

Annual Audit Letter  
**Mid and West Wales  
Fire Authority**

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<b>Reference:</b>	1175A2004AALfinal
<b>Author:</b>	Ceri Stradling
<b>Date:</b>	December 2004

## **Status of our reports to the Authority**

*This report has been prepared for the internal use of the named body. Our reports are prepared:*

- *In relation to performance audit, under the Audit Commission Act 1998, in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.*
- *In relation to inspection, following inspection work carried out under Section 10 of the Local Government Act 1999 and in accordance with the guidance issued by the National Assembly for Wales in Circulars 14/2000 and 18/2002. The inspection report is issued in accordance with the duty under Section 13 of the 1999 Act.*

*Reports are prepared by appointed auditors and inspectors, and addressed to members or officers. They are prepared for the sole use of the named body, and no responsibility is taken by auditors or inspectors to any director/member or officer in their individual capacity, or to any third party.*

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## KEY MESSAGES FOR THE AUTHORITY

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### Accounts

*We have completed the audit of the Statement of Accounts and issued an unqualified opinion.*

### Legality of transactions

*The Authority continues to apply appropriate arrangements to ensure the legality of its transactions.*

### Financial standing

*Whilst effective budgetary control has been maintained, the Authority is facing unprecedented financial pressure arising from the firefighters pay settlement and the progression of the Modernisation Agenda. It remains important the Authority continues to receive regular reports on the financial position throughout the year and the financial implications of the recent firefighters pay settlement.*

### Systems of internal financial control

*The Authority's financial control arrangements are generally appropriate and operating as intended. The following issues should now be dealt with:*

- to review and amend where appropriate the programme of Internal Audit work to ensure it is sufficient and effectively aligned to the Authority's risks;*
- provide for the completion of the agreed audit programme by 31 March each year; and*
- issues identified in the fraud awareness questionnaire returned by staff as part of this audit should be used to establish a suitable awareness training programme in fraud and corruption.*

### Securing improvement in services

*The integrated Risk Management Plan prepared as part of the Modernisation Agenda has identified a number of opportunities to improve service delivery and release resources for fire safety work. The Authority should continue to receive regular reports as to the implementation and progress being made in delivering the agreed Plan.*

**Recommendations**

- R1 The overall financial position of the Authority should be continued to be closely monitored.
- R2 The financial implications of the number of potential retirements for firefighters should be assessed and reported to the Authority.
- R3 The Treasurer should submit a report on the present level of Internal Audit resources and whether they are adequate to discharge his responsibilities in relation to audit.
- R4 A programme to complete all written financial procedures should be compiled.
- R5 A training programme for staff in fraud awareness and the procedures adopted by the Authority should be compiled and delivered.
- R6 Detailed proposals for the distribution of whole time and day crewed station based on current activity levels should be drawn up.
- R7 The strategies and policies contained in the Best Value Performance Plan and those of the IRMP should be reviewed to ensure consistency.
- R8 A small number of local targets should be compiled to enable local initiatives to be effectively monitored and reported.
- R9 Performance trends should continue to be monitored and reasons obtained for differences in reported activity levels.

## Background to the audit

1. Last year, we referred to the exceptional period of change and uncertainty facing the Fire Service. This continued throughout 2003/2004 and it was not until July 2004 that the national pay dispute was finally settled.
2. During this year, the Authority and Service has had to address the numerous and sometimes complex changes resulting from the 'Modernisation Agenda' facing the Fire Service. In particular, an extensive review of current service levels was undertaken to inform the compilation of an integrated Risk Management Plan. This involved lengthy consultation with users, stakeholders, and the public in general and the staff side of the Service.
3. The Plan provides the blue print for the development of the Service over the next few years and identifies a number of opportunities and risks facing the Service. More recently, the draft Plan for the Service for 2005/2006 was issued for consultation in August 2004.
4. The challenge as last year remains how the findings of these plans are to be developed and progressed over the forthcoming years. During November 2004, responsibility for the fire and rescue service in Wales (other than for pay and conditions) was devolved to the Welsh Assembly Government, creating a single line of responsibility for Fire Authorities and contributing to the effective management, planning and delivery of the Fire Service in Wales.
5. The Assembly's Minister for Social Justice and Regeneration has consulted on a National Framework for Wales that clearly sets out the policy and direction for the Welsh Fire and Rescue Service and a template for future planning and budgeting by Fire and Rescue Authorities. As part of that framework, the Audit Commission in Wales (ACiW) will become responsible for the independent inspection of the Fire and Rescue Service in Wales undertaken through the new Wales Audit Office.
6. The framework sets out that Fire and Rescue Services will be subject to the Wales Programme for Improvement and the Assembly is shortly to consult on the detailed approach to WPI for Fire and Rescue Services. This has been developed in consultation with ACiW, Fire and Rescue Authorities and the WLGA. Subject to the outcome of the exercise, the framework will be finalised for implementation from 1 April 2005 and will be supported by ACiW's implementation guidance.
7. These changes are likely to impact on the future performance regime for the Fire Service in Wales. The Authority and Service will need to ensure they remain alert to these changes and provide the management capacity to respond effectively.

