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Please contact us in Welsh or English.
Cysylltwch â ni'n Gymraeg neu'n Saesneg.

Councillor Meirick Lloyd Davies
Ffordd Salesbury
St Asaph Business Park
St Asaph
Denbighshire
LL17 OJJ

Reference: 269A2017-18

Date issued: 17 November 2017

Dear Councillor Lloyd Davies

Annual Audit Letter - North Wales Fire and Rescue Authority 2016-17

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice.

The Authority complied with its responsibilities relating to financial reporting and use of resources

It is the Authority's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards.

On 22 September 2017 I issued an unqualified audit opinion on the 2016-17 accounting statements confirming they present a true and fair view of the Authority's and the Pension Fund's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to the members of the Fire Authority on 18 September through my *Audit of Financial Statements Report*¹. The most important audit matters were:

- The draft accounting statements were of poor quality, had not been subject to quality review, nor were they supported by sufficiently detailed working papers. As a result of these issues, as well as a lack of reconciliation of grant income and expenditure, the draft accounting statements were extensively restated.
- Despite the recommendations for improvement from our 2015-16 audit, there were still a number of significant issues relating to the 2016-17 accounting statements, in particular the maintenance of the asset register and insufficient detail on the individual assets classified as operational and IT equipment.
- The Fire Fighter Pension Fund accounted for pension payments relating to May 2016-April 2017 in the 2016-17 accounting statements instead of those relating to April 2016-March 2017. As a result, there were unadjusted misstatements in the accounting statements. However, these did not impact on the audit opinion.

I issued a certificate confirming that the audit of the accounts has been completed on 22 September 2017.

I am satisfied that the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources

My consideration 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 under the Local Government (Wales) Measure 2009. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

¹ <http://www.nwales-fireservice.org.uk/media/337892/10ii-audit-of-financial-statements.pdf>

As a result of the issues identified during the audit and reported to the Authority on 18 September 2017, we had to carry out a significant amount of additional work. These issues centred on the overall poor quality of the accounting statements and the supporting records. Consequently, fees of £5,600 will be charged in addition to the fee estimate of £45,000 set out in the 2017 Audit Plan. The fee estimate for 2017-18 will be set within the fee-scale parameters for the fire and rescue authorities, which are to be set out in the Wales Audit Office's published *Fee Scheme 2018-19*.
Yours sincerely

A handwritten signature in blue ink, appearing to be 'MJ', followed by a horizontal line.

Mark Jones
For and on behalf of the Auditor General for Wales

cc. Simon Smith, Chief Fire Officer
Dawn Docx, Deputy Chief Fire Officer
Ken Finch, Treasurer and Section 151 Officer