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Authors: Rob Powell, Anthony Barrett, Gilbert Lloyd and KPMG

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Annual Letter for 2008-09

Mid and West Wales Fire and Rescue Authority

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Summary

1. This Annual Letter (Letter) sets out the key messages arising from audit and inspection work undertaken over the last 12 months. It provides Mid and West Wales Fire Authority (the Authority) with an annual summary of the findings and conclusions of our work and that of the Peer Assessment Team.
2. The Appointed Auditor's conclusions on the Authority's accounts are generally positive as set out in paragraphs 5 to 18.
3. The Relationship Manager (RM) has concluded that the Authority has made progress in dealing with a range of risks and now needs to address agreed priority areas as identified in this year's Joint Risk Assessment (JRA).
4. Appendix 1 sets out the roles of the Appointed Auditor and RM.

The Authority has complied with financial and performance improvement reporting requirements

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

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

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

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

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

11. In summary, the improvements required, which are set out in more detail in the International Standard on Auditing (ISA) 260 report along with the management responses, are to:
- improve the process for accounting for fixed assets including the release of the revaluation reserve;
 - ensure that future fixed asset valuations are scoped clearly including, for land and buildings, specifying the need to split the valuation between the land and buildings elements; and
 - conduct a thorough review, prior to the issue of unaudited accounts, of the classification of debtor and creditor balances.

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

12. The criteria that I used to assess the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources during 2008-09 are set out in Appendix 2. My report is in Appendix 3.
13. We have concluded that in 2008-09 the Authority had satisfactory arrangements in place to support the achievement of its responsibility to secure economy, efficiency and effectiveness in its use of resources.

The Authority's Improvement Plan 2009-10 meets statutory requirements and provides a balanced view of its performance in 2008-09

14. The Authority is required, by the Local Government Act 1999 and subsequent guidance issued by the Assembly Government, to publish its Improvement Plan by 31 October each year.
15. I am required to consider whether the Improvement Plan is prepared and published in accordance with statutory requirements and guidance, and to report my findings, including those on the completion of the JRA, my audit of the Authority's Performance Indicators (PIs) and on its performance measurement arrangements.
16. Detailed responsibilities, the scope of our work and the audit certificate are set out in Appendix 4.
17. I, as Appointed Auditor, am required each year, by Section 7 of the Local Government Act 1999, in relation to the Authority's improvement plan, to recommend whether the Auditor General should carry out an inspection of the Authority under section 10A of the Act. I am also required each year to recommend whether the Welsh Ministers should give a direction under section 15 of the Act. My recommendations are in Appendix 5.
18. The Authority has set challenging targets for 2009-10 in respect of all national indicators.

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

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

19. The Authority has completed and agreed with its auditors and the Peer Assessment Team (PAT) a JRA of its services and corporate functions. On 27 April 2009, we reported to the Authority the outcomes of the JRA, which the Authority is using to inform its Action Database and to produce its Annual Action Plan of the current Risk Reduction Plan (2007-2010). Members receive regular reports on the Action Database and Risk Reduction Plan via the Performance Review and Audit Committee.
20. During the past year, the PAT reviewed the progress that the Service had made against a number of operational risks highlighted in previous PAT reports. The PAT found that employees of the Service had 'a clear understanding of the corporate vision and objectives of the organisation' and that the Authority has made progress in reducing the levels of operational risk.
21. Key areas of progress reported by the PAT included:
 - the development of Business Continuity Management and the development of a Major Incident Plan which is the key plan that the service will use in the case of a major emergency;
 - significant progress in developing a comprehensive Operational Learning System, which provides fire-fighters with operational learning and allows for the monitoring, audit and review of operational activities and operational intelligence;
 - improving the provision of welfare services for operational staff deployed to incidents, including consideration of appropriate Personal Protective Equipment and the acquisition of a welfare support vehicle; and
 - the implementation of new crewing arrangements within the Control Room.
22. The PAT highlighted the following priority areas for further improvement:
 - continue with the development and testing of business continuity arrangements both within the service and with other key partners;
 - further develop the engagement with the two Local Resilience Forums along with exercising and testing of the major incident plan and other contingency plans;
 - further embed the Operational Learning System and Operational Monitoring within the culture of the Service;