## The purpose of this Letter

8. This Annual Audit Letter is distributed to all members and summarises the more important matters arising from the audit for 2003/2004. The Letter has been translated into Welsh and a copy is available on request from the Chief Fire Officer at Fire Service Headquarters at Carmarthen. Additionally, the Authority intends to place the Letter on the Authority's website.

9. We have produced separate reports during the year on specific aspects of our work. These reports have been discussed and agreed with officers and are listed at Appendix 1 for information. The Audit Commission has circulated to all audited bodies a statement that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.
10. This document also incorporates the report that I am required to provide on the Best Value Performance Plan (BVPP) under Section 7 of the Local Government Act 1999. The Auditor's Report on the Authority's BVPP for 2004/2005 is attached at Appendix 2.

## **Audit objectives**

11. As your appointed auditor, we are required to plan and carry out an audit that meets the requirements of the Code of Audit Practice. As in previous years, we have applied a risk-based approach to planning our audit, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.
12. This is centred around the three elements of our responsibilities as set out in the Code. These being:
  - the audit of the financial statements;
  - financial aspects of corporate governance; and
  - performance management.
13. In detail, this covers the following areas:

## **Accounts**

- Core financial processes review; and
- Opinion on the financial statements.

## **Financial aspects of corporate governance**

- Legality of financial transactions;
- Financial standing;
- Systems of internal financial control; and
- Standards of financial conduct, and the prevention and detection of fraud and corruption.

## **Securing improvement in services**

- Use of resources;
- Audit opinion on the BVPP; and
- Performance information.

**Audit planning and fees**

14. Members may recall that in order to bring the Audit Commission's financial year in line with that of the Authority, the current Audit Plan covers the financial years 2002/2003 and 2003/2004. The agreed fee for the two years was £102,000. We are required to keep the programme under review during the course of the audit and advise officers and the Authority of any changing circumstances which may affect the core audit fee. I can confirm that there are no matters which have affected the audit fee and the agreed programme of work has been delivered.
15. In addition to the core audit, the Office of the Deputy Prime Minister asked the Audit Commission to undertake a review at all Fire Authorities in England and Wales to assess the progress being made in implementing the national changes set out in the pay agreement and subsequent White Paper to ensure that overall progress was in accordance with the Government's prescribed guidance and timetables.

## Accounts

- Core process review; and
- Opinion.

*We have completed the audit of the Statement of Accounts and issued an unqualified opinion.*

## Core financial process review

16. The approach to support our audit opinion on the financial statements focuses on assessing the core financial processes that form the basis for their preparation. These are:
  - main accounting system;
  - budgetary control procedures; and
  - closure of final accounts.
17. Our overall conclusion is that, the core processes in place are appropriate and have operated consistently to provide for the financial statements being free from material error or mis-statement. We were therefore able to plan our final accounts audit with that assurance and expectation.

## Opinion

18. The draft Statement of Accounts was approved by the Authority in September. The accounts were supported by comprehensive working papers and this has enabled the audit to be undertaken efficiently and with the minimum of disruption to your staff. We have now completed our work and issued an unqualified opinion.
19. This year saw a number of important changes in the preparation of the accounts. Commencing in 2003/2004 Financial Reporting Standard (FRS17) requires all Fire Authorities to account for the full liability of the retirement benefits for all employees. These benefits are now accounted for at the time they are committed rather than the date paid.
20. This change involved a number of new and significant accounting entries. It is pleasing to report that these had been correctly applied and there are no specific items that I need to bring to the attention of the Authority. In addition there are no other accounting adjustments, omissions or errors that I am required to report to the Authority in accordance with SAS 610 (see Appendix 3). A memorandum of other matters arising from the audit of the Statement of Accounts is currently being discussed and agreed with officers.
21. Commencing in 2004/2005 there will be a requirement to progressively bring forward the completion of the Statement of Accounts so that by 2006/2007 the annual accounts are submitted to the Authority for approval by 30 June each year. The Authority will need to ensure that the resources and procedures are in place to meet this date.

## Financial aspects of corporate governance

- Legality of financial transactions;
- Financial standing;
- Systems of internal financial control; and
- Standards of financial conduct and the prevention and detection of fraud and corruption.

### Legality of financial transactions

*Overall, we consider that the Authority has continued to apply appropriate procedures for the consideration of legal issues.*

22. The Authority has continued to apply appropriate arrangements to ensure matters with significant financial consequences are correctly considered. In particular, we note:
- the Clerk continues to be the Responsible Monitoring Officer;
  - the Constitution sets out the functions delegated to the Clerk which include ensuring lawful decision making, providing advice and recommendations on action to be taken;
  - all items submitted to the Authority or committees for consideration include where appropriate details of the potential legal implications; and
  - a service level agreement is in place for the provision of legal advice from Pembrokeshire County Council.

