to the UK Government. Internal electronic systems similarly store data on, for example: fire safety and prevention activity; and financial information.

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- In addition, the Service participated once more in a reciprocal process of Operational Assurance of Service Delivery between the three Welsh fire and rescue services. The Key Lines of Enquiry in 2011-12 were around Control and Operations. Having completed a self-assessment, the Service invited a team from the other two Welsh FRS's to undertake a peer review and to make improvement recommendations based on their findings.

Risk Management and Business Continuity Planning

The Executive Group is responsible for the high level corporate risk register, for its development and its review.

In addition the Authority has published a Business Continuity Management policy. As part of the Combined Improvement and Risk Reduction Plan 2010-11 to 2012-13 the Service will ensure that the business continuity arrangements are comprehensive and secure. To do this the Service will promote renewed emphasis on progressing plans and continuously developing new ones and giving equal importance to corporate and operational business continuity management to ensure that no area has been overlooked and that recovery plans are robust.

To do this the Service will:

- have clearly defined and allocated responsibility for Business Continuity Management within the Service.
- develop a programme of testing and exercising to check the validity of existing plans.

Specifically, in 2012-13, the Service will be:

- Continuing to develop individual functional business continuity plans with associated testing and exercising plans.
- Continuing to develop the service's overall resilience to disruption, including from actual or threatened industrial action.
- Securing an SLA with an Occupational Health Service provider.
- Developing workforce succession planning and introducing career development Pathways.
- Continuing to develop and plan for the All-Wales (Control) Resilience project.
- Integrating the Service's BCM arrangements with the WG's Climate Change Adaptation reporting requirements.
- Improving the resilience of workforce management by increasing flexibility.

Combined Risk Reduction and Improvement Plan

Through a formal process of developing an annual Improvement and Risk Reduction Plan containing the Fire and Rescue Authority's strategic objectives, Members and Officers consider a range of relevant information, such as:

- past performance levels and activity levels;
- anticipated future challenges and changes;
- known risks from previous and new risk assessments;
- recommendations from external audit reports, internal audit reports, self-assessments and peer reviews; and specific inspectorates (e.g. Health and Safety Executive) and bodies (e.g. Welsh Language Commissioner).

Both Corporate Risks and Community Risks are considered in an integrated way during this process.

In October 2010, the Authority published its Combined Improvement and Risk Reduction plan under new statutory guidance issued following the introduction of the Local Government (Wales) Measure 2009. This plan contained a retrospective account of performance in 2009-10, an account of the current years' service plans and the seven Improvement Objectives set by the Authority for 2011-12. Further objectives were then developed as a direct consequence of the Authority's decision in December 2010 to freeze the annual budget at £32 million from 2011-12 until 2013-14.

During 2011 Welsh Government officials sought to introduce interim arrangements to move the Improvement Plans publication date forward by 3-6 months to more effectively align their production with financial planning cycles, but the necessary consent to make the changes could not be obtained in time for the 2012-13 year.

Given that Fire and Rescue Authorities are required to set improvement objectives every year, this does not mean that the objectives have to change every year or be deliverable within one year.

The Authority's Executive Panel therefore resolved at its May 2011 meeting that in view of:

- the broad scope of the existing objectives already in the 2011-12 Improvement and Risk Reduction Plan;
- the need to allow time to consolidate existing objectives at a time of increasing pressure from reducing budgets;
- the unexpectedly tight timescales for publishing the 2012-13 plan by the end of October 2011 rather than the end of March 2012; and
- the Welsh Government's decision to defer the production of a new Fire and Rescue National Framework, leaving the existing 2008-11 Framework in place for the time being;

the Authority should carry forward the same objectives to 2012-13 as it had already adopted for 2011-12. The full Authority ratified this approach at its meeting in June 2011, and approved the 2012-13 improvement objectives at its meeting in October 2011.

