

Communication  
Concerning Financial  
Statements to those  
Charged with Governance

**North Wales Fire Authority**

INSIDE THIS REPORT

**PAGES 3-5**

**Summary Report**

- Introduction
- Background
- Audit approach
- Unadjusted mis-statements
- Material weaknesses in accounting and internal control systems
- Qualitative aspects of accounting practices and financial reporting
- Matters required by other auditing standards to be reported to those charged with governance
- Other matters

**PAGES 6-7**

**Appendices**

- Draft independent auditors' report to the members of North Wales Fire Authority

<b>Reference:</b>	District Auditor's report 15-12-03#23 – Draft
<b>Authors:</b>	David Jones Mark Roberts
<b>Date:</b>	December 2003

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

*Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any director/member or officer in their individual capacity, or to any third party.*

## Introduction

The Authority is responsible for the preparation of financial statements that present fairly its financial position as at 31 March 2003 and its income and expenditure in the year then ended. We are responsible for undertaking an audit and reporting whether in our opinion the Authority's financial statements present fairly its financial position and income and expenditure.

The Authority is responsible for the preparation of a statement of internal control. We are required to report where we obtain evidence in the course of our audit that is inconsistent with the disclosures made by the Authority.

The Authority submitted draft financial statements to us in June 2003 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

A revised Statement of Auditing Standards (SAS), SAS 610 'Reporting to those charged with governance', is applicable for the first time to the audit of the Authority's accounts. It requires auditors to report to those charged with governance (as distinct from management) certain matters before they give an opinion on the financial statements:

- Auditors should communicate to those charged with governance:
  - expected modifications to the auditors' 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;
  - any other relevant matters relating to the audit.

We have considered each of the areas listed above and our views are set out below, together in this first year with explanations of the issues that we are responding to.

## Audit approach

The standard requires that we report to those charged with governance any proposed modifications to our report on the financial statements.

On the basis of our audit work, we do not currently intend to issue a non-standard report on the Authority's financial statements. A draft report 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.

A small number of non-trifling errors were identified in the course of our audit. Appropriate amendments have been made by management in all cases.

## Material weaknesses in accounting and internal control systems

We have limited responsibilities to report to you weaknesses in accounting systems and systems of internal control identified in the course of our audit. We also have a duty to report adjusted errors in financial statements where they are relevant to your wider governance responsibilities.

Our audit did not identify any weaknesses in accounting and internal control systems. 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.

## Qualitative aspects of accounting practices and financial reporting

SAS 610 places specific duties on auditors to report their assessment of qualitative aspects of accounting practices and financial reporting to those charged with governance.

We have carefully considered the qualitative aspects of the Authority's accounting practices and financial reporting. 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;
- where there is an inconsistency between the Authority's financial statements and other information in documents containing the financial statements.

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

## Other matters

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

## Draft independent auditors' report to the members of North Wales Fire Authority

I have audited the financial statements on pages A to F which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages X to Y.

This report is made solely to North Wales Fire Authority in accordance with Part 2 of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

### Respective responsibilities of the Chief Financial Officer and Auditor

As described on page x the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the financial statements present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on page x reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. I report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the Authority's system of internal financial control. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my/our report if I become aware of any apparent mis-statements or material inconsistencies with the statement of accounts.

### Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary, in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

**Opinion**

In my opinion, the financial statements present fairly the financial position of North Wales Fire Authority as at 31 March 2003 and its income and expenditure for the year then ended.

**Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature: ..... Date: .....

Name: ..... Address: .....