### Financial standing

*Whilst the overall financial position of the Authority and the Service remains sound with effective budgetary control exercised during the year, there is continuing financial pressure resulting from the level of potential commitments arising from the implementation of the firefighters pay settlement.*

### Overall financial position

#### Revenue

23. The Authority's total revenue budget for 2003/2004 was £35.737 million. This represented a 4.9% increase on the financial year 2002/2003. The out-turn was £36.16 million, the increased budget of £423,000 being in respect of the additional cost of the firefighters pay settlement not included in the original budget. This cost has been funded from an additional contribution levied on the constituent unitary authorities in 2004/2005.
24. The financial position of the Authority remains under considerable pressure with further commitments arising from the firefighters pay settlement and the implementation of the Modernisation Agenda. The implications of this settlement, together with the overall financial position, continue to be reported to the Authority.

- 25. More recently, the Treasurer has reported to the Authority the financial position for the period 1 April to 30 September 2004. This shows an underspend of £547,000, primarily due to delays in central training expenditure and savings in uniform pay. The Treasurer forecasts that expenditure for the year will remain within the overall budget.
- 26. As with other Fire Authorities, the main financial challenge for the Authority remains staffing and pension costs, particularly the firefighters pension scheme. The actuarial work required by FRS 17 has placed a value of £164.83 million on the liabilities of what is an unfunded defined benefit scheme.
- 27. At 31 March 2004 there is a provision of £3.120 million which has been set aside to meet the cost of future pension payments for firefighters. Given the current age profile of firefighters and other changes arising from the implementation of the IRMP, the number of potential retirements may increase in the next few years.
- 28. This provision will need to be kept under review to ensure it remains commensurate with the number of firefighters who are eligible for retirement.

**Recommendations**

R1 The overall financial position of the Authority should be continued to be closely monitored.

R2 The financial implications of the potential retirements for firefighters should be assessed and reported to the Authority.

**Systems of internal financial control**

*The Authority's financial systems during the year remained compliant with the requirements of the statement on the systems of internal financial control.*

**Internal Audit**

*Last year we reported that the capacity and scope of Internal Audit work had remained unchanged for a number of years. This remained the position during 2003/2004.*

- 29. A key element of our overall approach to providing an audit opinion on the Statement of Accounts is the assurance gained from Internal Audit's review and testing of financial systems. The agreed External Audit fee was set with the understanding that Internal Audit would cover the key financial systems and provide independent assurance that they are operating effectively and that the output from these systems can be relied on for audit purposes. We consider that the agreed programme of work for Internal Audit is at the minimum needed to obtain such assurance. This, coupled with any failure to complete the work by 31 March, could in future years both increase the level of External Audit work required and delay the completion of the audit.
- 30. In particular, little Internal Audit work had been completed by 31 March 2004. Whilst the programme has now been completed, procedures for future years should provide for Internal Audit to be progressed throughout the year so that it is substantially completed by 31 March. Given the requirement to advance the completion of the Statement of Accounts to 30 June, an earlier completion of Internal Audit work will be needed to provide the necessary assurance to support the audit opinion.

31. The number of audit days (30) has remained unchanged for a number of years and should now be subject to review to ensure it reflects current audit risks. No change has been made for 2003/2004, though the Treasurer has acknowledged that the level and timing of Internal Audit work will be reviewed in 2004/2005.

**Financial procedures**

32. In previous years we have referred to the need to compile written procedures identifying the operation and responsibilities for the control of the Authority’s main financial systems. Whilst officers have recognised the need for such procedures, only limited progress has been made due to a number of staff vacancies and other priorities taking precedence.

**Recommendations**

R3 The Treasurer should submit a report on the present level of Internal Audit resources and whether they are adequate to discharge his responsibilities in relation to audit.

R4 A programme to complete all written financial procedures should be compiled.

**Standards of financial conduct, and the prevention and detection of fraud and corruption**

33. During the last year, procedures have been strengthened by the adoption of a new Constitution which, if operated as intended, provides a sound basis for effective corporate governance. We consider, however, that there is now a need to decide how the requirements of the Constitution should be distributed and what specific training is required for members and officers.
34. This year, with the agreement of the Chief Fire Officer, we sent to 100 employees, randomly selected from both uniform and support staff, a questionnaire relating to the procedures adopted by the Authority in relation to fraud and corruption. The aim of the questionnaire was to gauge the level of understanding within the Service on the procedures that were in place to prevent fraud and corruption and safeguard the assets of the Authority.
35. A report analysing the results has been discussed with the Director of Service Support. In summary, the main conclusions are:
  - All categories of staff showed a general awareness of the Authority’s commitment to preventing fraud and corruption and felt the Authority is making a positive difference, though this was not so marked amongst retained firefighters.
  - Whilst most respondents indicated that they were clear about what constitutes fraud and corruption, most felt they had received little or no training on fraud and corruption issues.
  - Respondents generally showed a lack of awareness of the Public Interest Disclosure Act. This is particularly important as this legislation is the statutory basis where employees can report suspected fraud and corruption without fear of reprisal or discrimination.
36. These and other findings from the analysis of returned questionnaires should be used to inform a suitable awareness training programme for all categories of staff.

