

Appendix 2

Anthony Barrett
Wales Audit Office
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Eich Cyf/Your Ref:
Ein Cyf/Our Ref: SF/M27
Dyddiad/Date: 23 October 2006
Gofynner am/Ask for: S Forrest
Rhif Union/Direct Dial: 01492 576179

Dear Anthony

Representations regarding the 2005-2006 Statement of Accounts

This representation letter is provided in connection with your audit of the financial statements of the North Wales Fire Authority for the year ended 31 March 2006 for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the North Wales Fire Authority as at 31 March 2006 and of the result of its operations and its cash flows for the year then ended in accordance with the Accounts and Audit (Wales) Regulations 2005 and the 2005 Local Government Statement of Recommended Practice (the LG SORP)

Representations made by Management

Overall Representations

1. All the transactions undertaken by the Fire Authority have been properly reflected and recorded in the accounting records.
2. There are no pooled budget projects arising from any partnership agreements, joint ventures or joint arrangements other than those disclosed in the accounting statements and associated notes.
3. The Fire Authority has complied with all conditions imposed by relevant grant paying organisations and has received the amounts of grant included within the accounts.
4. The Fire Authority has complied with all aspects of contractual agreements that would require adjustment to, or disclosure in, the financial statements.
5. The financial statements are free of material misstatements, including omissions except those detailed in paragraph 9 below.
6. All accounting records and supporting documentation and all minutes of meetings of the Fire Authority have been made available to you.
7. The Fire Authority has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

8. The measurement methods, including the related assumptions, used in determining fair values are appropriate and have been applied consistently. Disclosures relating to fair values are complete and appropriate.
9. The Auditor identified a number of misstatements in the Statement of Accounts relating to provisions that have not been corrected. The following amounts have been set aside from the 2005-2006 underspend and have been classified as provisions when they do not strictly comply with the definition set out in Financial Reporting Standard 12 and the CIPFA Statement of Recommended Practice (SoRP). Since 1996 the Fire Authority has taken a pragmatic approach over the strict inability to hold reserves and has classified any reserves (as defined by the SORP) as provisions and has clarified this view with our external auditors as the annual financial statements are audited. Further detail is given on page 5 of the Statement of Accounts. In our opinion to treat these amounts differently would be misleading and we believe the current method of disclosure is transparent to all parties concerned. The provisions misstated are :-

2006-07 Budget Provision	- £335,518
Rank to Role Provision	- £100,000
Equal Pay Provision	- £90,000
Control Provision	- £40,000
Estates Provision	- £35,000

ASSETS

10. All assets included in the balance sheet were in existence at the balance sheet date and owned by the North Wales Fire Authority, and free from any lien, encumbrance or charge, except as disclosed in the accounts. The balance sheet includes all tangible assets owned by the North Wales Fire Authority.
11. Appropriate assets over £100 are capitalised. Buildings are revalued every five years using 'open market value' for office accommodation and 'depreciated replacement cost' for fire stations. All the Fire Authority's buildings are depreciated over their estimated useful life and a charge made for depreciation. Other assets are recognised at historic cost and depreciated over their useful lives.
12. On realisation in the ordinary course of the Fire Authority's operations the other current assets in the balance sheet are expected to produce at least the amounts at which they are stated. Adequate provision has been made against all amounts owing to the North Wales Fire Authority which are known, or may be expected, to be irrecoverable.
13. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

LIABILITIES

14. All liabilities, both actual and contingent, have been recorded and disclosed as appropriate as well as all guarantees that we have given to third parties.
15. There is no pending litigation which may result in significant loss to the Fire Authority, and which have not been disclosed in the financial statements, either as current or contingent liabilities.

16. All obligations under finance leases or hire purchase contracts have been disclosed in the accounts.
17. All unfunded benefits (such as discretionary added years) have been considered in the compilation of the FRS17 figures included in the financial statements.

Results

18. The results for the year were not materially affected by transactions of a sort not usually undertaken by North Wales Fire Authority, or circumstances of an exceptional or non-recurring nature.

Internal Control

19. I acknowledge my responsibility for the design and implementation of internal control to prevent and detect error.

There have been no:

- irregularities involving management who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; and
- communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.

Post Balance Sheet Events

20. There have been no material changes since the date of the balance sheet affecting liabilities and commitments, and no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should have been brought to the notice of the auditor.

Representations by those charged with governance

21. We acknowledge that the representations made by management, above, have been discussed with us.
22. We acknowledge our responsibility for the fair presentation of the financial statements in accordance with the applicable financial reporting framework.
23. We acknowledge our collective responsibility for the preparation of the financial statements, which were approved by Fire Authority on 23 June 2006.
24. We have disclosed to you all known or possible non-compliance with laws and regulations whose effects should have been considered when preparing the financial statements. In particular we draw your attention to the misstatements on provisions as detailed in paragraph 9 above and page 5 of the Statement of Accounts.
25. There are no other material transactions with related parties (as defined by FRS 8 and the LG SORP), other than those recorded and disclosed in the financial statements.

26. We acknowledge our responsibility for the design and implementation of internal control to prevent and detect fraud and have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
27. We confirm, to the best of our knowledge and belief, that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Signed by

Treasurer
Date 23 October 2006

Chairman
Date 23 October 2006