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Since that time, the Welsh Government has consulted on a change of date of publication of FRA Improvement Plans, from as soon as reasonably practicable after 30 September to as soon as practicable after 31 December of the year prior to the financial year to which the plan applies. This proposal is intended to bring improvement planning more closely in line with financial planning.

Performance against the previous year's objectives will be reported in accordance with Section 15 of the Local Government (Wales) Measure 2009 – i.e. by 31 October in the year following the year to which the information relates.

ICT Steering Group

An external review of the ICT department led to the formation of the ICT Steering Group. It is chaired by Principal Officer with the reference for ICT and also includes the Deputy Chief Fire Officer and the other two Assistant Chief Fire Officers as well as the ICT Manager. Its terms of reference include:

- Responsibility for the definition of Service ICT policies and procedures including the security policy.
- Monitoring the deployment and implementation of ICT Policy and the performance of ICT within the Service
- Development of the ICT strategy and responsible for reviewing and accepting business cases for ICT investment from various departments.
- Responsibility for the review and approval of major ICT procurements and overseeing the implementation of major ICT projects.

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3. In addition to its internal committee structures and day to day management the Service is also subject to external review of its key systems in order to ensure the effectiveness of its systems:

Internal Audit

Section 151 of the Local Government Act 1972 implies the need for an Internal Audit function, which requires authorities to “make arrangements for the proper administration of their financial affairs.” The Accounts and Audit Regulations (Wales) 2005 specifically requires that “a relevant body shall maintain an adequate and effective system of internal control in accordance with proper internal audit practices.”

The Authority outsources its Internal Audit function to Conwy Council Borough Council as part of its Treasury and Financial Services SLA. The Service, which is independent in its planning and operation, complies with CIPFA’s Code of Internal Audit Practice and is designed to give assurance that the Authority maintains adequate systems of internal control and makes recommendations on the ways to enhance these where it feels necessary.

The Head of Audit Services has direct access to the Chief Fire Officer, all levels of management and elected members.

The Internal Audit service is delivered on the basis of a needs assessment, a risk based approach to determining the needs of the Authority at the start of each year and detailed in operational plans which are presented to the Audit Committee on an annual basis for approval.

At the Fire and Rescue Authority Meeting on 18th June 2012 a ‘Summary of Internal Audit Activity for 2011/12’ was presented showing the work undertaken during that year, along with the Draft Audit Plan for 2012/13.

During 2011/12 the Internal Audit department completed 58 days of review, which were spent undertaking 5 audits in the following areas:

| Auditable Area | Critical | Major | Moderate | Minor | Total | Agreed by Mgmt | Audit Opinion |
|---|----------|----------|-----------|----------|-----------|-----------------------|---------------|
| Retained Stations – Ynys Mon and Gwynedd | 0 | 0 | 4 | 4 | 8 | 8 | Satisfactory |
| Fleet Management | 0 | 0 | 4 | 2 | 6 | 6 | Good |
| Final Account – Rhyl Community Fire Station | 0 | 0 | 4 | 0 | 4 | 4 | Satisfactory |
| Special Investigation | N/A | N/A | N/A | N/A | N/A | N/A | *N/A |
| National Fraud Initiative | 0 | 0 | 0 | 0 | 0 | 0 | Good |
| Totals | 0 | 0 | 12 | 6 | 18 | 18 | |
| | | | | | | Good | 2 |
| | | | | | | Satisfactory | 2 |
| | | | | | | Adequate | 0 |
| | | | | | | Unsatisfactory | 0 |

* Not appropriate to provide an Audit Opinion upon the special investigation undertaken.