**Recommendation**

R5 A training programme for staff in fraud awareness and the procedures adopted by the Authority should be compiled and delivered.

## Securing improvement in services

37. An integral part of the Code of Audit Practice for the delivery of an effective External Audit is the identification and delivery of audit work to assist authorities in developing and improving service delivery. This duty is discharged both by undertaking specific audit work on areas where the Authority accepts that an independent review would be beneficial, together with consideration of performance issues arising from the 'Best Value' process.

## Agreed audit work

38. This year, we have completed:
- a review of the effectiveness of arrangements adopted for working with other partners in the delivery of a local Fire and Rescue Service; and
  - a review of the progress being made to implement the e-Government agenda.

## Working in partnership

39. This work reviewed the overall arrangements within the Mid and West Wales Fire and Rescue Service to ensure that they are appropriate to support the principles of working in partnership whilst properly safeguarding the interests of the Authority. A detailed report has been discussed and agreed with senior officers.
40. Our work found:
- There is a strong commitment both from the Authority and senior officers to develop partnership working and this has led to a number of initiatives being developed with other organisations. Coupled with this, the emphasis in its future plans is to move from reactive firefighting to increased involvement in education and prevention.
  - That to enable this commitment to develop in a coherent and strategic way, there is a need to develop and adopt a policy document stating how different partnerships link together, and how consistency of approach and spreading best practice is to be accomplished.
  - A need to review the format and availability of action plans in respect of partnerships so that they contain SMART (Specific, Measurable, Agreed, Resourced and Timebound) targets that clearly link actions to outcomes.
  - That reports should be prepared on outcomes against local Performance Indicators that enable the effectiveness of the partnership work to be better assessed.

## Delivering improvement through e-Government

41. This work consisted of a review of the progress being made to provide opportunities for the public to communicate and deal with the Authority and Service through the use of information technology (commonly referred to as e-Government).
42. We have submitted a progress report to the Chief Fire Officer which shows:
  - the Authority has continued to make very good progress in achieving its targets to date to implement e-Government; and
  - some £575,000 has been spent in providing and enhancing procedures to enable services to be delivered electronically.
43. This investment has delivered the quantifiable benefits of:
  - the guidance IEG goals set by the ODPM being met;
  - empowering of firefighters and safety officers via the delivery of mobile electronic data system;
  - improved electronic communications to all 57 fire stations located within the Authority area;
  - reduction in paper flow;
  - reduction in mail and transport cost;
  - online ordering;
  - online fleet management; and
  - station managers can now have online access to the human resources system which empowers management to monitor in real time sickness and shift rotas.
44. At this stage we consider the Authority and Service to be on target to meet the Government's objectives for delivering the e-Government agenda, though this will require the agreed programme to be maintained.

## Review of IRMP

45. As part of the settlement of the national firefighters pay dispute, the Audit Commission was asked by the ODPM to review and report on the arrangements that all Fire Authorities in England and Wales were putting in place to modernise the delivery of the Fire Service and to develop the specific recommendations contained within the White Paper 'Our Fire and Rescue Service'.
46. This work was undertaken by the appointed auditor to each Fire Authority and comprised of two reviews in January and July 2004. Following each review, a detailed report was discussed and agreed with the Chief Fire Officer and made available to all members.
47. We found the Authority and senior officers to be managing the change required in an effective and mature way. Phase 2 of our work confirmed that on the national scale used by the Audit Commission to assess progress, 'the assessment for Mid and West Wales was that reasonable progress was being made and that progress had been made since phase 1 of the work'.
48. In detail, we concluded that whilst the Authority has made sound overall progress in delivering the Modernisation Agenda further work was required in developing procedures from moving from rank to role and revising duty systems.

49. In particular, since the completion of our work the Service has completed a detailed analysis of the activity levels for whole time and day crewed stations. This shows:
- a variance of five to one in activity levels between the busiest and least busy whole time station; and
  - a variance of four to one in activity levels between the busiest and least busy day crewed station.
50. At the conclusion of the consultation with the public and other stakeholders, we understand a number of options relating to the crewing of these stations are presently being considered.

#### Recommendation

R6 Detailed proposals for the distribution of whole time and day crewed station based on current activity levels should be drawn up.

## Best Value Performance Plan

### Introduction

51. Under the Local Government Act 1999, specified local government bodies are expected to comply with the requirements of 'Best Value', which is defined as making arrangements to secure continuous improvement in the way in which their functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The audited body is required to publish annually a BVPP, which summarises the body's assessments of its performance and position in relation to Best Value. The audited body is responsible for preparing the BVPP and for the information and assessments that are set out within it, and the assumptions and estimates on which they are based. It is also responsible for putting in place appropriate performance management and internal control systems, from which the information and assessments in the BVPP are derived.
52. We are required to consider and report on whether the audited body has complied with statutory requirements in respect of the preparation and publication of its BVPP.