- ensure that equality impact assessments are undertaken for all policies;
- resolve any conflicting priorities regarding legislative fire safety practices within County Commands, for example not reaching agreed standards resulting in medium to low risk sites not being sampled;
- ensure that the improving Personal Performance and Development Review process is fully implemented and understood by staff and includes sustainable core skill training arrangements; and
- ensure that New Dimension equipment, which enhances the capacity of the service to deal with major incidents such as large scale flooding, is fully integrated into the training and development function.

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

23. The roles and responsibilities of members have been strengthened, with progress reflected by the award of the Welsh Local Government Association's Bronze Award for Member Development. The Authority also received a commendation for its entry into the Municipal Journal Local Government Achievement Awards 2009 (Councillor Development Achievement). Recent changes in the membership of the Authority will require continued support and training for new and existing members during the coming year.
24. The Service has established its management structure in line with its long-term plans following the appointment of the new Chief Fire Officer last year. This will now give the Service an opportunity to consolidate and focus on its key risks during the coming year.
25. Following the recent changes to crewing arrangements in Fire Control, the Wales Audit Office agreed to assess whether the proposals for staffing changes had been implemented according to the original intentions and good practice. Our review found that the Service has effectively implemented more flexible working patterns, but there was scope to increase the benefits of the new crewing arrangements by addressing resource capacity issues.
26. The development of the Fire Services Emergency Cover (FSEC) Model has been subject to an independent review. That report made 16 recommendations, seven of which are now complete. The remaining recommendations, which are of a low risk nature are in progress. Further work will be required to implement fully all the recommendations of the review.
27. The service has participated in the 2009 Making the Connections study on buildings management. The overall conclusion from this study is that the Service needs to put further arrangements in place in order to support developments in efficiency and service delivery to meet the needs and expectations of users in the twenty-first century. We came to this conclusion because the Service needs to develop an asset management plan and performance management arrangements. However, arrangements are in place that should deliver value for money, with good procedures for managing operational issues across a very large area and clear procedures for the procurement and letting of contracts.

28. The Authority is committed to using the Wales Audit Office's Good Practice Exchange (<http://www.wao.gov.uk/goodpracticeexchange.asp>) as a source of good practice and has participated in Shared Learning events. A review of the management of sickness absence by the Wales Audit Office led to the inclusion of a case study of the Authority's sickness absence management on the Wales Audit Office's website.
29. The key challenge for the Authority in the coming year is to implement the risk reduction measures outlined in the Risk Reduction Plan Action Plan and in the PAT report.

Appendix 1

Role of the Appointed Auditor and Relationship Manager and fees estimate

This Letter has been written by:

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

Statute and the Code require the Appointed Auditor to:

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

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

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

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

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

Appendix 2

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

Corporate performance management and financial management arrangements	Questions on arrangements
Establishing objectives, determining policy and making decisions	Has the Authority put in place arrangements for setting, reviewing and implementing its strategic and operational objectives?
Meeting the needs of users and taxpayers	Has the Authority put in place channels of communication with users and taxpayers, and other stakeholders including partners, and are there monitoring arrangements to ensure that key messages about services are taken into account?
Compliance with established policies	Has the Authority put in place arrangements to maintain a sound system of internal control, including those for ensuring compliance with laws and regulations, and internal policies and procedures?
Managing operational and financial risks	Has the Authority put in place arrangements to manage its significant business risks?
Managing financial and other resources	Has the Authority put in place arrangements to evaluate and improve the value for money it achieves in its use of resources?
	Has the Authority put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities?
	Has the Authority put in place arrangements to ensure that its spending matches its available resources?
	Has the Authority reviewed and made changes where appropriate to its treasury management procedures in the light of the economic downturn and the fragility in the banking system?
	Has the Authority put in place arrangements for managing and monitoring performance against budgets, taking corrective action where appropriate, and reporting the results to senior management and the Authority?
	Has the Authority put in place arrangements for the management of its asset base?