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Every audit carried out is followed up with a review audit six months later to ascertain if the recommendations in the report have been followed, in 2011/12 follow up audits were carried out for:

| Description | Audit Date | Follow up Due Date | Follow up Date | No. Recs | Recs Outstanding | Revised Audit Opinion |
|---------------------------------------|------------|--------------------|----------------|----------|------------------|-----------------------|
| RDS Stations – FIN 8s and Inventories | Sep-10 | Dec-11 | Dec-11 | 8 | 2 | Satisfactory |
| Freedom of Information | Jan-11 | Jun-11 | Sep-11 | 4 | 0 | Good |
| IT Security | May-11 | Nov-11 | Feb-12 | 7 | 1 | Good |
| *Community Safety Partnership Working | May-11 | Jun-12 | | 20 | | |

*Community Safety Partnership Working Follow up is scheduled to be undertaken in June 2012

The outcomes of these audits including the reviews are reported to the Chief Fire Officer, the Deputy Chief Fire Officer, Finance Manager and the appropriate manager for action if necessary.

At the same meeting the Internal Audit department also issued its Annual Statement of Assurance, as required by CIPFA's Code of Practice for Internal Audit in Local Government 2006. The Head of Audit concluded in his audit opinion that North Wales Fire and Rescue Service has internal control and corporate governance processes to manage the achievement of the Authority's objectives.

External Audit

KPMG, on behalf of the Wales Audit Office, has continued to provide an external audit service to the Authority in 2011/12 and as such the effectiveness of internal controls is also informed by their work.

In September 2011, the Wales Audit Office and KPMG presented to the Audit Committee its 'Audit of Accounting Statements' Report, which stated their intention to issue an unqualified Auditor's Report on the accounting statements and related notes for 2010/11. The detailed report confirmed that the Authority's accounting statements give a true and fair view of the financial position as at 31 March 2011.

Following the introduction of the Local Government Measure 2009, the Authority underwent its second Annual Improvement Assessment by the Wales Audit Office in 2011/12, resulting in the publication of an Annual Improvement Report in January 2012. The Report looks at how the Authority is improving and delivering its services.

This year's report is divided into three main sections, which cover the planning, delivery and evaluation of improvement by the Authority.

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Overall the report concluded that the Authority has put good arrangements in place to deliver improvement and does well in the areas it focuses on; but planning, evaluation and reporting of performance is not sufficiently balanced or outcome based. A summary of key conclusions were that the Authority:

- has appropriate arrangements in place to address priorities and respond to previous suggestions for improvement;
- has a sound approach to financial management but given the scale of change necessary clear leadership is required;
- information management is supporting improvement but there are some weaknesses in governance and performance;
- current arrangement for developing, using and supporting technology are likely to support improvement;
- is meeting its statutory obligations with regards to the Welsh Language Act.

The report also concluded that the Authority has achieved much of what it set out to achieve in its identified priorities. The Authority:

- has made good progress towards achieving its Improvement Objectives in 2010-11.
- is helping to prevent fires and road traffic collisions occurring and whilst fatalities and injuries in fires increased last year the long term trend shows a reduction.
- is actively developing more innovative and efficient ways to respond to a wide range of events and incidents.

The report also sets out its views on the Authority's own assessment of its performance and arrangements. It concluded that the Authority has mechanisms for monitoring performance but needs to become more balanced in the evaluation and reporting of performance and focus on improvement objectives so that there is a clearer picture of the Authority's progress against its improvement objectives.

Following the introduction of the Annual Improvement Report, the Annual Audit Letter from its external auditors is presented as part of the report to the Authority and the public and discharges WAO's reporting responsibilities under the Code of Audit Practice. The letter sets out its key messages arising from their audit inspection work that it has undertaken in the last twelve months. The report received was reported to the Audit Committee on 30th January 2012 for approval prior to its inclusion in the Report.

The headline findings arising from the letter concluded that the Fire and Rescue Authority complied with its financial and performance improvement reporting requirements, receiving 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 financial transactions. The following areas were noted during the account audit:

1. From 2010/11 local authorities in Wales were 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 however the following issues were identified regarding the accounts:

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- 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.

2. The 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 the following issues were brought to 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 and conclusions, should be included in the Audit Committee papers to allow Members to consider issues in advance.
- 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.