### Publication of the 2004/2005 BVPP

53. We found that:
- the Plan was published by 30 June;
  - the contents of the Plan are compliant with the statutory requirements and reflect the guidance issued by the ODPM; and
  - from a test check of reported performance that it was correctly stated.
54. Whilst the Plan correctly reports all the indicators required by statute, there are currently few local indicators reported in the BVPP. Additionally, the Authority has set out in the integrated Risk Management Plan how it intends the Service to develop at a local level during the next few years. To enable the success or otherwise of this strategy, it is important that local targets are developed which are aligned to the strategies and policies set out in the IRMP.

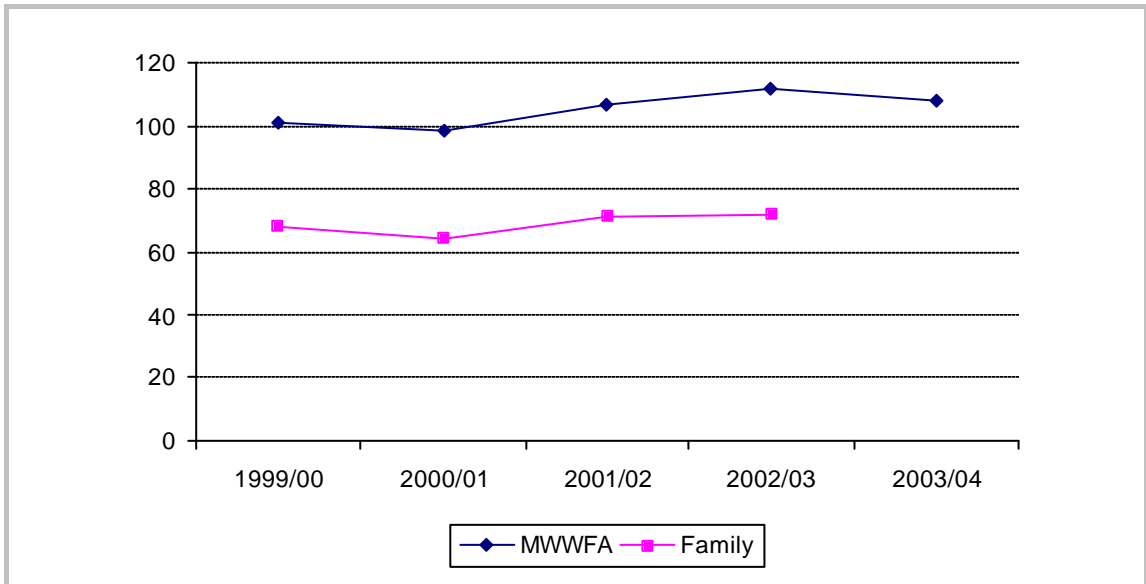
**Performance**

- 55. Last year, we reported that whilst the overall performance of the Authority was improving, the number of deaths and injuries resulting from accidental fires in dwellings remained above the target set by the ODPM and that reported by other Fire and Rescue Services within the family group.
- 56. This year, we have analysed a number of key activity levels over the previous five years to identify the overall performance trend and the position with other Fire and Rescue Services within the 'family'.

**EXHIBIT 1: PERFORMANCE TRENDS**

Area of activity	Comments on performance
Activity levels	The number of calls attended excluding false alarms remains consistently above the family average. (Exhibit 2).
Deaths and injuries	The number of deaths and injuries resulting from accidental fires in dwellings is reducing, though remains higher than the family average. (Exhibits 3 and 4). This information has to be taken in the context that the actual number of deaths in any one year is relatively low.
Lost time	The number of days/shifts lost through sickness average is consistently better than the family average. There was, however, a sharp increase in the number of days lost in 2003/2004. (Exhibits 5 and 6)