Corporate performance management and financial management arrangements	Questions on arrangements
Monitoring and reviewing performance	Has the Authority put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to the Authority?
	Has the Authority put in place arrangements to monitor the quality of its published performance information, and to report the results to Authority members?
Proper standards of conduct etc	Has the Authority put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business?

Appendix 3

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

Conclusion on the Authority's arrangements for the year ended 31 March 2009 for securing economy, efficiency and effectiveness in its use of resources	
The Authority's responsibilities	
The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to ensure proper stewardship and governance. The Authority is also responsible for regularly reviewing the adequacy and effectiveness of these arrangements.	
Auditor's responsibilities	
I have a responsibility under section 17(2)(d) of the Public Audit Wales Act 2004, to satisfy myself from my examination of the Authority's annual accounts and otherwise whether it has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. For the purposes of my work in this area, I have assessed 'proper arrangements' as principally comprising an organisation's corporate performance management and financial management arrangements, significant elements of which are defined in paragraph 48 of the Auditor General's Code. I report if significant matters have come to my attention that prevent me from concluding that the Authority has made such proper arrangements. In carrying out my work, I have not considered whether the arrangements in place represent all those that could be in place. I am also not required to consider, nor have I considered as part of this aspect of my work, the effectiveness of the arrangements in place in securing value for money during the year under review.	
Conclusion	
The following conclusion is based on, and limited to, work carried out as part of my audit of the 2008-09 accounts, together with examination of other information that I have considered relevant. I am satisfied that the Authority had proper arrangements in place during the year for securing economy, efficiency and effectiveness in its use of resources. I have also raised various issues with the Authority, and made recommendations to improve its arrangements. These matters are further discussed and explained in the Annual Letter.	
Anthony Barrett Appointed Auditor 29 September 2009	Wales Audit Office 24 Cathedral Road Cardiff CF11 9LJ

Appendix 4

Audit of the 2009-10 Improvement Plan

Certificate

We certify that we have audited Mid and West Wales Fire and Rescue Authority's Improvement Plan in accordance with section 7 of the 1999 Act and the Auditor General's Code.

Respective responsibilities of the Authority and the auditors

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

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

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

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

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

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

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

We are also required to recommend:

- Whether the Auditor General should carry out an inspection of the Authority under section 10A of the 1999 Act.
- Whether the Assembly Government should give a direction under section 15 of the 1999 Act – for example, directing the Authority to amend its Plan, carry out a review of a specific function or hold a local inquiry. Details of all possible directions can be found in the 1999 Act.

Scope of the Improvement Plan audit

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

For the purposes of our report, we have interpreted compliance with the statutory guidance issued by the Assembly Government in the document, *Wales Programme for Improvement: Guidance for Local Authorities*, as being sufficient to meet the statutory requirements under section 6 of the 1999 Act.

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

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

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

The work we have carried out in order to report and make recommendations in accordance with section 7 of the 1999 Act cannot be relied upon to identify all weaknesses or opportunities for improvement.

We planned our work so as to collect sufficient evidence to satisfy myself that the Plan includes those matters prescribed in legislation and statutory guidance, and the arrangements for publishing the Plan, complied with the requirements of legislation and statutory guidance.

Appendix 5

Recommendations to the Auditor General and to Welsh Ministers

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

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



Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ
Tel: 029 2032 0500
Fax: 029 2032 0600
Textphone: 029 2032 0660
E-mail: info@wao.gov.uk
Website: www.wao.gov.uk