Review of 2010/11 Annual Governance Statement Key Issues

During the previous year's review 2010/11 the following four issues were highlighted to be addressed:

1. Formalisation of the Authority's Risk Management Policy

The Corporate Risk Register has been refreshed in March 2012 and presented to the Executive Group on 11th April 2012 where it was deferred for further work. The updated register will now be submitted to the Executive Group meeting on 6th July 2012 for final approval.

The updated register includes 9 high level risks within 5 areas, Financial, Political, Resources, Planning and National Issues.

2. Formalisation of the Authority's Partnership Policy

Following the internal audit of Community Fire Safety the Service has implemented a number of the recommendations highlighted in the report. These include improvements in the areas of quality assurance and performance management within the area of voluntary sector engagement.

The provision of information sharing protocols with partner agencies involved with our Phoenix scheme and with voluntary sector organisations, who deliver Home Fire Safety Checks on our behalf have also been formalised.

A guidance document has been completed for Community Safety Education in schools and confirmation of the partnership objectives within the multi-agency crucial crew project. In addition a risk register has been compiled and a risk assessment completed for areas of work within Community Safety.

3. Scheme of delegation to be reviewed

This has been postponed until after the induction of the new Fire and Rescue Authority in May 2012, when it is seen appropriate to review the Scheme.

The Scheme delegates decision making power to the Chief Fire Officer in 11 areas to take any such decisions on the Authority's behalf.

The Scheme also clearly sets out where this delegation does not apply to.

4. Active promotion amongst staff of the Whistle Blowing Policy

A campaign was run via the Corporate Communications department in January 2012 which highlighted to staff the Authority's Whistle Blowing policy and explained its key points.

The campaign included an article in the Service's internal quarterly publication Y Fflam. The article encouraged staff to learn more about the Service's Public Disclosure policy to ensure staff are aware that they are able to report matters of concern without fear of reprisal.

Key Governance Issues

It is the view of Officers that the review of the governance arrangements for the financial year 2011/12 has not highlighted any areas of major concern. The existing arrangements are fit for purpose and are adequate to meet the Authority's corporate aims.

Several minor issues are highlighted below, they are being dealt with by the appropriate officers and progress will be monitored in the forthcoming year 2012/13 and reported to the full Fire and Rescue Authority during next year's review.

Issues to be addressed in 2012/13:

1. Continue to build on previous years' work with regards to the Authority's Whistle Blowing policy in order maintain an open and transparent workplace.
2. Enhancements to the information reported to Audit Committee in relation to the Internal Audit findings. Introduction of written summary (rather than verbal updates) of Internal Audit work in the period.
3. Formalisation of the year end timetable to ensure a timely completion of the Statement of Accounts to further ensure the Whole of Government Accounts pack is submitted in its final format to audit with adequate time for review in order to meet Welsh Government's deadline.
4. Development of the Authority's current ICT arrangements to ensure that it has the capacity within its technically skilled resources to deliver its plans without impacting on quality of service, including development of a new five year ICT strategy.
5. Work with the other two Fire and Rescue Services in Wales to further enhance their medium term revenue plans.

Anthony Barrett
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Eich Cyf/Your Ref:
Ein Cyf/Our Ref: SF/M27
Dyddiad/Date: 24 September 2012
Gofynner am/Ask for: S Forrest
Rhif Union/Direct Dial: 01492 576179

KPMG LLP
3 Assembly Square
Britannia Quay
Cardiff Bay
CF10 4AX

Dear Sirs

2011/2012 Statement of Accounts of North Wales Fire Authority

This representation letter is provided in connection with your audit of the financial statements of North Wales Fire Authority (the Authority) and the firefighters' pension fund for the year ended 31 March 2012.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and Code of Practice on Local Authority Accounting in the United Kingdom 2011/12; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.

- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;

- our knowledge of fraud or suspected fraud that we are aware of and that affects North Wales Fire Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
- the identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There have been no uncorrected misstatements.

Representations by North Wales Fire Authority

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the North Wales Fire Authority Audit Committee on 24 September 2012.

Yours faithfully

Chair of the Authority
Date 24 September 2012

Treasurer to the Authority
Date 24 September 2012