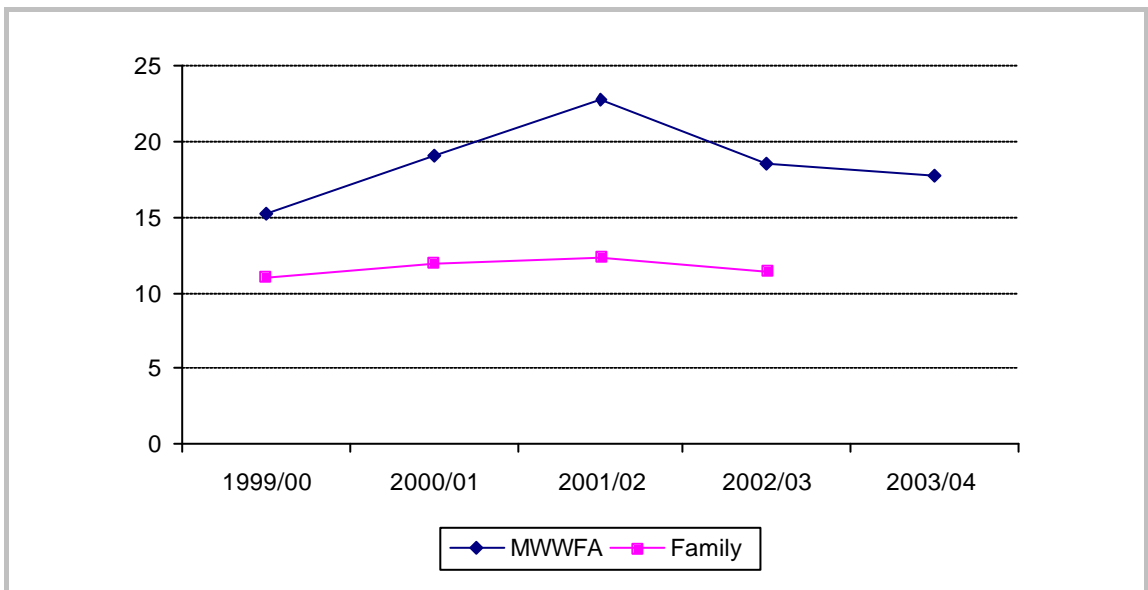
**EXHIBIT 2: NUMBER OF CALLS TO FIRE ATTENDED TOTAL CALLS (EXCLUDING FALSE ALARMS) PER 10,000 POPULATION**



**EXHIBIT 3: NUMBER OF DEATHS ARISING FROM ACCIDENTAL FIRES IN DWELLINGS PER 100,000 POPULATION**



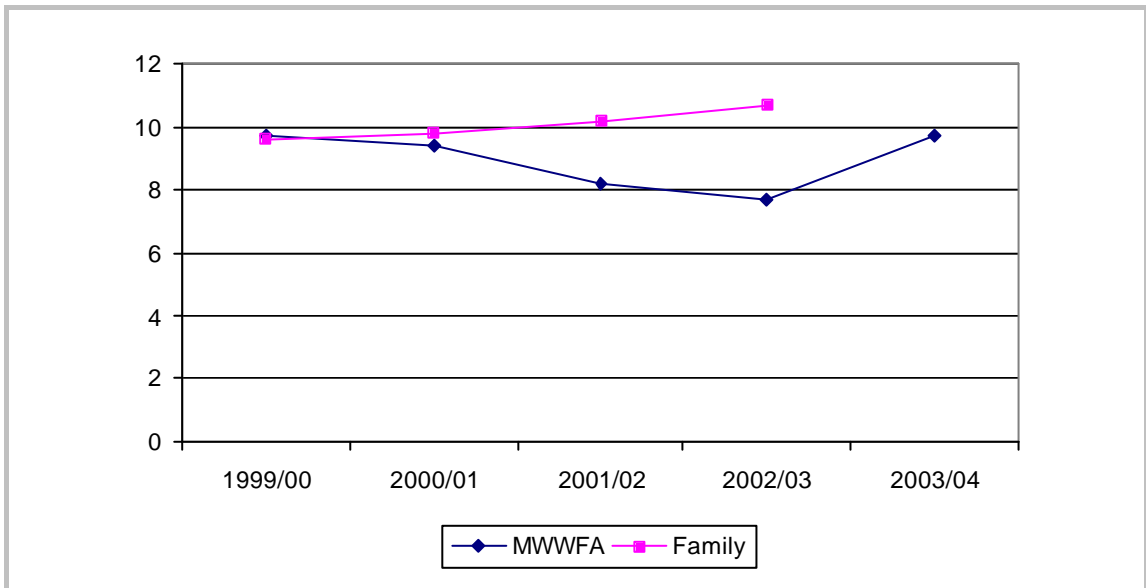
**EXHIBIT 4: NUMBER OF INJURIES – ARISING FROM ACCIDENTAL FIRES IN DWELLINGS PER 100,000 POPULATION**



**EXHIBIT 5: NUMBER OF WORKING DAYS/SHIFTS LOST DUE TO SICKNESS ABSENCE  
WHOLE TIME UNIFORM AND CONTROL**



**EXHIBIT 6: NUMBER OF WORKING DAYS/SHIFTS LOST DUE TO SICKNESS ABSENCE –  
ALL STAFF**



**Recommendations**

R7 The strategies and policies contained in the BVPP and those of the IRMP should be reviewed to ensure consistency.

R8 A small number of local targets should be compiled to enable local initiatives to be effectively monitored and reported.

R9 Performance trends should continue to be monitored and reasons obtained for differences in reported activity levels.

## Future audit work

57. The Audit Plan for the 2004/2005 financial year is currently being discussed and agreed with the Treasurer and Chief Fire Officer. This work will be delivered in period 1 November 2004 to 31 October 2005.

## Closing remarks

58. This Letter has been discussed and agreed with the Chief Fire Officer, Treasurer and Director of Service Support. A copy of the Letter is now provided to all members and will subsequently be presented to the Authority.
59. Finally I would like to take this opportunity to express my appreciation for the assistance and co-operation provided during the course of the work. Our aim is to deliver a high standard of audit which makes a positive and practical contribution which supports the Authority's own agenda. We recognise the value of your co-operation and support.



**Ceri Stradling**  
District Auditor

**23 December 2004**

## **Reports issued since January 2004**

- Audit of 2002/2003 Statement of Accounts;
- Fire Service Pay and Conditions Agreement – Verification Report – Phase 1;
- Fire Service Pay and Conditions Agreement – Verification Report – Phase 2;
- Interim Audit Report 2003/2004 (August 2004);
- Review of Working in Partnership (March 2004);
- Fraud and Corruption Awareness Survey (September 2004); and
- Review of e-Government (October 2004).

## Audit Certificate on Best Value Performance Plan

### Certificate

I certify that I have audited Mid and West Wales Fire Authority's BVPP in accordance with Section 7 of the Local Government Act 1999 and the Audit Commission's Code of Audit Practice. I also had regard to supplementary guidance issued by the Audit Commission.

### Respective responsibilities of the Authority and the auditor

Under the Local Government Act 1999 (the Act), the Authority is required to prepare and publish a BVPP summarising the Authority's assessments of its performance and 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.

The Authority is responsible for the preparation of the Plan and for the information and assessments set out within it. 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. The form and content of the BVPP are prescribed in Section 6 of the Act and statutory guidance issued by the Government.

As the Authority's auditor, I am required under Section 7 of the Act to carry out an audit of the BVPP, 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 Act and statutory guidance and, where appropriate, recommending how the Plan should be amended so as to accord with statutory requirements.
- To recommend:
  - where appropriate, procedures to be followed in relation to the Plan;
  - whether the Audit Commission should carry out a Best Value Inspection of the Authority under Section 10 of the Local Government Act 1999; and
  - whether the Secretary of State should give a direction under Section 15 of the Local Government Act 1999.

## Opinion

### Unqualified opinion

In my opinion, Mid and West Wales Fire Authority has prepared and published its BVPP in all significant respects in accordance with Section 6 of the Local Government Act 1999 and statutory guidance issued by the Government.

### Basis of this opinion

For the purpose of forming my opinion whether the Plan was prepared and published in accordance with the legislation and with regard to statutory guidance, I conducted my audit in accordance with the Audit Commission's Code of Audit Practice. In carrying out my audit work, I also had regard to supplementary guidance issued by the Audit Commission.

I planned and performed my work so as to obtain all the information and explanations which I considered necessary in order to provide an opinion on whether the Plan has been prepared and published in accordance with statutory requirements.

In giving my opinion, I am not required to form a view on the completeness or accuracy of the information or the realism and achievability of the assessments published by the Authority. My work therefore comprised a review and assessment of the Plan and, where appropriate, examination on a test basis of relevant evidence, sufficient to satisfy me 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.

Included in the Plan are the Authority's estimates for the year ending 31 March 2004. Actual results for the year are likely to be different from the figures reported, because events and circumstances frequently do not occur as expected, and the differences may be material. To the extent that figures included in the Plan are estimates, my audit work comprised an assessment as to whether the estimates made by the Authority had been properly compiled in all significant respects on the basis of the assumptions stated by the Authority, as at the date at which the Plan was prepared.


Where I have qualified my audit opinion on the Plan, I am required to recommend how the Plan should be amended so as to comply in all significant respects with the legislation and statutory guidance.

**Recommendations on referral to the Audit Commission/Secretary of State**

I am required each year to recommend whether, on the basis of my audit work, the Audit Commission should carry out a Best Value Inspection of the Authority or whether the Secretary of State should give a direction.

On the basis of my work:

- I do not recommend that the Audit Commission should carry out a Best Value Inspection of Mid and West Wales Fire Authority under Section 10 of the Local Government Act 1999; and
- I do not recommend that the Secretary of State should give a direction under Section 15 of the Local Government Act 1999.

<b>District Auditor's signature:</b>	
<b>Date:</b>	<b>23 December 2004</b>

## SAS 610 Report: Communication Concerning Financial Statements to those Charged with Governance

### Introduction

The Authority is responsible for the preparation of financial statements that present fairly its financial position as at 31 March 2004 and its income and expenditure in the year then ended. We are responsible for undertaking an audit and reporting whether in our opinion the financial statements present fairly the financial position at the year-end, and income and expenditure for the year then ended.

The Authority is responsible for the preparation of a Statement of Internal Financial Control in which it reports the extent to which it has complied with standards of internal control specified by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Statement of Recommended Practice (SORP) 2003. We are required to report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements.

The Authority submitted draft financial statements to us on 17 August 2004 and we have now substantially completed our audit of those statements. This report details key matters arising from our audit that we must communicate to those charged with governance prior to giving an opinion on those financial statements.

It should be noted that our audit does not seek either to obtain absolute assurance that the financial statements present fairly your financial position or assurance that they are accurate in every regard. In this context, we adopt a concept of materiality. We seek, in planning and conducting our audit of the accounts, to identify material errors in your financial statements. Material errors are those which might be misleading to a reader of the financial statements.

### Background

Statement of Auditing Standards 610 (SAS 610) 'Reporting to those charged with governance' was issued to establish standards and provide guidance on the communication of relevant matters relating to the audit of financial statements between auditors and those charged with governance of an audited body to:

- ensure that there is a mutual understanding of the scope of the audit and the respective responsibilities of the auditors and those charged with governance;
- share information to assist both auditors and those charged with governance fulfil their respective responsibilities; and
- provide those charged with governance constructive observations from the audit process.

The standard requires auditors to report to those charged with governance (as distinct from management) certain matters before they give an opinion on the financial statements. These relevant matters are:

- relationships that may bear on the auditor's independence;
- audit planning information; and
- findings from the audit, including the auditor's views on the qualitative aspects of the entity's accounting and reporting.

The first two matters have been reported to you in the Audit Plan. This report has been prepared to discharge our responsibilities with regard to the third point, namely reporting on the findings from the audit of the financial statements.

This report addresses the following issues:

- expected modifications to the auditor's report;
- unadjusted mis-statements;
- material weaknesses in the accounting and internal control systems identified during the audit;
- their views about the qualitative aspects of the entity's accounting practices and financial reporting;
- matters specifically required by other Auditing Standards to be communicated to those charged with governance; and
- any other relevant matters relating to the audit.

## Auditor's report

SAS 610 requires that we report to those charged with governance any proposed modifications to our report on the financial statements. This is to ensure that you are aware of the reasons for the modifications and have the opportunity to provide any further information and explanations in respect of the matter(s) giving rise to the modification. Our report comments on whether:

- the statements present fairly the financial position as at 31 March 2004 and its income and expenditure for the year then ended; and
- the statement on the system of internal control/statement on the system of internal financial control/statement on corporate governance is consistent with our knowledge and understanding of the Authority's internal control arrangements.

### ***Current position at Mid and West Wales Fire Authority***

#### **No modifications to the auditor's report**

On the basis of our audit work, no matters have been identified that would require any modification to the audit opinion. A draft report showing the standard audit opinion is attached at Appendix 1.

## Unadjusted mis-statements

We are required to report to you all unadjusted mis-statements other than those of a clearly trifling nature. A trifling error is an entirely inconsequential error, whether taken individually or in aggregate, and whether judged by any quantitative and/or qualitative criteria. On the basis of our standard methodology, we have assessed the trifling limit for the Authority at £50,000.

### *Current position at Mid and West Wales Fire Authority*

#### **No mis-statements**

On the basis of our audit work we have identified no non-trifling errors relating to the 2003/2004 Statement of Accounts.

## Material weaknesses in accounting and internal control systems

We have certain responsibilities to report to you weaknesses in accounting systems and systems of internal control identified in the course of our audit.

A material weakness in the accounting and internal control systems is defined by SAS 610 as 'a deficiency in design or operation which could adversely affect the entity's ability to record, process, summarise and report financial and other relevant data so as to result in a material mis-statement in the financial statements.'

We do not, however, normally report to those charged with governance information concerning a material weakness of which you are aware, and in respect of which, in our opinion, appropriate corrective action has been taken, unless the weakness is symptomatic of broader weaknesses in the overall control environment and there is a risk that other material weaknesses may occur.

You should be aware that we do not provide a comprehensive statement of all weaknesses that may exist in the accounting and internal control systems or of all improvements that may be made, but have addressed only those matters that have come to our attention as a result of the audit procedures performed.

### *Current position at Mid and West Wales Fire Authority*

#### **No weaknesses identified**

Our audit did not identify any weaknesses in accounting and internal control systems or adjusted errors relevant to your wider governance responsibilities that we need to report to those charged with governance.

## Qualitative aspects of accounting practices and financial reporting

In the course of our audit of the financial statements, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements.

We are required by SAS 610 to report our assessment of qualitative aspects of accounting practices and financial reporting to those charged with governance.

### *Current position at Mid and West Wales Fire Authority*

#### **No matters arising**

No matters have come to our attention that we would wish to draw to the attention of those charged with governance.

## Matters required by other auditing standards to be reported to those charged with governance

Other auditing standards require us to communicate with you in other specific circumstances including where:

- we suspect or detect fraud, even if the potential effect is not material to our audit of the financial statements; and
- there is an inconsistency between the Authority's financial statements and other information in documents containing the financial statements.

### *Current position at Mid and West Wales Fire Authority*

#### **No matters arising**

We have identified no such matters in the course of our audit.

## Other matters

### *Current position at Mid and West Wales Fire Authority*

#### **No matters arising**

There are no other matters that we would wish to draw to your attention.